



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

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Mayoral committee	
Executive Mayor	Hon Cllr NN Mahlangu (PR)
Speaker	Hon Cllr MS Letlakane (PR)
Chief Whip	Cllr NJ Molehabangwe (PR)
Executive Members	Cllr S Viljoen (PR)
	Cllr MA Molamuagae (PR)
	Cllr PM Mokoto (Ward 14)
	Cllr JP Molatudi (Ward 10)
	Cllr TP Januarie (Ward 01)
	Cllr MV Mogodu (Ward 02)
	Cllr MM Moreo (Ward 03)
	Cllr NW Thwane (Ward 04)
	Cllr RL Tlhagale (Ward 05)
	Cllr TJ Sekgelo (Ward 06)
	Cllr NP Moleboge (Ward 07)
	Cllr GD Gaedie (Ward 08)
	Cllr SJ Kgatitswe (Ward 09)
	Cllr SK Moleleki (Ward 11)
	Cllr SM Williams (Ward 12)
	Cllr TM Sehemo (Ward 13)
	Cllr F Lobelo (PR)
	Cllr ME Molete (PR)
	Cllr LY Taaljardt (PR)
	Cllr JK Mangwejane (PR)
	Cllr ME Swartz (PR)
	Cllr MM Moruapheko (PR)
	Cllr KP Mathibe (PR)
	Cllr NR Baitsumedi (PR)
	Cllr E Pretorius (PR)
	Kgosi J Molete (Traditional Leader)
	Kgosi C Moshoelette (Traditional Leader)
Grading of local authority	3
Accounting Officer	Mr FT Mabokela (Acting Municipal Manager)
Chief Financial Officer	Mr LJ Mogoemang
Registered office	Cnr. General Delarey and Government Street Delareyville 2770
Business address	Cnr. General Delarey and Government Street Delareyville 2770

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

Postal address

P O Box 24
Delareyville
2770

Bankers

First National Bank

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Tswaing 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 year then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were 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 judgments and estimates.

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 5 - 108, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024.



Mr F.T. Mabokela
Accounting Officer (Acting Municipal Manager)

Delareyville

Saturday, 31 August 2024

Tswaing 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

Net deficit of the municipality was R 33 996 505 (2023: surplus R 10 060 825).

2. Going concern

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

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year, that may need to be adjusted for or disclosed in the Financial Statements.

4. Accounting Officers' interest in contracts

The accounting officer does not have any interest in any contract concerning Tswaing Local Municipality.

5. Accounting policies

The annual financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice and the requirements of the Municipal Finance Management Act 2003 (Act NO. 56 of 2003) (MFMA) and the Division of Act South Africa (Act No 2 of 2013) (DoRA).

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.

7. Bankers

The banker of Tswaing Local Municipality is First National Bank.

8. Auditors

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

9. Non compliance with applicable legislation

In terms of section 65 (2)(e) of the Municipal Finance Act (No. 56 of 2003), all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement. Due to cash flow constraints, the municipality, could not settle all money owing within the prescribed period.

Tswaing 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	2	4 860 495	3 297 545
Receivables from exchange transactions	3	100 675	109 597
Receivables from non-exchange transactions	4	18 279 004	18 972 253
VAT receivable	52	33 902 796	28 379 466
Trade and other receivables from exchange	5	47 668 295	50 580 764
Cash and cash equivalents	6	1 206 362	494 820
		106 017 627	101 834 445
Non-Current Assets			
Biological assets	7	5 329 795	3 883 801
Investment property	8	64 052 795	64 066 819
Property, plant and equipment	9	660 519 315	671 966 991
Heritage assets	10	953 000	953 000
Other financial assets	11	657 443	504 019
		731 512 348	741 374 630
Total Assets		837 529 975	843 209 075
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	259 812 171	341 977 170
Consumer deposits	13	1 445 614	1 389 369
Employee benefit obligation	45	1 288 437	907 385
Provisions	15	2 519 838	2 072 249
		265 066 060	346 346 173
Non-Current Liabilities			
Employee benefit obligation	45	31 808 001	27 506 669
Provisions	15	46 888 737	40 479 067
Debt Relief	55	98 886 517	-
		177 583 255	67 985 736
Total Liabilities		442 649 315	414 331 909
Net Assets		394 880 660	428 877 166
Accumulated surplus		394 880 660	428 877 166

* See Note 56 & 49

Tswaing 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	17	84 124 298	74 662 061
Rental of facilities and equipment		292 303	70 405
Licences and permits		3 959 240	3 841 305
Other income	18	280 029	230 918
Interest received - investment	19	681 717	281 631
Dividends received	19	28 020	19 840
Total revenue from exchange transactions		89 365 607	79 106 160
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	35 350 289	28 770 537
Transfer revenue			
Government grants & subsidies	21	187 813 411	213 344 752
Donations	53	540 960	-
Fines		366 450	521 380
Debt Forgiven by Suppliers		22 429 258	563 214
Debt Waiver	55	25 707 324	-
Total revenue from non-exchange transactions		272 207 692	243 199 883
Total revenue	16	361 573 299	322 306 043
Expenditure			
Employee related costs	22	(107 493 146)	(100 003 573)
Remuneration of councillors	23	(11 870 346)	(12 096 773)
Depreciation and amortisation	24	(36 421 923)	(26 326 398)
Finance costs	25	(33 860 078)	(24 780 699)
Lease rentals on operating lease		(989 014)	(962 504)
Debt Impairment	26	(45 418 364)	(11 397 474)
Bad debts written off		(473 399)	(6 256 713)
Loss due to undeposited receipts	48	(412 191)	(80 990)
Bulk purchases	27	(61 897 289)	(50 861 267)
Contracted services	28	(33 934 206)	(38 173 673)
Fines and penalties	47	(1 167 621)	(1 745 157)
General Expenses	29	(60 870 220)	(58 646 389)
Total expenditure		(394 807 797)	(331 331 610)
Operating deficit	34	(33 234 498)	(9 025 567)
Loss on disposal of assets and liabilities		(1 195 918)	(3 485 485)
Fair value adjustments	30	153 424	(13 767)
Actuarial gains/losses	31	(811 636)	15 850 467
Gain on biological assets		1 445 994	1 661 901
(Impairment loss) Reversal of impairments	32	(267 369)	5 212 932
Inventories losses/write-downs		(86 502)	(139 656)
		(762 007)	19 086 392
(Deficit) surplus for the year		(33 996 505)	10 060 825

* See Note 56 & 49

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	445 276 552	445 276 552
Adjustments		
Prior year adjustments	(26 460 212)	(26 460 212)
Balance at 01 July 2022 as restated*	418 816 340	418 816 340
Changes in net assets		
Correction of errors	(19 054 655)	(19 054 655)
Surplus as previously reported	29 115 481	29 115 481
Total changes	10 060 826	10 060 826
Restated* Balance at 01 July 2023	428 877 165	428 877 165
Changes in net assets		
Deficit for the year	(33 996 505)	(33 996 505)
Total changes	(33 996 505)	(33 996 505)
Balance at 30 June 2024	394 880 660	394 880 660
Note(s)		

* See Note 56 & 49

Tswaing 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			
Interest income		681 717	281 631
Dividends		28 020	19 840
Cash receipts from ratepayers, government & others		288 379 676	288 772 394
		<u>289 089 413</u>	<u>289 073 865</u>
Payments			
Interest paid		(2 152)	(49 853)
Cash paid to suppliers and employees		(354 316 989)	(231 602 917)
		<u>(354 319 141)</u>	<u>(231 652 770)</u>
Net cash flows from operating activities	35	<u>(65 229 728)</u>	<u>57 421 095</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	<u>(32 945 247)</u>	<u>(58 003 157)</u>
Cash flows from financing activities			
Movement in debt relief		98 886 517	-
Net cash flows from financing activities		<u>98 886 517</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		711 542	(582 062)
Cash and cash equivalents at the beginning of the year		494 820	1 076 882
Cash and cash equivalents at the end of the year	6	<u>1 206 362</u>	<u>494 820</u>

No cashflows from financing activities exist to be disclosed.

* See Note 56 & 49

Tswaing 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	% Variance	Ref
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	445 020 092	(382 591 983)	62 428 109	84 124 298	21 696 189	35%	N01
Rental of facilities and equipment	-	10 348	10 348	292 303	281 955	2725%	N02
Interest received (trading)	25 265	(25 265)	-	-	-		
Licences and permits	3 033 286	(1 349 022)	1 684 264	3 959 240	2 274 976	135%	N03
Other income	273 489	15 560	289 049	280 029	(9 020)	-3%	
Interest received - investment	290 000	170 294	460 294	681 717	221 423	48%	N04
Dividends received	27 320	-	27 320	28 020	700	3%	
Total revenue from exchange transactions	448 669 452	(383 770 068)	64 899 384	89 365 607	24 466 223		

Revenue from non-exchange transactions

Taxation revenue

Property rates	34 644 334	3 025 465	37 669 799	35 350 289	(2 319 510)	-6%	
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Transfer revenue

Government grants & subsidies	243 339 000	(55 254 000)	188 085 000	187 813 411	(271 589)	0%	
Donations	-	-	-	540 960	540 960	100%	N05
Fines	1 333 855	(807 475)	526 380	366 450	(159 930)	-30%	N06
Debt forgiven by suppliers	-	-	-	22 429 258	22 429 258	100%	N07
Other transfer revenue 2	-	-	-	25 707 324	25 707 324		
Total revenue from non-exchange transactions	279 317 189	(53 036 010)	226 281 179	272 207 692	45 926 513		

Total revenue	727 986 641	(436 806 078)	291 180 563	361 573 299	70 392 736		
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Expenditure

Employee related costs	(104 527 210)	17 814 357	(86 712 853)	(107 493 146)	(20 780 293)	24%	N08
Remuneration of councillors	(11 693 297)	(3 618 620)	(15 311 917)	(11 870 346)	3 441 571	-22%	N09
Depreciation	(53 833 441)	40 575 193	(13 258 248)	(36 421 923)	(23 163 675)	175%	N10
Impairment loss	-	-	-	(267 369)	(267 369)	100%	N11
Finance costs	(200 000)	(15 224 809)	(15 424 809)	(33 860 078)	(18 435 269)	60%	N12
Lease rentals on operating lease	(4 208 882)	3 139 879	(1 069 003)	(989 014)	79 989	-7%	
Debt impairment	-	-	-	(45 418 364)	(45 418 364)	100%	N13
Bad debts written off	(74 081 000)	67 081 000	(7 000 000)	(473 399)	6 526 601	-93%	N14
Loss on undeposited receipts	-	-	-	(412 191)	(412 191)	100%	N15
Bulk purchases	(49 992 000)	(1 648 974)	(51 640 974)	(61 897 289)	(10 256 315)	20%	N16
Contracted Services	(604 511 246)	557 306 231	(47 205 015)	(33 934 206)	13 270 809	-28%	N17
Fines and penalties	-	-	-	(1 167 621)	(1 167 621)	100%	N18
General Expenses	(418 633 961)	395 503 475	(23 130 486)	(60 870 220)	(37 739 734)	163%	N19
Total expenditure	(1 321 681 037)	1 060 927 732	(260 753 305)	(395 075 166)	(134 321 861)		
Operating deficit	(593 694 396)	624 121 654	30 427 258	(33 501 867)	(63 929 125)		
Loss on disposal of assets and liabilities	200 000	(200 000)	-	(1 195 918)	(1 195 918)	100%	N20
Fair value adjustments	-	-	-	153 424	153 424	100%	N21

Tswaing 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	Ref
Figures in Rand						
Actuarial gains/losses	-	-	-	(811 636)	(811 636)	100% N22
Gain on biological assets and agricultural produce	-	-	-	1 445 994	1 445 994	100% N23
Inventories losses/write-downs	-	-	-	(86 502)	(86 502)	100% N24
	200 000	(200 000)	-	(494 638)	(494 638)	
Deficit before taxation	(593 494 396)	623 921 654	30 427 258	(33 996 505)	(64 423 763)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(593 494 396)	623 921 654	30 427 258	(33 996 505)	(64 423 763)	

Tswaing 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	Ref
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	293 508 080	(8 689 600)	284 818 480	4 860 495	(279 957 985)	-98%	N25
Receivables from exchange transactions	3 748 800	-	3 748 800	100 675	(3 648 125)	-97%	N26
Receivables from non-exchange transactions	(168 729 822)	-	(168 729 822)	18 279 004	187 008 826	-111%	N27
VAT receivable	74 449 171	-	74 449 171	33 902 796	(40 546 375)	-54%	N28
Consumer debtors	149 897 333	-	149 897 333	47 668 295	(102 229 038)	-68%	N29
Cash and cash equivalents	116 921 466	-	116 921 466	1 206 362	(115 715 104)	-99%	N30
	469 795 028	(8 689 600)	461 105 428	106 017 627	(355 087 801)		

Non-Current Assets

Biological assets that form part of an agricultural activity	2 221 900	-	2 221 900	5 329 795	3 107 895	140%	N31
Investment property	70 749 485	-	70 749 485	64 052 795	(6 696 690)	-9%	
Property, plant and equipment	25 410 584	(68 159 176)	(42 748 592)	660 519 315	703 267 907	-1645%	N32
Heritage assets	1 039 704	-	1 039 704	953 000	(86 704)	-8%	
Other financial assets	694 040	-	694 040	657 443	(36 597)	-5%	
Receivables from exchange transactions	3 908 301	-	3 908 301	-	(3 908 301)	-100%	N33
	104 024 014	(68 159 176)	35 864 838	731 512 348	695 647 510		

Total Assets

573 819 042	(76 848 776)	496 970 266	837 529 975	340 559 709		
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Liabilities

Current Liabilities

Payables from exchange transactions	504 554 585	(5 000)	504 549 585	361 716 343	(142 833 242)	-28%	N34
VAT payable	749 204 622	-	749 204 622	-	(749 204 622)	-100%	N35
Consumer deposits	1 370 436	(500 000)	870 436	1 445 614	575 178	66%	N36
Employee benefit obligation	-	-	-	1 288 437	1 288 437	100%	N37
Provisions	-	-	-	2 519 838	2 519 838	100%	N38
	1 255 129 643	(505 000)	1 254 624 643	366 970 232	(887 654 411)		

Non-Current Liabilities

Employee benefit obligation	-	-	-	31 808 001	31 808 001	100%	N39
Provisions	74 002 751	-	74 002 751	46 888 737	(27 114 014)	100%	N40
Debt Relief	-	-	-	98 886 517	98 886 517		
	74 002 751	-	74 002 751	177 583 255	103 580 504		

Total Liabilities

1 329 132 394	(505 000)	1 328 627 394	544 553 487	(784 073 907)		
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Net Assets

(755 313 352)	(76 343 776)	(831 657 128)	292 976 488	1 124 633 616		
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	(738 557 376)	624 321 654	(114 235 722)	394 880 663	509 116 385	-431%	N41
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Tswaing 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	Ref
Figures in Rand						

Tswaing 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	Ref
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Interest income	303 272	-	303 272	681 717	378 445	125%	N42
Dividends received	27 320	-	27 320	28 020	700	3%	
Cash receipts from ratepayers, government & others	737 094 708	-	737 094 708	288 379 676	(448 715 032)	-61%	N43
	737 425 300	-	737 425 300	289 089 413	(448 335 887)		

Payments

Cash paid to suppliers and employees	(1 114 071 611)	-(1 114 071 611)	(255 430 473)	858 641 138	-77%	N44
Finance costs	-	-	(2 152)	(2 152)	-100%	N45
	(1 114 071 611)	-(1 114 071 611)	(255 432 625)	858 638 986		

Net cash flows from operating activities	(376 646 311)	-	(376 646 311)	33 656 788	410 303 099		
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Cash flows from investing activities

Cash flows from investing activities							
Purchase of property, plant and equipment	(100 910 176)	-	(100 910 176)	(32 945 247)	67 964 929	-67%	N46
Decrease (increase) in non-current receivables	3 908 301	-	3 908 301	-	(3 908 301)	-100%	N47
Decrease (increase) in non-current investments	694 040	-	694 040	-	(694 040)	-100%	N48

Net cash flows from investing activities	(96 307 835)	-	(96 307 835)	(32 945 247)	63 362 588		
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Net increase/(decrease) in cash and cash equivalents	(472 954 146)	-	(472 954 146)	711 541	473 665 687
Cash and cash equivalents at the beginning of the year	53 803 238	-	53 803 238	494 820	(53 308 418)

Cash and cash equivalents at the end of the year	(419 150 908)	-	(419 150 908)	1 206 361	420 357 269		
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Reconciliation

Please refer to note 44 for explanations on the budget differences. Differences with +/- 10% variances have been explained. Explanations for the budget adjustments have been included in the budget adjustment report. This report has been presented to council and provincial treasury.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment 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 judgments include:

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

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgments 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.

Tswaing Local Municipality

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash generating units and individual assets have been determined based on expected cashflows. Expected cash flows are calculated by multiplying the average collections ratio over a three-year period by the closing balance as per the debtor's ageing analysis.

Provision for doubtful debts

The Municipality has assessed that none of the debtors are individually significant as no individual debtor has a balance that exceeds twenty five percent of the total debtors' balance. As a result, all debtors are included in the same population (before splitting in groups) for the impairment calculation.

Debtors are grouped into three different categories based on their payment history

Group 1: Customers with no non-payments in the past (These would typically be customers that made payments every month over the twelve-month period. In addition, Group 1 includes government debtors which are assumed to be fully recoverable. "Excluded from the Impairment Provision Calculation".

Group 2: Customers with non-payments in the past but where some amounts were recovered (These would typically be customers that did not make payments every month over the twelve-month period.) "Included in the Impairment Provision Calculation and we only impair the balance the is older than 90 days".

Group 3: Customers who typically fail to pay on a month-on-month basis with very little probability of recovery of any of the outstanding amount (These would typically be those customers who never made a single payment during the twelve-month period.) "Included in the Impairment Provision Calculation and we only impair the full balance if it does not met Group 1 and 2 above".

Based on this information, the following impairment calculation is applied:

Group 1: Since the customers in Group 1 are either category government or made at least one or more payments during the financial year ended 30 June 2024, the amounts owing are considered to be fully recoverable. As a result, we do not provide for any balance due in the debtors age analysis; the expected cash flows are equal to the carrying amount.

Group 2: Since the customers in Group 2 are not category government or made at least one or more payments during the financial year ended 30 June 2024. The expected cash flows are calculated by multiplying the collections ratio over the past 3 financial years i.e. 36-month period by providing for the total due balance due that is more than 90 days old in the debtors age analysis: the closing balance as per the debtor's ageing analysis.

Group 3: Since the customers in Group 3 are not category government and have not made any payments during the financial year ended 30 June 2024. The expected cash flows are calculated by multiplying the collections ratio over the past 3 financial years i.e. 36-month period by providing for the total due balance due excluding current balance (0-30 days) in the debtors age analysis, the closing balance as per the debtor's ageing analysis.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

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 45.

Allowance for doubtful debts

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

1.4 Biological assets

The entity recognises biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

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.

Tswaing Local Municipality

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Accounting Policies

1.5 Investment property (continued)

Cost model

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

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

Item	Useful life
Property - land	indefinite
Property - buildings	20 years

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

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

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

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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.

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight line	50 years
Machinery and Equipment	Straight line	5 - 10 years
Furniture and fixtures	Straight line	5 - 12 years
Motor vehicles	Straight line	5 - 10 years
Office equipment	Straight line	5 - 10 years
Other Assets	Straight line	5 - 10 years
Computer equipment	Straight line	3 - 7 years
Infrastructure community	Straight line	5 - 100 years
Roads network infrastructure	Straight line	5 - 100 years
Storm water infrastructure	Straight line	5 - 100 years
Water supply infrastructure	Straight line	5 - 100 years
Electrical network infrastructure	Straight line	5 - 100 years
Sanitation network infrastructure	Straight line	5 - 100 years
Solid waste infrastructure	Straight line	5 - 100 years

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

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

The 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.

Tswaing Local Municipality

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Accounting Policies

1.7 Heritage assets

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

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

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

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

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

Heritage assets are measured at cost.

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

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

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

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

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

1.8 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 uncollectability.

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

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

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

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

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

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

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.8 Financial instruments (continued)

- 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.

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.

Tswaing Local Municipality

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Accounting Policies

1.8 Financial instruments (continued)

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;
- 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	Category
Trade and Other Receivables	Financial asset measured at amortised cost
Trade and other receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Listed shares	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	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

Listed shares are measured at fair value using market values at year end.

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Accounting Policies

1.8 Financial instruments (continued)

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

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Accounting Policies

1.8 Financial instruments (continued)

Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

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

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

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.8 Financial instruments (continued)

Financial liabilities

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

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

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

Presentation

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

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

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

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

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

1.9 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 purposes of this Standard) 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.

Tswaing Local Municipality

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Accounting Policies

1.9 (continued)

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.

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.

1.10 Consumer deposits

Consumer deposits consist of deposits for opening a municipal account and rental deposits received from rental of municipal facilities. The deposits are payable when a customer account is closed or when the customers vacate the properties and are therefore accounted for as payables.

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.

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.

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

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

1.13 Impairment of cash-generating assets

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

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.

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.

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Impairment of non-cash-generating assets (continued)

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.

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

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

Useful life is either:

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

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

[Specify judgements made]

1.14 Employee benefits

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

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.

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.

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1.14 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity recognise 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 recognise 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 measure 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 recognise 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.

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1.14 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 recognise 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 recognise 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.

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1.14 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 recognise 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 recognise 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 measure 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.

Tswaing Local Municipality

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Accounting Policies

1.14 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Tswaing Local Municipality

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Accounting Policies

1.14 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.

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating 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.

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1.15 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a 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 37.

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

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

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

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

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

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

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1.15 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.

1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.17 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.

Tswaing Local Municipality

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Accounting Policies

1.17 Revenue from exchange transactions (continued)

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.

Interest, royalties and dividends

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

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

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.

1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an 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 arises 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.

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Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Government grants and subsidies

Government grants are recognised as revenue when:

it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.

the amount of the revenue can be measured reliably, and

to the extent that there has been compliance with any restrictions associated with the grant.

Transfers

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

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

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

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

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.

1.19 Investment income

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

1.20 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.

1.21 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.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.21 Accounting by principals and agents (continued)

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

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

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

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

Recognition

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

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

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

1.22 Comparative figures

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

1.23 Unauthorised expenditure

Unauthorised expenditure 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.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.23 Unauthorised expenditure (continued)

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

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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

1.25 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the MFMA requires the following (effective from 1 April 2008):

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

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

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

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

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

1.26 Segment information

A segment is an activity of an entity:

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

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.26 Segment information (continued)

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.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

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

1.27 Budget information

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

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

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

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

The 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.

1.28 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
2. Inventories		
Land inventory	2 608 510	2 608 523
Stores, materials and fuels	2 251 985	689 022
	4 860 495	3 297 545
2.1 Amounts written down included in statement of financial performance		
Inventory write-down	86 502	139 656
Inventory pledged as security		
No inventory has been pledged as security.		
3. Receivables from exchange transactions		
Employee debtors	30 578	223 354
Pensioner debtors	1 979 228	1 890 375
Overpayments	6 440	-
Other debtors	80 082	89 444
Debtors allowance for impairment	(1 995 653)	(2 093 576)
	100 675	109 597
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	(2 093 576)	(973 909)
Provision for impairment	97 923	(1 119 667)
	(1 995 653)	(2 093 576)
4. Receivables from non-exchange transactions		
Consumer debtors - Rates	124 944 774	110 789 516
Impairment	(106 853 803)	(91 934 472)
	18 090 971	18 855 044
Fines	188 033	117 209
Consumer debtors - Rates	18 090 971	18 855 044
	18 279 004	18 972 253

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
4. Receivables from non-exchange transactions (continued)		
Current assets	18 279 004	18 972 253
Gross balances		
Current (0 -30 days)	4 862 111	3 601 049
31 - 60 days	2 242 459	1 677 432
61 - 90 days	2 163 681	1 671 004
91 - 120 days	1 620 151	1 656 496
121+ days	114 056 370	102 183 535
	124 944 772	110 789 516
Less: Allowance for impairment		
Opening balance	(91 934 472)	(86 188 548)
Provision for impairment	(14 919 331)	(5 745 924)
	(106 853 803)	(91 934 472)
Total receivables from non-exchange transactions	18 090 969	18 855 044
5. Trade and other receivables from exchange transactions		
Gross balances		
Electricity	81 581 979	76 007 659
Water	51 259 116	46 646 833
Sewerage	102 645 225	91 398 224
Refuse	93 733 400	83 152 560
	329 219 720	297 205 276
Less: Allowance for impairment		
Electricity	(69 769 583)	(63 072 069)
Water	(43 837 220)	(38 708 103)
Sewerage	(87 783 045)	(75 843 345)
Refuse	(80 161 577)	(69 000 995)
	(281 551 425)	(246 624 512)
Net balance		
Electricity	11 812 396	12 935 590
Water	7 421 896	7 938 730
Sewerage	14 862 180	15 554 879
Refuse	13 571 823	14 151 565
	47 668 295	50 580 764
Electricity		
Current (0 -30 days)	4 867 765	2 930 286
31 - 60 days	2 777 382	2 468 106
61 - 90 days	3 217 352	748 459
91 - 120 days	1 320 360	2 325 047
121 - 365 days	69 399 121	67 535 761
Impairment	(69 769 584)	(63 072 069)
	11 812 396	12 935 590

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
5. Trade and other receivables from exchange transactions (continued)		
Water		
Current (0 -30 days)	1 462 511	953 712
31 - 60 days	432 126	470 582
61 - 90 days	534 583	409 714
91 - 120 days	537 401	408 304
121 - 365 days	48 292 495	44 404 521
Impairment	(43 837 220)	(38 708 103)
	7 421 896	7 938 730
Sewerage		
Current (0 -30 days)	2 386 805	2 401 088
31 - 60 days	1 121 309	1 155 282
61 - 90 days	1 128 607	1 156 115
91 - 120 days	1 118 542	1 142 884
121 - 365 days	96 889 962	85 542 855
Impairment	(87 783 045)	(75 843 345)
	14 862 180	15 554 879
Refuse		
Current (0 -30 days)	2 272 386	2 241 485
31 - 60 days	1 023 070	1 090 724
61 - 90 days	1 050 248	1 086 551
91 - 120 days	1 035 182	1 078 093
121 - 365 days	88 352 514	77 655 706
Impairment	(80 161 577)	(69 000 994)
	13 571 823	14 151 565
Reconciliation of allowance for impairment		
Balance at beginning of the year	(246 624 511)	(242 543 843)
Contributions to allowance	(34 926 914)	(4 080 669)
	(281 551 425)	(246 624 512)

The Municipality does not have any receivables past due that have not been impaired.

Tswaing 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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6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	729	455
Bank balances	1 064 785	418 913
Cash in transit	140 848	75 452
	1 206 362	494 820

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
First National Bank - Current Account (52050012816)	1 003 871	413 747	1 068 902	1 003 871	413 747	1 068 902
First National Bank - Traffic Fines Account (62526417086)	60 913	5 164	-	60 913	5 164	-
First National Bank - MoneyMarket Account (62263163752)	-	-	7 525	-	-	7 525
Total	1 064 784	418 911	1 076 427	1 064 784	418 911	1 076 427

7. Biological assets

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Wildlife	5 329 795	-	5 329 795	3 883 801	-	3 883 801

Reconciliation of biological assets - 2024

	Opening balance	Gains or losses arising from changes in fair value	Total
Wildlife	3 883 801	1 445 994	5 329 795

Reconciliation of biological assets - 2023

	Opening balance	Gains or losses arising from changes in fair value	Total
Wildlife	2 221 900	1 661 901	3 883 801

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

2024

2023

7. Biological assets (continued)

Non-financial information

Quantities of each biological asset

Impala	22	40
Springbok	102	179
Red Hartebeest	-	39
Black Wildebeest	338	233
Blesbuck	277	325
Ostrich	13	9
Zebra (Plains / Burchell's)	140	169
	892	994

Reconciliation of quantities of each biological asset

2024

Type of Wildlife	Opening balance	Births	Deaths	Closing Balance
Impala	40		(18)	22
Springbok	179		(77)	102
Red Hartebeest	39		(39)	0
Black Wildebeest	233	105		338
Blesbok	325		(48)	277
Ostrich	9	4		13
Zebra (Plains / Burchell's)	169		(29)	140
TOTAL	994	109	(211)	892

2023

Type of Wildlife	Opening balance	Births	Deaths	Closing Balance
Oryx (Gemsbok)	16		(16)	0
Impala	37	3		40
Springbok	185		(6)	179
Red Hartebeest	32	7		39
Waterbok	4		(4)	0
Black Wildebeest	193	40		233
Blesbok	175	150		325
Ostrich	5	4		9
Zebra (Plains / Burchell's)	165	4		169
TOTAL	812	208	(26)	994

Fair value of the biological assets is determined at year end using market values.

No biological assets are pledged as security.

There are no restrictions on the Municipality's use or capacity to sell biological assets.

Methods and assumptions used in determining fair value

The fair value of each species was calculated by evaluating auction prices from a variety of auction houses that trade in similar asset types. For each institution and species, a range was determined that represent the price that animals potentially could fetch at auction. The fair value was taken as the average over all the values obtained.

Tswaing 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. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	66 543 447	(2 490 652)	64 052 795	66 543 447	(2 476 628)	64 066 819

Reconciliation of investment property - 2024

	Opening balance	Depreciation	Total
Investment property	64 066 819	(14 024)	64 052 795

Reconciliation of investment property - 2023

	Opening balance	Disposals	Depreciation	Total
Investment property	64 120 843	(40 000)	(14 024)	64 066 819

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.

Deemed Cost

Investment property consists of land and buildings and is carried at cost. No depreciation is calculated on the land as it is deemed to have an indefinite useful life.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	292 303	70 014
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Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2024		2023	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation
Land	125 087 482	-	125 087 482	125 170 508
Buildings	101 131 921	(91 328 804)	9 803 117	101 131 921
Machinery and Equipment	234 123	(78 973)	155 150	195 123
Furniture and fixtures	2 341 681	(2 224 731)	116 950	2 326 265
Motor vehicles	8 485 857	(7 972 002)	513 855	9 016 686
Office equipment	73 328	(59 720)	13 608	75 743
Computer equipment	3 872 079	(1 805 475)	2 066 604	3 019 441
Other Assets	1 055 057	(589 755)	465 302	927 777
Infrastructure Community Assets	277 856 548	(167 881 195)	109 975 353	273 546 016
Roads Network Infrastructure	602 614 683	(292 802 215)	309 812 468	578 041 538
Storm Water Infrastructure	38 236 007	(23 377 685)	14 858 322	38 176 007
Water Supply Network Infrastructure	2 823 645	(2 004 788)	818 857	2 823 645
Electrical Network Infrastructure	153 446 262	(68 569 126)	84 877 136	159 968 000
Sanitation Network Infrastructure	835 580	(582 897)	252 683	835 580
Solid Waste Infrastructure	4 115 480	(2 413 052)	1 702 428	4 115 479
Total	1 322 209 733	(661 690 418)	660 519 315	1 299 369 729
				(627 402 738)
				671 966 991

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers	Expensed	Depreciation	Impairment loss	Impairment reversal	Total
Land	125 170 508	-	(83 026)	-	-	-	-	-	125 087 482
Buildings	11 294 379	-	-	-	-	(1 474 803)	(16 880)	421	9 803 117
Machinery and equipment	141 898	39 000	-	-	-	(25 748)	-	-	155 150
Furniture and fixtures	147 887	17 813	-	-	-	(48 750)	-	-	116 950
Motor vehicles	1 080 641	-	-	-	-	(566 786)	-	-	513 855
Office equipment	17 510	-	-	-	-	(3 900)	(2)	-	13 608
Computer equipment	1 515 846	1 134 828	(179 033)	-	-	(404 975)	(62)	-	2 066 604
Other Assets	411 094	139 780	-	-	-	(85 572)	-	-	465 302
Infrastructure Community Assets	113 947 409	4 310 533	-	-	-	(8 038 946)	(259 947)	16 304	109 975 353
Roads Network Infrastructure	304 660 275	27 303 293	(877 789)	(262 226)	-	(21 003 001)	(46 054)	37 970	309 812 468
Storm Water Infrastructure	15 816 364	-	(56 069)	262 226	-	(1 165 080)	(7 122)	8 003	14 858 322
Water Supply Network Infrastructure	960 039	-	-	-	-	(141 182)	-	-	818 857
Electrical Network Infrastructure	94 769 950	-	-	-	(6 521 738)	(3 371 076)	-	-	84 877 136
Sanitation Network Infrastructure	279 807	-	-	-	-	(27 124)	-	-	252 683
Solid Waste Infrastructure	1 753 384	-	-	-	-	(50 956)	-	-	1 702 428
	671 966 991	32 945 247	(1 195 917)	-	(6 521 738)	(36 407 899)	(330 067)	62 698	660 519 315

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Expensed	Depreciation	Impairment loss	Impairment reversal	Total
Land	125 170 508	-	-	-	-	-	-	-	125 170 508
Buildings	12 513 150	-	-	-	-	(1 294 094)	(120 180)	195 503	11 294 379
Machinery and equipment	5 186	146 350	(13)	-	-	(9 625)	-	-	141 898
Furniture and fixtures	247 488	-	(31)	-	-	(99 570)	-	-	147 887
Motor vehicles	1 684 634	-	(1 459)	-	-	(602 534)	-	-	1 080 641
Office equipment	21 610	-	-	-	-	(4 100)	-	-	17 510
Computer equipment	1 408 532	612 812	(153 063)	-	-	(352 435)	-	-	1 515 846
Other Assets	473 668	19 190	-	-	-	(81 764)	-	-	411 094
Community Facilities	113 392 523	7 550 066	-	(172 373)	-	(5 758 462)	(1 106 970)	42 625	113 947 409
Roads Network Infrastructure	279 265 981	38 971 408	(3 290 919)	(2 549 902)	-	(13 637 662)	(9 385)	5 910 754	304 660 275
Storm Water Infrastructure	13 899 227	-	-	2 722 275	-	(1 105 723)	(35 376)	335 961	15 816 364
Water Supply Network Infrastructure	1 101 222	-	-	-	-	(141 183)	-	-	960 039
Electrical Network Infrastructure	91 177 741	10 181 903	-	-	(3 478 261)	(3 111 433)	-	-	94 769 950
Sanitation Network Infrastructure	306 931	-	-	-	-	(27 124)	-	-	279 807
Solid Waste Infrastructure	1 318 622	521 428	-	-	-	(86 666)	-	-	1 753 384
	641 987 023	58 003 157	(3 445 485)	-	(3 478 261)	(26 312 375)	(1 271 911)	6 484 843	671 966 991

Tswaing Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
9. Property, plant and equipment (continued)		
Property, plant and equipment in the process of being constructed or developed		
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Construction of Internal Roads and taxi route Atamelang : Ward 7	3 727 106	3 727 106
Highmastlights phase 2	9 110 787	9 110 787
Agisanang Landfill Site	994 075	994 075
Upgrading of Internal roads in Ganalaagte	8 023 201	8 023 201
Road Infrus - Letsopa Community Hall	3 628 992	3 628 992
	25 484 161	25 484 161

1. Construction of Internal Roads and taxi route Atamelang : Ward 7

Community unrests and poor performance of the contractor. COGTA has advised the Municipality to re-appraise the project.

2. Highmastlights phase 2

The Project is awaiting Eskom to energise the High Mast Lights: Further engagements with Eskom to energise.

3. Agisanang Landfill Site

The progress progress is affected by the finalisation of appointment of contractor. No contractor has been appointed. Designs are completed, but the previously identified land was disapproved by DEDECS. Municipality to identify a suitable land for the implementation of the project.

4. Upgrading of Internal roads in Ganalaagte

The Project is stalling. The progress of this project was affected by the death of the managing Director of the appointed company and poor performance of the Contractor. However, the municipality is on the process of re-apprising this project around November 2023. COGTA has advised the Municipality to re-appraise the project.

5. Road Infrus - Letsopa Community Hall

The Project is incomplete due to poor performance of the Contractor which was affected by the stoppage of R12 m by National Treasury in 2018/19 FY. Cogta has advised the Municipality to re-appraise the project.

Tswaing Local Municipality

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9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2024

	Roads Network Infrastructure	Electrical Network Infrastructure	Solid waste Infrastructure	Community Facilities	Total
Opening balance	19 046 456	15 632 526	1 515 504	25 819 885	62 014 371
Additions/capital expenditure	27 303 293	-	-	4 310 533	31 613 826
Expensed	-	(6 521 739)	-	-	(6 521 739)
Transferred to completed items	(7 252 094)	-	-	(13 532 719)	(20 784 813)
	39 097 655	9 110 787	1 515 504	16 597 699	66 321 645

Reconciliation of Work-in-Progress 2023

	Roads Network Infrastructure	Electrical Network Infrastructure	Solid waste Infrastructure	Community Facilities	Total
Opening balance	31 016 041	25 944 022	994 075	22 751 275	80 705 413
Additions/capital expenditure	38 971 408	10 181 903	521 428	7 550 066	57 224 805
Expensed	-	(3 478 260)	-	-	(3 478 260)
Transferred to completed items	(50 940 993)	(17 015 139)	-	(4 481 455)	(72 437 587)
	19 046 456	15 632 526	1 515 503	25 819 886	62 014 371

Expenditure incurred to repair and maintain property, plant and equipment

Repairs and maintenance

90 956 456 333

Transfers

Transfers in/out relates to projects that were recognised as Work in progress that have reached completion and now form part of additions of infrastructure assets, community assets or land and buildings.

The Work in progress is thus transferred from the Work in progress account to the infrastructure assets, community assets or land and buildings accounts.

Tswaing Local Municipality
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9. Property, plant and equipment (continued)

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

10. Heritage assets

	2024		2023	
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation
Historical monuments	953 000	-	953 000	953 000
				Accumulated impairment losses
				-
				953 000

Reconciliation of heritage assets 2024

Historical monuments

Opening balance	953 000
Total	953 000

Reconciliation of heritage assets 2023

Historical monuments

Opening balance	953 000
Total	953 000

Condition of heritage assets

As at 30 June 2024, the historical monument has been assessed to be in a good condition.

Restrictions on heritage assets

There are no restrictions on the title and disposal of the heritage assets.

Pledged as security

Heritage assets have not been pledged as security.

Tswaing Local Municipality

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10. Heritage assets (continued)

Fair value of heritage assets (measured at cost less accumulated impairment losses)

	Carrying amount 2024	Fair value 2024	Carrying amount 2023	Fair value 2023
Historical monuments	953 000	1 667 800	953 000	1 667 800

Tswaing Local Municipality

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11. Other financial assets		
Designated at fair value		
Listed shares	657 443	504 019
Non-current assets		
Designated at fair value	657 443	504 019
Financial assets at fair value		
Fair values of financial assets measured or disclosed at fair value		
Old Mutual Limited (OMU) The Municipality holds 5862 shares in Old Mutual (OMU). These shares were valued at R 12,60 per share as at 30 June 2024 (R 12,12 as at 30 June 2023). The share price was obtained from CompuShare Investor Centre.	73 861	71 047
Old Mutual Limited (NED) The Municipality holds 265 shares in Old Mutual (NED). These shares were valued at R 259,79 per share as at 30 June 2024 (R 228,65 as at 30 June 2023). The share price was obtained from CompuShare Investor Centre.	68 844	60 574
Old Mutual Limited (QLT) The Municipality holds 1674 shares in Old Mutual (QLT). These shares were valued at R 27,46 per share as at 30 June 2024 (R 19,29 per share as at 30 June 2023). The share price was obtained from CompuShare Investor Centre.	45 968	32 291
Sanlam Limited The Municipality holds 5793 shares in Sanlam. These shares were valued at R 80,92 per share as at 30 June 2024 (R 58,71 as at 30 June 2023). The share price was obtained from CompuShare Investor Centre.	468 770	340 107
	657 443	504 019
Fair value hierarchy of financial assets at fair value		
For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:		
Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.		
Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).		
Level 3 applies inputs which are not based on observable market data.		
Level 1		
Old Mutual Limited (OMU)	73 861	71 047
Old Mutual Limited (NED)	68 844	60 574
Old Mutual Limited (QLT)	45 968	32 291
Sanlam Limited	468 770	340 107
	657 443	504 019

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11. Other financial assets (continued)

Reconciliation of financial assets at fair value through surplus or deficit

2024

	Opening balance	Gains or losses in surplus or deficit	Closing balance
Old Mutual Limited (OMU)	71 047	2 814	73 861
Old Mutual Limited (NED)	60 574	8 270	68 844
Old Mutual Limited (QLT)	32 292	13 676	45 968
Sanlam Limited	340 107	128 663	468 770
	504 020	153 423	657 443

2023

	Opening balance	Gains or losses in surplus or deficit	Closing balance
Old Mutual Limited (OMU)	67 061	3 986	71 047
Old Mutual Limited (NED)	59 503	1 071	60 574
Old Mutual Limited (QLT)	77 821	(45 529)	32 292
Sanlam Limited	313 401	26 706	340 107
	517 786	(13 766)	504 020

12. Payables from exchange transactions

Trade payables	125 670 995	229 944 385
Payments received in advanced	25 119 399	23 166 037
Retentions	16 222 952	15 963 634
Other payables	68 505 253	49 838 227
Accrued leave pay	9 762 603	8 997 007
Accrued bonus	1 965 254	1 865 602
Unallocated deposits	12 565 715	12 202 278
	259 812 171	341 977 170

13. Consumer deposits

Rates	1 445 485	1 382 485
Housing rental	129	6 884
	1 445 614	1 389 369

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Movement during the year

Balance at the beginning of the year	-	401 170
Additions during the year	36 250 000	59 244 530
Income recognition during the year	(36 250 000)	(59 415 000)
Denied Roll-over	-	(230 700)
	-	-

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15. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	42 551 316	4 785 010	2 072 249	49 408 575

Reconciliation of provisions - 2023

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	38 808 154	2 361 591	1 381 571	42 551 316
Non-current liabilities			46 888 737	40 479 067
Current liabilities			2 519 838	2 072 249
			49 408 575	42 551 316

Environmental rehabilitation provision

The municipality has a present obligation to ensure rehabilitation of the land fill sites used after the economic life of the land fill site has been fully utilised.

METHODOLOGY OF FINANCIAL ASSESSMENT AND ASSUMPTIONS USED

Information References

The approach to the assessment was to gather as much information as available on each site. This would allow a thorough evaluation of each site's current status in terms of legal compliance and operations.

Below is the list of documents that were considered for the purposes of this exercise:

- DWAF, 1998a. Minimum Requirements for Waste Disposal by Landfill, 2nd Edition, Pretoria: DWAF.
- DWAF, 1998b. Minimum Requirements for Water Monitoring at Waste Management Facilities 2nd Edition, Pretoria: DWAF.
- One Pangaea Expertise and Solutions, 2022 Landfill Evaluation of the Closure and Rehabilitation costs for Tswaing Municipality Landfill Sites Under GRAP 19 as of 30 June 2023.
- Waste Management Licence: Ottosdal Landfill Site (Ref: NWP/WM/NM4/2012/11) dated 31 July 2013.
- Waste Management Licence: Sannieshof Landfill Site (Ref NWP/WM/NM4/2012/09) dated 19 February 2013.

Engineering Inflationary Assumptions used

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 Tswaing 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.

Description of the Landfill Closure and Rehabilitation Costing Methodology (LCRCM)

The Landfill Closure and Rehabilitation Costing Methodology (LCRCM) consists of five components namely:

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15. Provisions (continued)

1. The elements that make up the final rehabilitation and closure costs.
2. Basic unit costs for each cost element.
3. Variables that have an impact on one or more cost elements and result in a loading (positive or negative) on the basic unit cost.
4. A set of algorithms that define the calculation of the amount of the various cost elements by describing the relationship between basic unit costs and the impact of the variables thereon.
5. Discounting of the rehabilitation and closure costs.

Cost Elements

The following cost elements are included in the LCRCM;

Planning for closure (incurred in the two years ahead of actual closure of the landfill)

- License application for operation to closure (only if the landfill is not permitted/licensed)
- Landfill closure report
- Basic assessment
- Finalise end-use plan
- Closure design

Rehabilitation and closure (incurred in the year of closure of the landfill and the following three years)

- Clearing, shaping, compacting, and capping
- Top-soiling and vegetating
- Storm water control system
- Gas control system
- Fencing
- Decommissioning of infrastructure (only if information available)
- End-use related infrastructure (only if information available).

Post-closure monitoring and maintenance (incurred for a period of 30 years after closure of the landfill)

- Water monitoring
- Gas/air quality monitoring
- Rehabilitation monitoring
- Maintenance of cover, subsidence and drainage
- Fire control and vegetation maintenance
- Ongoing leachate management
- Ongoing gas management.

Basic Unit Costs

These costs are based on actual costs of rehabilitation and closure operations and are reviewed annually to make provision for price increases.

Variables

A number of variables impact on the eventual rehabilitation and closure costs by either increasing or decreasing the basic unit cost.

Variables that are (normally) out of the control of the municipality include the following:

- Size of the area of the landfill that has already been and is currently being used
- Length of perimeter of the landfill
- Location of landfill in water-deficit or water-surplus area
- Availability of suitable capping material on-site or in the vicinity
- Availability of top-soiling and vegetating material on-site
- Requirement for a gas control system.

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15. Provisions (continued)

Variables that relate to availability of information include the following:

- Availability and quality of technical reports, including End-Use Plan and Closure Design
- Occurrence of environmental impacts of landfill (confirmed by monitoring)
- Occurrence of gas/air quality problems experienced (confirmed by monitoring)
- Occurrence of significant leachate problems (confirmed by monitoring).

Variables that relate to management practices include the following:

- Whether the landfill is permitted or not
- Existence and functioning of monitoring committee for landfill, including stakeholders
- Quality of ongoing operation of landfill in respect of compacting and trimming of areas already used
- Whether available top-soiling material is actively managed to retain quality characteristics
- Existence and condition of fence
- The remaining lifespan of the landfill

Discount Rate Assumption

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 discount rate was deduced from the average of the Zero-Coupon Yield Curve (Nominal Bond) over the entire durations applicable in the future. The annualised long-term discount rate on 30 June 2024 was 11.94 % p.a. The consumer price inflation of 6.51 % p.a. was obtained from the differential between the averages of the Nominal Bond and the Real Bond (Zero Yield Curves).

The Zero-Coupon Yield Curves were obtained from the Bond Exchange of South Africa after the market closed on 30 June 2024.

Key financial assumptions used

Assumption	30 June 2024	30 June 2023
Discount rate (D)	11.94%	12.62%
Consumer price inflation (C)	6.51%	7.39%
Net discount rate $((1+D)/(1+H)-1)$	5.10%	4.87%

Airspace and Footprint calculations of the sites

OPF had no access to topographic surveys of the sites. Site boundaries were noted by visual inspections that were done on the day of the audits, and as per indication given by the Waste Manager of Tswaing Municipality. Landfill site life for all operational sites was determined by method A as outlined in DWA Minimum requirements 2nd edition, 1998. The methodology is summarised below;

1. Calculating Available Airspace in m3

i) In the case of a proposed landfilling operation where the availability of suitable cover material represents a limiting factor, the quantity of cover is used to determine the total available airspace. Based on the fact that a well-run waste operation would require a volumetric ratio of cover material to waste of about 1:4, the total airspace is obtained by multiplying the volume of available cover material by a factor of 5. Alternatively, the total volume of waste that can be accommodated will be given by multiplying the available volume of cover material by a factor of 4. This represents a somewhat rudimentary approach, as the cover to waste ratio is approximate, the compaction density of the waste is estimated, and no allowance is made for the effect of 'bulking' or 'debulking' on the volume of potential cover material.

ii) In the case of an existing landfill, where the availability of cover material is not the determining factor, the total available airspace will be the volumetric difference between the existing surface and the final landform. Of this volume, 4/5 will be available for waste according to the assumptions made previously.

2. Calculating Annual Airspace Utilisation

Airspace utilisation is calculated from the IRD. The IRD, expressed in T/day, is multiplied by 260 days (based on a 5-dayweek) to determine the annual tonnage of waste. By dividing this figure by the average density of the waste (between 0,75 T/m3 to 1,20 T/m3 depending on waste type and compaction efficiency), the volume of waste to be deposited in the first year is determined. By multiplying this volume by 5/4, the total airspace utilisation for the first year is obtained. Airspace utilisation for subsequent years is obtained by escalating the IRD for each year.

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15. Provisions (continued)

3. Calculating Landfill Site Life

The landfill site life is arrived at by matching the available airspace volume for the landfill, arrived at in 1 above, with the cumulative airspace utilisation, in 2 above. The following assumptions were used.

Site life calculation table

Assumptions		
Type of waste	Domestic mostly	
Average density of the waste	0.75	T/m3
Expected growth rate of waste generation	0.84%	1.01
Excavatable cover depth	2.50	metres
Cover to waste ratio	1 to 4	1.25

16. Revenue

Service charges	84 124 298	74 662 061
Rental of facilities and equipment	292 303	70 405
Licences and permits	3 959 240	3 841 305
Other income	280 029	230 918
Interest received - investment	681 717	281 631
Dividends received	28 020	19 840
Property rates	35 350 289	28 770 537
Government grants & subsidies	187 813 411	213 344 752
Donations	540 960	-
Fines	366 450	521 380
Debt forgiven by suppliers	22 429 258	563 214
Other transfer revenue 2	25 707 324	-
	361 573 299	322 306 043

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

Service charges	84 124 298	74 662 061
Rental of facilities and equipment	292 303	70 405
Licences and permits	3 959 240	3 841 305
Other income	280 029	230 918
Interest received - investment	681 717	281 631
Dividends received	28 020	19 840
	89 365 607	79 106 160

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

Taxation revenue		
Property rates	35 350 289	28 770 537
Transfer revenue		
Government grants & subsidies	187 813 411	213 344 752
Donations	540 960	-
Fines	366 450	521 380
Debt forgiven by suppliers	22 429 258	563 214
Other transfer revenue 2	25 707 324	-
	272 207 692	243 199 883

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17. Service charges		
Sale of electricity	53 399 986	45 536 062
Sale of water	5 836 924	3 842 948
Sewerage and sanitation charges	12 856 767	13 124 432
Refuse removal	12 030 621	12 158 619
	84 124 298	74 662 061
18. Other income		
Electricity reconnection fees	65 795	49 737
Valuation services	24 950	31 671
Incidental Cash	1 810	-
Cemetery fees	115 030	106 900
Planning and development clearance certificates	19 880	27 290
Building plan approval	38 642	3 503
Water connection	13 922	11 817
	280 029	230 918
19. Investment revenue		
Dividend revenue		
Other financial asset	28 020	19 840
Interest revenue		
Bank	681 717	281 631
	709 737	301 471

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Figures in Rand	2024	2023
20. Property rates		
Rates		
Residential	5 207 449	4 690 447
Commercial	4 665 871	4 073 776
State	18 972 639	13 478 616
Agricultural	6 140 072	6 159 932
Industrial	364 258	367 766
	35 350 289	28 770 537
Valuations		
Residential	1 239 329 019	1 136 920 795
Business	535 696 802	429 433 548
Industrial	32 096 358	39 007 916
Municipal	195 923 596	171 578 598
Government	635 439 305	489 948 405
Farms	5 021 093 353	3 226 515 647
Old Age Home	89 534 477	-
Industrial Empty stands	68 680 900	-
Process of transfer	463 000	-
	7 818 256 810	5 493 404 909

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2020. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2025.

Tswaing Local Municipality

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21. Government grants and subsidies		
Operating grants		
Equitable share	151 406 000	140 778 700
Financial management grant	3 100 000	3 100 000
EPWP	1 099 000	1 685 000
Ngaka Modiri Molema District Municipality	-	12 840 555
LG Seta	157 411	310 497
	155 762 411	158 714 752
Capital grants		
Municipal infrastructure grant (MIG)	32 051 000	43 010 000
Intergrated National Electrification Programme (INEP)	-	4 120 000
Energy Efficiency and Demand Side Management Grant (EEDS)	-	7 500 000
	32 051 000	54 630 000
	187 813 411	213 344 752
Municipal infrastructure grant		
Current-year receipts	32 051 000	43 010 000
Conditions met - transferred to revenue	(32 051 000)	(43 010 000)
	-	-
The Municipal Infrastructure Grant is intended to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, microenterprises and social institutions servicing poor communities; to provide specific funding for the development of asset management plans for infrastructure servicing the poor.		
Financial management grant		
Current-year receipts	3 100 000	3 100 000
Conditions met - transferred to revenue	(3 100 000)	(3 100 000)
	-	-
The Local Government Financial Management Grant is intended to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.		
EPWP		
Balance unspent at beginning of year	-	230 700
Current-year receipts	1 099 000	1 685 000
Conditions met - transferred to revenue	(1 099 000)	(1 683 700)
Denied Roll-over	-	(232 000)
	-	-
The Expanded Public Works Programme Intergrated Grant is intended 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 Expanded Public Works Programme guidelines: road maintenance and the maintenance of buildings; low traffic volume roads and rural roadsbasic 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.		
INEP		
Current-year receipts	-	4 120 000
Conditions met - transferred to revenue	-	(4 120 000)
	-	-

Tswaing Local Municipality

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21. Government grants and subsidies (continued)		
<hr/>		
The Integrated National Electrification Programme (Municipal) Grant is intended to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to increase access to electricity, existing and planned residential dwellings (including informal settlements, farm dwellers, new and existing dwellings) and the installation of relevant bulk infrastructure.		
EEDSM		
Current-year receipts	-	7 500 000
Conditions met - transferred to revenue	-	(7 500 000)
	<hr/>	<hr/>
	-	-

The Energy Efficiency and Demand-Side Management Grant is intended to provide subsidies to municipalities to implement energy efficiency and demand-side management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

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22. Employee related costs		
Basic	70 447 763	60 972 276
Bonus	4 924 098	4 302 289
Medical aid - company contributions	5 556 694	5 133 693
UIF	522 977	467 561
SDL	832 020	767 546
Post employment benefits	1 003 666	1 654 982
Group life Insurance	633 618	541 617
Travel, motor car and other allowances	3 191 923	4 405 057
Overtime payments	3 803 364	3 176 244
Long-service awards	416 020	455 700
Stress Relief	331 755	1 002 827
Acting allowances	2 039 776	1 932 415
Housing benefits and allowances	178 710	212 277
Leave expense	1 165 036	2 794 995
Telephone allowance	240 596	524 400
Stand-by allowance	511 328	683 145
Bargaining Council	26 924	25 295
Pension	11 666 878	10 951 254
	107 493 146	100 003 573

Remuneration of Municipal Manager (Mr K.S.D. Mere)

Annual Remuneration	799 554	-
Car Allowance	185 133	-
Housing Allowance	18 513	-
Phone Allowance	14 400	-
	1 017 600	-

Mr K.S.D. Mere was appointed as the Municipal Manager on 01 July 2023. He was suspended pending an investigation on the 10th of April 2024. Mr T.J. Meerken (Technical Director) was appointed as the Acting Municipal Manager from the 11th of April 2024 to the 25th of April 2024.

Remuneration of Acting Municipal Manager (Mr T. Meerken)

Acting Allowance	10 322	-
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Mr T. Meerken was appointed as the Acting Municipal Manager from the 11th of April 2024 to the 25th of April 2024.

Remuneration of Acting Municipal Manager (Mr M. Morwe)

Acting Allowance	32 331	-
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Mr M. Morwe was appointed as the Acting Municipal Manager from the 26th of April 2024 to the 18th of June 2024. Mr F.T. Mabokela from COGTA has been seconded to the position from the 19th of June 2024 to the 19th September 2024.

Remuneration of Acting Municipal Manager (Ms. G. Mopolai)

Acting Allowance	-	178 523
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Ms. G. Mopolai was appointed as the acting Municipal Manager on the 7th of December 2022 on a month to month basis until the 30th June 2023. The Municipal Manager Mr K.D.S. Mere was appointed on the 1st of July 2023 on a 5 year contract.

Remuneration of Municipal Manager (Mr. R. Jonas)

Annual Remuneration	-	480 294
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22. Employee related costs (continued)

Mr R. Jonas was appointed as the Municipal Manager on the 1st of July 2022 and resigned on the 30th of November 2022.

Remuneration of Chief Finance Officer (Mr L.J. Mogoemang)

Annual Remuneration	689 261	-
Car Allowance	5 594	-
	694 855	-

Mr L.J. Mogoemang was appointed as the Chief Finance Officer on the 01st of November 2023.

Remuneration of Acting Chief Finance Officer (Ms. S. Pelele)

Acting Allowance	42 412	107 014
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Ms. S. Pelele was appointed as the Acting Chief Financial Officer on the 1st of April 2022 until the 30th of June 2022. She has been further appointed as the Acting Chief Financial Officer on a month to month basis from the 1st of July 2022 to the 31st of October 2023. Mr L.J. Mogoemang was appointed as the Chief Financial Officer on the 1st of November 2023.

Remuneration of Technical Services Director (Mr T. Meerken)

Annual Remuneration	766 802	-
Car Allowance	1 560	-
Subsistence Allowance	1 096	-
	769 458	-

Mr T. Meerken was appointed as the Technical Services Director on the 1st of September 2023.

Remuneration of Acting Technical Services Director (Mr G. Moleboge)

Acting Allowance	19 641	29 223
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Mr G. Moleboge was appointed as the Acting Technical Services Director on a month to month basis from the 1st of February 2023 to the 31st of August 2023. He was again appointed from the 11th of April 2024 to the 25th of April 2024.

Remuneration of Acting Technical Services Director (Ms G. Mopolai)

Acting Allowance	-	46 183
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Ms G. Mopolai was appointed as the Acting Technical Services Director on a month to month basis from the 1st of April 2022 to the 30th of November 2022.

Remuneration of Acting Corporate Services Director (Mr B. Phutiyagae)

Acting Allowance	72 554	57 779
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Mr B. Phutiyagae was appointed as the Acting Corporate Services Director on a month to month basis from the 1st of April 2022 to the 30th of June 2024. Mr B. Phutiyagae's acting secondment continues subsequent to year end.

Remuneration of Community Services Director (Mr V. Nercodimus)

Annual Remuneration	689 261	-
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Mr V. Nercodimus was appointed as the Community Services Director on the 01st of November 2023. He was suspended pending an investigation on the 10th of April 2024. Mr Morwe was appointed as the Acting Community Services Director on the 18th of June to date.

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22. Employee related costs (continued)

Remuneration of Acting Community Services Director (Mr M. Morwe)

Acting Allowance	24 185	16 473
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Mr M. Morwe was appointed as the Acting Community Services Director on a month to month basis from the 1st of March 2023 to the 31st of October 2023. He was appointed again on the 19th of June to the 30th of June 2024. Mr M. Morwe's acting secondment continues subsequent to year end.

Remuneration of Acting Corporate Services Director (Mr S. Mokgetho)

Acting Allowance	-	12 355
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Mr S. Mokgetho was appointed as the acting Community Services Director on a month to month basis from the 1st of December 2022 to the 28th of February 2023.

Remuneration of Acting Community Services Director (Mr H. Kwenamore)

Acting Allowance	-	425 928
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Mr H. Kwenamore was seconded by COGTA to be the acting Community Services Director from the 7th of December 2021 to the 31st of May 2022. He was then subsequently appointed by the Municipality to be the acting Community Services Director from the 1st of June 2022 to the 31st of October 2022.

23. Remuneration of councillors

Executive Mayor	973 096	979 734
Speaker	715 475	716 006
Chief Whip	690 287	720 536
Mayoral committee members	2 591 772	2 177 304
Councillors	6 899 717	7 503 193
	11 870 347	12 096 773

In-kind benefits

The Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time employees of the municipality. Each is provided with an office and secretarial support at the cost of the Council.

Councillors arrear consumer accounts are disclosed in note 50.

24. Depreciation and amortisation

Property, plant and equipment	36 407 899	26 312 374
Investment property	14 024	14 024
	36 421 923	26 326 398

25. Finance costs

Interest on fair value of employment benefits awards and & environmental	5 824 143	6 156 062
Eskom debt relief interest unwinding	9 244 349	-
Bank	2 152	49 853
Interest on late payments	18 789 434	18 574 784
	33 860 078	24 780 699

Tswaing Local Municipality

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Figures in Rand	2024	2023
26. Debt impairment		
Receivables from exchange transactions	(97 923)	1 119 667
Receivables from non-exchange transactions	15 145 058	6 729 400
Trade and other receivables from exchange	30 371 229	3 548 406
	45 418 364	11 397 473
27. Bulk purchases		
Electricity - Eskom	61 325 250	50 323 035
Water	572 039	538 232
	61 897 289	50 861 267
28. Contracted services		
Outsourced Services		
Business and Advisory	346 400	2 410 870
Litter Picking and Street Cleaning	161 203	590 950
Security Services	10 831 307	9 651 387
Consultants and Professional Services		
Business and Advisory	15 795 201	14 930 866
Infrastructure and Planning	307 625	194 000
Legal Cost	6 492 470	10 395 600
	33 934 206	38 173 673
29. General expenses		
Advertising	317 596	184 111
Auditors remuneration	3 751 086	3 817 789
Bank charges	140 782	448 150
Commission paid	2 864 673	2 761 957
Computer expenses	548 005	555 619
Consumables	671 622	3 063 081
Hire	904 616	2 127 472
Insurance	2 783 891	3 647 600
Community development and training	5 816 322	5 331 430
Motor vehicle expenses	87 225	427 897
Fuel and oil	2 751 270	2 860 191
Environmental rehabilitation provision expense	4 785 010	2 361 591
Printing and stationery	204 535	818 041
Protective clothing	210 031	439 928
Repairs and maintenance	4 202 808	5 890 271
Sitting Allowance	150 000	125 000
Subscriptions and membership fees	1 251 309	1 244 932
Telephone and fax	1 517 817	3 061 889
Training	331 530	39 740
Travel - local	5 986 349	5 529 769
Assets expensed	6 521 739	3 983 734
Catering Services	1 339 350	641 738
Electricity purchase: small amounts	13 732 654	9 284 459
	60 870 220	58 646 389
30. Fair value adjustments		
Other financial assets		
• Other financial assets (Held for trading)	153 424	(13 767)

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31. Actuarial Gains/Losses		
Post Employment Medical Aid Subsidy	(701 626)	15 111 052
Long Service Award	(110 010)	739 415
	(811 636)	15 850 467
32. Impairment of assets		
Impairments		
Property, plant and equipment	330 066	1 271 911
Reversal of impairments		
Property, plant and equipment	(62 697)	(6 484 843)
Total impairment losses (recognised) reversed	267 369	(5 212 932)
33. Auditors' remuneration		
Fees	3 751 086	3 817 789
34. Operating (deficit) surplus		
Operating (deficit) surplus for the year is stated after accounting for the following:		
Operating lease charges		
Equipment		
• Contractual amounts	989 014	962 504
Loss on sale of property, plant and equipment	1 195 918	3 445 485
Gain on sale of investment property	-	40 000
Impairment on property, plant and equipment	330 066	1 271 911
Reversal of impairment on property, plant and equipment	62 697	(6 484 843)
Gains on biological assets	(1 445 994)	(1 661 901)
Depreciation on property, plant and equipment	36 407 899	26 312 374
Depreciation on investment property	14 024	14 024
Employee costs	107 493 146	100 003 573
Councillors remuneration	11 870 346	12 096 773

Tswaing Local Municipality

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35. Cash (used in) generated from operations		
(Deficit) surplus	(33 996 505)	10 060 825
Adjustments for:		
Depreciation and amortisation	36 421 923	26 326 398
Gain on biological assets	(1 445 994)	(1 661 901)
Actuarial gain/ loss	811 636	(15 850 467)
Loss on disposal	1 195 918	3 485 485
Asset expensed	6 521 738	3 478 260
Environmental Rehabilitation	4 785 010	2 361 591
Fair value adjustments	(153 424)	13 767
Finance Costs	5 824 143	6 156 062
Long service provision	416 020	455 700
Post employment benefits	1 003 666	1 654 982
Impairment loss	267 369	(5 212 932)
Debt impairment	45 418 364	11 397 474
Bad debts written off	473 399	6 256 713
Movements in retirement benefit assets and liabilities	(807 129)	(739 274)
Movements in provisions	(493 702)	(509 150)
Inventory losses	86 502	139 656
Debt Forgiven by Suppliers	(22 429 258)	(563 214)
Loss on undeposited receipts	412 191	80 990
Debt Waiver	(25 707 324)	-
Donations	(540 960)	-
Changes in working capital:		
Inventories	(1 649 452)	(358 031)
Receivables from exchange transactions	(366 554)	11 958 556
Receivables non exchange	(14 451 809)	(14 282 590)
Trade receivables from exchange transactions	(32 014 444)	(30 573 734)
Payables from exchange transactions	(33 899 648)	54 471 434
VAT	(967 646)	(10 791 095)
Unspent conditional grants and receipts	-	(401 170)
Consumer deposits	56 245	66 758
	(65 229 725)	57 421 093

Tswaing Local Municipality

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36. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	20 763 847	2 120 455
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	49 142 870	14 042 527
Total capital commitments		
Already contracted for but not provided for	20 763 847	2 120 455
Not yet contracted for and authorised by accounting officer	49 142 870	14 042 527
	69 906 717	16 162 982
Authorised operational expenditure		
Already contracted for but not provided for		
• Financial Statements Preparation	6 124 670	6 717 021
• Asset Register Preparation	7 456 179	-
• Valuation Roll Preparation	3 485 912	-
	17 066 761	6 717 021
Total operational commitments		
Already contracted for but not provided for	17 066 761	6 717 021
Total commitments		
Total commitments		
Authorised capital expenditure	69 906 717	16 162 982
Authorised operational expenditure	17 066 761	6 717 021
	86 973 478	22 880 003

Tswaing Local Municipality

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37. Contingencies

Court Proceedings

Municipality is being sued for some of the following pending claims. All the claims are being contested based on legal advice.

The certainty and the timing of the outflow of these liabilities is uncertain.

The following cases listed below are pending and there is no reasonable estimate for future outflow amounts;

The amounts disclosed below are possible outflows amounts based on the lawyers:

Litigation and claims

MRL Incorporated// Tswaing Local Municipality(1896/2018)	300 000	400 000
Tswaing Local Municipality// H Breytenbach (2840/2019)	600 000	600 000
Business Chamber of Tswaing//Tswaing Local Municipality (53751/2020)	-	200 000
Tshidiso Ramphela// Tswaing Local Municipality(M195/2015)	800 000	500 000
Tswaing Local Municipality // S Moeti & D Masibi (NWD 042302)	500 000	750 000
Tswaing Local Municipality // B T Radingwana	300 000	500 000
Lethlo Projects CC // Tswaing LM (1349/2024)	800 000	-
Samvu obo GT Moleboge And Others /Tswaing Municipality Case no-NWA022423	500 000	-
	3 800 000	2 950 000

ADDITIONAL INFORMATION

MRL Incorporated// Tswaing Local Municipality(1896/2018):

Claim for services rendered by service provider following the appointment by the Municipality(but according to the Municipality the appointment was not lawful), the matter is defended and is pending is awaiting date of allocation of the trial date. (Claim Amount R1 540 000.00)

Tswaing Local Municipality// H Breytenbach (2840/2019):

Claim for eviction and arrear rental of R53 221,97 by and counterclaim against the Municipality of R 1 141 576.07 for unpaid salaries, expenses and or claims of the employee, the matter is pending.(Claim Amount R1 141 576.07)

Business Chamber of Tswaing//Tswaing Local Municipality (53751/2020):

Application for review the decision of or against Eskom, the matter is pending and Applicant's Attorneys have since went quiet on the matter. (Claim Amount N/A).

Tshidiso Ramphela// Tswaing Local Municipality(M195/2015):

Claim for future loss of income, the Municipality has already paid Mr Tshidiso Ramphela about R2.9 Million towards capital and costs, emanating from the settlement discussions between the parties, but Mr Tshidiso Ramphela dispute the existence of the settlement agreement between the Municipality and him, and issued the writ of execution in the amount of R 4 450 499.00 despite the fact that the Municipality has already oaid the 2.9 Million rand, the Municipality on the other hand issued an application to set aside the writ of execution, the application was argued on the 25th May 2023 and we are waiting judgement on the matter. (Claim Amount R4 450 499.00).

Tswaing Local Municipality // Masibi & Moet (NWD 042302):

Disciplinary Hearing of Masibi and Moeti and Con/Arb Matter. Referral for unfair Labour practice of the bargaining council. Matter currently at Bargaining Council.

Tswaing Local Municipality // B T Radingwana (NWD 052303)

Referral For unfair labour practice of the Bargaining Council. Matter still pending.

Lethlo Projects CC// Tswaing Local Municipality CASE NO 1349/2024

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37. Contingencies (continued)

The matter has been settled amicably between the parties (claim amount- 8 484 497.11). Claim for services rendered by services rendered by service provider for the work done and interest for the late payment and this is following the appointment by the Municipality (but according to the municipality the appointment was not lawful), the matter is defended and is pending.

Tswaing Local Municipality // SAMVU obo G J Moleboge & Others-Case No - NWD022413

SAMVU declared and or referred a dispute for the unilateral change to terms and conditions of employment of the employees of the municipality around 2024 in terms of section 191(1) of the Labour Relations Act, which dispute is enrolled or set down for conciliation around 02 May 2024 and the matter has been settled amicably between the parties (claim amount N/A).

New Boss Construction (Pty) Ltd // Tswaing Local Municipality Case No -153/2016

Claim for services rendered by service provider for the work done ,summons issued matter not defended, default judgement obtained against the municipality, writ of execution issued against the municipality, and the matter was settled and money owed was paid. (Claim Amount R375 695.16).

ADDITIONAL MATTERS

Puleng Kwenamore v Tswaing LM (082213) - Bargaining Council - Unfair Labour Practice

Ms Kwenamore filed a condonation application with the SALGBC on the basis that the municipality unfairly treated her when it failed to promote her and awarded her a higher salary commensurate with the functions she was performing. The condonation application was not opposed and the commissioner gave a ruling that the matter could proceed to conciliation and arbitration. At the arbitration stage ,the employee was represented by her on union,IMATU. In addition ,the legal representatives of the employee have brought an application before the chairperson of the hearing for the employee to return to work. Currently awaiting a ruling by the chairperson in this regard.

Tswaing v Dion Mere - Internal Disciplinary Hearing

Council Of the municipality took resolutions to place Mr Mere on suspension pending investigations an finalisation of the disciplinary against him. He was placed on suspension on 15 April 2024. Investigation were conducted and a forensic investigations report submitted to the municipality on or about the end of May 2024 . Thereafter ,Mr Mere was issued with serious disciplinary charges that involve gross dishonesty ,misrepresentation and causing the municipality to incur irregular and fruitless and wasteful expenditure .His disciplinary hearing started 4 July 2024 and thereafter postponed to 21 and 22 August 2024. On 21 August ,the hearing was again postponed to allow parties to finalise the process of exchanging documents and dealing with points in limine raised by the legal representatives of Mr Mere .In addition ,the legal representatives of the employee have brought an application before the chairperson of the hearing for the employee to return to work. Currently awaiting a ruling by the chairperson in this regard.

Tswaing v Victor Nercodimus-Internal Disciplinary Hearing

Council of the municipality took resolutions to place Mr Nercodimus on suspension pending investigations and finalisation of the disciplinary proceedings against him. He was placed on suspension on 15 April 2024. Investigation were conducted and a forensic investigations report submitted to the municipality in May 2024. Thereafter ,Mr Nercodimus was issued with serious disciplinary charges that involve gross dishonesty and misrepresentation . His disciplinary hearing started on 5 July 2024 and was thereafter postponed to 5 and 6 August 2024. The hearing proceeded on 5 August 2024 and the employee pleaded not guilty to the charges. On 6 August 2024 ,the employee's legal representatives made a request to the furnished with the transcribed recording of the recruitment interview of the employee. This has since been provided to the employee's legal representatives. Mr Nercodimus remains on suspension. The employer has prospects of success in prosecuting this matter to finality.

Dion Mere v Tswaing LM - Case Number 2017/2024

After Mr Mere was placed on precautionary suspension ,Mr Mere brought an urgent application under case number 2017/2024 in the High Court,North West Division, seeking for his return to work .This was opposed by the municipality. On 9 May 2024 , the Court issued its order and judgement to the effect that Mr Mere could return to work as his suspension was unlawful because of not complying with the regulations . Mr Mere ,through his representatives ,brought an application

Tswaing Local Municipality

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37. Contingencies (continued)

under the same case number of the enforcement of the order and judgement of 9 May 2024. We opposed same and were successful in that this application was dismissed by the court.

Tswaing Local Municipality //Boitumelo Victor Thabang Radingwana -CASE NO- NWVB 784-23

The former employee of the municipality lodged a claim and or dispute for unpaid salaries for work performed overtime from the municipality and obtained a default award against the municipality for payment of the money in question. The municipality successfully filed an application for rescission of the said award, the employee opposed the matter but the application for rescission was successful. The matter upon re-enrolment was settled. (Claim amount R310 549.75).

Tswaing Local Municipality // Dintoko D Masibi & Saddam B Moeti

The two employees face charges relating to the financial irregularities pertaining to the construction of the Atamelang Modular Library

Contingent assets

Litigation and claims

Tswaing Local Municipality// Dintoko D Masibi & Saddam B Moeti	-	150 000
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ADDITIONAL INFORMATION

Tswaing Local Municipality // Dintoko D Masibi & Saddam B Moeti:

Claim is lodged by Municipality against its employees for the money paid to the service provider for services allegedly not rendered by the service provider (Claim amount-R 274 110,22)

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38. Related parties

Relationships

Members of key management

Accounting Officer
Accounting Officer (Acting Municipal Manager)
Chief Finance Officer
Acting Corporate Services Director
Technical Services Director
Community Services Director
Acting Community Services Director
Mayor
Speaker
Chief Whip
Executive Members

MPAC Chairperson

Councillors

Name

Mr K.S.D. Mere
Mr F.T. Mabokela
Mr L.J. Mogoemang
Mr B. Phuthiyagae
Mr T. Meerken
Mr V. Nercodimus
Mr M.D. Morwe
Hon Cllr N.N. Mahlangu
Hon Cllr M.S. Letlakane
Cllr N.J. Molehabangwe
Cllr S. Viljoen
Cllr M.A. Molamuagae
Cllr P.M. Mokoto
Cllr J.P. Molatudi
Cllr T.P. Januarie
Cllr M.V. Mogodu
Cllr M.M. Moreo
Cllr N.W. Thwane
Cllr R.L. Tlhagale
Cllr T.J. Sekgelo
Cllr N.P. Moleboge
Cllr G.D. Gaedie
Cllr S.J. Kgatitswe
Cllr S.K. Moleleki
Cllr S.M. Williams
Cllr T.M. Sehemu
Cllr F. Lobelo
Cllr M.E. Molete
Cllr L.Y. Taaljardt
Cllr J.K. Mangwejane
Cllr M.E. Swartz (PR)
Cllr M.M. Moruapheko
Cllr K.P. Mathibe
Cllr N.R. Baitsumedi
Cllr E. Pretorius
Kgosi J. Molete (Traditional Leader)
Kgosi C. Moshoele (Traditional Leader)

The above key management's salaries are disclosed in note 22 and 23

Councillors' arrear consumer accounts are disclosed in note 50.

There was provincial intervention in terms of section 139(5) of the Constitution - Mandatory Financial Recovery Plan, from 24 November 2021, immediately after the new council was elected. The intervention is still applicable as the interim rescue plan has been implemented as from 17 May 2023 to 30 September 2023. The financial recovery plan has been finalised and the plan is currently in the stabilisation phase.

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39. Risk management

Financial risk management

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

Due to the largely non-trading nature of activities and the way in which they are financed, Municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply.

Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Municipality in undertaking its activities.

The budget and treasury department (BTO) monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The Municipality does not enter into or trade financial instruments for speculative purposes.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by the budget and treasury department under policies approved by accounting officer. Municipality budget and treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Tswaing Local Municipality

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39. Risk management (continued)

Liquidity risk

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

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The Municipality managing of 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. Liquidity risk is managed by ensuring that all assets are re-invested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

The tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

As at 30 June 2024	Less than 1 year	Above 1 year
Payables from exchange transactions	363 433 806	-
Consumer deposits	1 445 614	-
Unspent conditional grants	-	-

As at 30 June 2023	Less than 1 year	Above 1 year
Payables from exchange transactions	331 114 561	-
Consumer deposits	1 389 369	-
Unspent conditional grants	-	-

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39. Risk management (continued)

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Possible risk will arise from customers not being able to pay their outstanding debt. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. A consideration of individual customer circumstances must be made as services do still need to be provided to customers, while ensuring payments are made.

The municipality does not hold any collateral to mitigate against credit risk..

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

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

Financial instrument

Receivables from exchange transactions	100 675	109 597
Trade and other receivables from exchange	47 668 295	50 580 764
Bank balances and cash	1 206 362	494 820
	48 975 332	51 185 181

Trade Receivables from exchange transactions, Receivables from exchange transactions and Receivables from non-exchange transactions

Receivables are amounts owing by consumers, and are presented on the Statement of Financial Position net of impairment losses.

The municipality has a credit risk policy in place, and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services, without recourse to an assessment of creditworthiness.

There were no material changes in its objectives, policies and processes for managing and measuring the risk during the year in review. The municipality's strategy for managing its risk includes encouraging residents to install prepaid electricity meters. A deposit is required for new service connections.

The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial position. The municipality has no significant concentration of credit risk, with exposure spread over multiple consumers and not concentrated in any particular sector or geographic area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables. The average credit period on services rendered is 30 days from date of invoice. No interest is raised on overdue accounts. The Entity has provided fully for all receivables outstanding over determined by reference to past default experience.

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39. Risk management (continued)

Market risk

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

The municipality is exposed to market risk in relation to the listed shares it holds. These shares are valued at their market price at each year end.

The maximum exposure to cash flow and fair value risk, price risk and foreign currency risk. There has been no change to the Municipality's exposure to market risk on the manner in which manages.

Fair Values

The table below analyses financial instruments carried at fair value at the end of the reporting period, 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.

2024

	Level 1	Level 2	Level 3	Level 4	Total
Other financial assets	657 443	-	-	-	657 443

2023

	Level 1	Level 2	Level 3	Level 4	Total
Other financial assets	504 019	-	-	-	504 019

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Interest on late payments	18 789 434	18 574 784
Bank overdraft	2 152	49 853
	18 791 586	18 624 637

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39. Risk management (continued)

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the statement of financial position either as available for sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk.

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

Surplus for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through surplus or deficit..

40. Material uncertainty relating going concern

We draw attention to the fact that at 30 June 2024, the Municipality had a deficit of R 33 996 505 and that the Municipality's current liabilities exceed its assets by R 159 048 433.

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.

As the Municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Non-compliance (30 days) - The Municipality is currently not paying all their creditors within the accepted 30 days. This also resulted in fruitless and wasteful expenditure due to interest on overdue creditors account. Debtors are currently not paying as their debt falls due with most of the debtors sitting in the 180+ days bracket, this is also indicated by the high impairment calculated for the year. The Municipality starting implementing its credit control policy with the cut-off process done on business accounts in arrears. Further more electricity load shedding has affected businesses and other clients of the municipality. These factors indicate the existence of material uncertainty that may cast significant doubt on the municipality's ability to continue as a going concern.

Despite all the factors mentioned, the municipality still continues to supply services to the community and clients. The municipality is set up by the Constitution of the Republic of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide these services will prompt National Government intervention to ensure it stays functional and able to deliver basic services and consequently compliance with the Constitution.

The municipality receives grants and equitable share from National Treasury on an annual basis and this in addition to own revenue collected by the municipality is generally sufficient to ensure the municipality is able to continue as a going concern.

Taking into account all the factors, these financial statements were prepared on a going concern basis.

41. Fruitless and wasteful expenditure

Opening balance as previously reported	112 237 207	91 794 759
Correction of prior period error	-	334 090
Opening balance as restated	112 237 207	92 128 849
Add: Expenditure identified - current	21 511 916	20 078 644
Add: Expenditure identified - prior period	-	29 714
Closing balance	133 749 123	112 237 207

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41. Fruitless and wasteful expenditure (continued)

Additional Disclosure

There are currently no cases related to fruitless and wasteful expenditure.

No transactions have been identified as recoverable.

No criminal or disciplinary steps taken in regards to the irregular expenditure.

42. Irregular expenditure

Opening balance as previously reported
Correction of prior period error

Opening balance as restated

Add: Irregular Expenditure - current

Add: Irregular Expenditure - prior period

Closing balance

889 541 811	731 979 424
-	(1 322 974)
889 541 811	730 656 450
64 934 744	126 838 836
-	32 046 525
954 476 555	889 541 811

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42. Irregular expenditure (continued)

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

Competitive bidding not invited	58 097 090
Three written quotations not invited	2 121 110
Declaration of interest not submitted	1 631 717
Tax clearances not obtained	3 084 827
	<u>64 934 744</u>

Additional Disclosures

There are currently no cases related to irregular expenditure.

No transactions have been identified as recoverable.

No criminal or disciplinary steps taken in regards to the irregular expenditure.

43. Material losses

The municipality incurred losses in distribution of electricity amounting to R 18 219 355 (34,98%) for 2023/24 and R11 445 174 (27,49%) for 2022/23 .The distribution losses incurred for the distribution of water could not be ascertained as the municipality does not buy water as they use natural water from boreholes. Therefore it is impractical to measure natural water source from the reservoirs.

44. Budget differences

Material differences between budget and actual amounts

The differences between budget and actual amounts have been detailed below and explanations were provided for material balance movements, the differences are detailed in the Statement of Comparison of Budget and Actual Amounts.

Explanations :

N01: This line item was underbudgeted for.

Tswaing Local Municipality

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44. Budget differences (continued)

N02: Unexpected income in the line item.

N03: Ottosdal office re-opened during the current financial year.

N04: Ring Fencing of grants was implemented which led to an increase in the line item.

N05: Unexpected income in the line item.

N06: This line item was over budgeted for. The performance depends on number of traffic fines issued for the year.

N07: Unexpected income in the line item. Eskom Interest write-off effected at end of February 2024 as the Municipality is under Eskom Debt Relief (Circular 124). Auditor General also wrote of debt as at 30 June 2024.

N08: Budget constraints resulted underbudgeting for this line item.

N09: Line item was erroneously over budgeted for.

N10: Budget constraints resulted underbudgeting for this line item.

N11: Line item was erroneously not budgeted for. 22/23. The annual financial statements for 2022/23 had an impairment reversal thus this was not budgeted for.

N12: Increasing cashflow contrants resulted in higher than expected finance costs.

N13: Budget for this line item was erroneously budgeted for under bad debts written off.

N14: This budget was erroneously budgeted under this line item. Budget is meant for debt impairment provision.

N15: Line item was erroneously not budgeted for.

N16: Line item was under budgeted for. Decrease in loadshedding for the 2023/24 year end also resulted in increased electricity consumption.

N17: Appointments for contracted services were done later than expescted (end of May 2024), thus the full budget was not utilised.

N18: Line item was erroneously not budgeted for.

N19: Unexpected expenditure such as assets expensed and budget constraints resulted in underbudgeting for this line item.

N20: Due to budget constraints this non-cash item could not be budgeted for.

N21: Non-cash item not budgeted for.

N22: Due to budget constraints this non-cash item could not be budgeted for.

N23: Non-cash item not budgeted for.

N24: Due to budget constraints this non-cash item could not be budgeted for.

N25: Over budgeting for water inventory

N26: There was a correction of error that was done at year end to suppliers with debit balances that resulted in the variance,

N27: Incorrect budgeting was done for this line item

N28: There was overbudgeting on this line item.

N29: There was overbudgeting on this line item.

Tswaing Local Municipality

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44. Budget differences (continued)

N30: There was overbudgeting on this line item.

N31: This budget was erroneously not updated from the previous budget years.

N32: There was underbudgeting on this line item.

N33: Balance was erroneously budgeted for.

N34: There was overbudgeting on this line item.

N35: Balance was erroneously budgeted for.

N36: There was underbudgeting on this line item.

N37: Line item was erroneously not budgeted for.

N38: Line item was erroneously not budgeted for.

N39: Line item was erroneously not budgeted for.

N40: Over budgeting as a result of allocation of long service awards provisions to the employee benefit obligation line item.

N41: There was underbudgeting on this line item.

N42: Ring Fencing of grants was implemented which led to an increase in the line item.

N43: There was overbudgeting on this line item.

N44: There was overbudgeting on this line item.

N45: There was no expectation for this line item to be incurred in the current financial year end.

N46: Transaction was was erroneously budgeted for.

N47: Transaction was was erroneously budgeted for.

N48: Transaction was was erroneously budgeted for.

Tswaing Local Municipality

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45. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The Municipality provides certain post-retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee. The Municipality operates an unfunded defined benefit plan for these qualifying employees.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2023.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. The Post Employment Health Care Benefit Plan is a defined benefit plan.

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

Net Discount Rate

Assumption	30 June 2024	30 June 2023
Discount rate (D)	13.50%	14.17%
Consumer price inflation (C)	7.88%	8.62%
Health care cost inflation (H)	9.38%	10.12%
Net discount rate $((1+D)/(1+H)-1)$	3.77%	3.68%

It is the relative levels of the discount rate and health care cost inflation to one another that are important, rather than the nominal values. The assumption regarding the relative levels of these two rates is our expectation of the long-term average.

GRAP25 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 of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2023 the duration of liabilities was 15.32 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2024 is 13.50% per annum, and the yield on the inflation linked bonds of a similar term was about 5.22% per annum, implying an underlying expectation of inflation of 7.88% per annum $([1 + 13.50\%] / [1 + 5.22\%] - 1)$.

A healthcare cost inflation rate of 9.38% was assumed. This is 1.50% in excess of the expected inflation over the expected term of the liability, consistent with the previous actuary.

However, it is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 3.77% per annum $([1 + 13.50\%] / [1 + 9.38\%] - 1)$. This year's valuation basis is therefore weaker than previous year's basis from a discount rate perspective.

Demographic And Decrement Assumptions

The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as follows:

	Active employees	Pensioners
Normal retirement age	63	
Fully accrued age (to take account for ill-health and early retirement decrements)	60	
Employment age used for past service period	Actual service entry ages	
Age difference between spouses	3 years	3 years

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45. Employee benefit obligations (continued)

Proportion married	Actual marital status	Actual marital status
Mortality	SA85-90 (Normal)	PA (90) - 2

Withdrawal Dates

Age	Withdrawal rates (Male)	Withdrawal rates (Female)
20	24.0%	16.0%
30	15.0%	10.0%
40	6.0%	6.0%
50	2.0%	2.0%
>55		

Continuation Percentages

We have assumed continuation of the post-employment health care subsidy would be at 90% of active employees, or their surviving dependants.

SENSITIVITY ANALYSIS

HEALTH CARE COST INFLATION RATE

The valuation basis assumes that the health care cost inflation rate and the inflation on the maximum subsidy (which manifests themselves as annual increases to the total contribution subsidised by the employer) will be less than the corresponding discount rate, in the long term. The effect of a one per cent increase and decrease in the health care cost inflation rate and the inflation on the maximum cap is as follows:

	1% decrease R's	30 June 2024 Valuation Basis R's	1% Increase R's
Employer's accrued liability	22 297 358	25 808 288	30 125 062
Service Cost	947 690	1 151 005	1 407 926
Interest Cost	2 959 093	3 430 707	4 013 403

As per the table above, a 1.00% increase in the health care cost inflation rate results in an 16.73% increase in the accrued liability whilst a 1.00% decrease in the health care cost inflation rate will result in a 13.60% decrease in the accrued liability.

Discount Rate

The effect of a one percent increase and decrease in the Discount rate is as follows:

	1% decrease R's	30 June 2024 Valuation Basis R's	1% Increase R's
Employer's accrued liability	29 954 569	25 808 288	22 476 918
Service Cost	1 387 438	1 151 005	964 612
Interest Cost	3 695 116	3 430 707	3 201 563

As per the table above, a 1% increase in the net discount rate results in a 12.91% decrease in the accrued liability whilst a 1% decrease in the net discount rate will result in an 16.07% increase in the accrued liability.

Mortality

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45. Employee benefit obligations (continued)

	30 June 2024 Valuation basis SA85-90 R's	PA(90) -3 R's
Employer's accrued liability	21 847 526	22 443 050
Service cost	1 003 666	1 025 827
Interest cost	3 062 599	3 134 200

PA(90) -3(with a three-year age adjustment) means that, to each beneficiary we assigned a mortality rate of an individual three years younger than that beneficiary. The resulting mortality implies that the individual lives longer than expected in the valuation basis.

The above table highlights the effects of a one-year adjustment to the mortality assumption as at 30 June 2023. The adjustment would result in a 2.73% increase in the accrued liability.

Long Service Awards

In addition to normal leave an employee shall qualify for the following additional leave as recognition for service at the same employer, which shall be paid out respectively, once only the date on which the various periods of continues service have been completed, as follows.

After 10 years service - 10 working days
 After 15 years service - 20 working days
 After 20 years service - 30 working days
 After 25 years service - 30 working days
 After 30 years service - 30 working days
 After 35 years service - 30 working days
 After 40 years service - 30 working days
 After 45 years service - 30 working days.

An employee may choose to either utilise the leave for holiday purposes or en-cash leave within 12 months. The two most important financial variables used in our valuation are the discount rate and salary inflation. An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events.

NET DISCOUNT RATE

Assumption	30 June 2024	30 June 2023
Discount rate	10.40%	10.86%
CPI	5.33%	5.93%
Salary increase rate	6.33%	6.93%
Net Discount rate	3.83%	3.68%

GRAP25 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 of setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2023 the duration of liabilities was 5.67 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2024 is 10.40% per annum, and the yield on inflation-linked bonds of a similar term was about 4.81% per annum. This implies an underlying expectation of inflation of 5.33% per annum $[(1 + 10.40\%) / (1 + 4.81\%) - 1]$.

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 6.33% per annum. However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 3.83% per annum $[(1 + 10.40\%) / (1 + 6.33\%) - 1]$.

DEMOGRAPHIC AND MORTALITY ASSUMPTIONS

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45. Employee benefit obligations (continued)

Assumption	30 June 2024	30 June 2023
Normal retirement age (years)	65	65
Mortality	SA85-90	SA85-90

ILL-HEALTH AND OTHER EARLY RETIREMENT RATES

The following ill-health early retirement assumptions were applicable over the current and previous financial year ends:

Example at stated age	Ill-health early retirement rates
31	0.02%
35	0.10%
40	0.20%
45	0.30%
50	0.50%
55	1.00%
60	1.80%
62	2.32%

WITHDRAWAL TABLE

The following withdrawal assumptions were applicable over the valuation periods:

Age	Withdrawal rates (Male)	Withdrawal rates (Female)
20	16.0%	24.0%
25	12.0%	18.0%
30	10.0%	15.0%
35	8.0%	10.0%
40	6.0%	6.0%
45	4.0%	4.0%
50	2.0%	2.0%
55	1.0%	1.0%
60+	-	-

SENSITIVITY ANALYSIS

DISCOUNT RATE AND SALARY INFLATION RATE

The future cash flows emanating from bonuses earned on accrued service are discounted back to present value via the duration-specific discount rate. The future cash flows are also a factor of the increases in salaries. The current discount and salary inflation rate assumptions, which form part of the valuation basis, were 10.53% and 6.41%. The effect of a one percent increase and decrease in the discount and salary inflation rate is as follows:

	1% decrease R	Valuation basis R	1% increase R
Discount Rate			
Employer's accrued liability	7 685 527	7 288 151	6 927 792
Employer's current service cost	480 717	452 790	427 680
Employer's interest cost	699 729	732 929	762 148
% change in Accrued Liability	5.45%		-4.94%
Salary Inflation Rate			
Employer's accrued liability	6 911 300	7 288 151	7 697 488
Employer's current service cost	426 536	452 790	481 561
Employer's interest cost	693 737	732 929	775 500
% change in Accrued Liability	-5.17%		5.62%

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45. Employee benefit obligations (continued)

As per the table above, a 1% increase in the salary increase rate results in a 5.62% increase in the accrued liability whilst a 1% decrease in the salary increase rate will result in a 5.17% decrease in the accrued liability.

As per the table above, a 1% increase in the salary increase rate results in a 5.62% increase in the accrued liability whilst a 1% decrease in the salary increase rate will result in a 5.17% decrease in the accrued liability.

MORTALITY

The table that follows shows the impact of a change in the mortality assumption from SA85-90 to SA85-90 with a two-year adjustment.

	30 June 2024 Valuation basis SA85-90 R's	SA85-90 -2 R's
Employer's accrued liability	7 288 151	7 341 244
Employer's current service cost	452 790	456 23
Employer's interest cost	732 929	738 451

SA85-90 -2 (with a two-year age adjustment) means that, to each beneficiary we assigned a mortality rate of an individual two years younger than that beneficiary. The resulting mortality implies that the individual lives longer than expected in the valuation basis.

The above table highlights the effects of a two-year adjustment to the mortality assumption as at 30 June 2024. The adjustment would result in a 0.73% increase in the accrued liability.

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

Carrying value

Opening Balance	(28 414 053)	(38 627 771)
Current Service Cost	(1 419 686)	(2 110 682)
Current Interest Cost	(3 751 894)	(4 774 491)
Actuarial Gain/(Loss)	(811 636)	15 850 466
Utilised During the Current Year	1 300 831	1 248 424
	(33 096 438)	(28 414 054)

Non-current liabilities	(31 808 001)	(27 506 669)
Current liabilities	(1 288 437)	(907 385)
	(33 096 438)	(28 414 054)

Net expense recognised in the statement of financial performance

Current service cost	(1 419 686)	(2 110 682)
Interest cost	(3 751 894)	(4 774 491)
Actuarial (gains) losses	(811 636)	15 850 466
	(5 983 216)	8 965 293

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46. Unauthorised expenditure		
Opening balance as previously reported	432 102 129	695 790 654
Opening balance as restated	432 102 129	695 790 654
Add: Expenditure identified - current	148 402 345	86 069 059
Less: Expenditure identified - prior period	-	(5 064 584)
Less: Approved/condoned/authorised by council	-	(344 693 000)
Closing balance	580 504 474	432 102 129

Additional Disclosures

There are currently no cases related to unauthorised expenditure.

No transactions have been identified as recoverable.

No criminal or disciplinary steps taken in regards to the unauthorised expenditure.

47. Fines and penalties

Other subsidies

Penalties	1 167 621	1 745 157
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48. Loss due to undeposited receipts

Municipal Losses	412 191	80 990
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Loss due to undeposited receipts relates to amounts not deposited to the Municipality's bank account and the bank account of the Department of Transport, Admin and Licencing in relation to revenue from the traffic department which the Municipality administered on behalf of the department and there is a relationship of distributing the revenue between the Municipality and Department 20/80.

49. Prior period errors

Statement of financial position

	Previously reported 2023	Adjustments	Restated 2024
Inventories	3 298 804	(1 259)	3 297 545
Receivables from exchange transactions	8 045 226	(7 935 629)	109 597
VAT Receivable	30 510 662	(2 131 196)	28 379 466
Investment property	62 585 819	1 481 000	64 066 819
Property, plant and equipment	701 495 994	(29 529 004)	671 966 990
Payables from exchange transactions	338 818 135	3 159 035	341 977 170
Provisions: Current portion	2 304 631	(232 382)	2 072 249
Provisions: Non-current portion	42 573 468	(2 094 401)	40 479 067
Employee benefit obligation: Current portion	468 527	438 858	907 385
Employee benefit obligation: Non-current portion	21 379 000	6 127 669	27 506 669
Accumulated surplus	474 392 033	(45 514 867)	428 877 166

Tswaing Local Municipality

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49. Prior period errors (continued)

Statement of financial performance

	Previously reported 2023	Adjustments	Restated 2024
Other income	794 132	(563 214)	230 918
Government grants & subsidies	222 251 974	(8 907 222)	213 344 752
Debt forgiven by suppliers	-	563 214	563 214
Employee related costs	(100 032 010)	28 437	(100 003 573)
Remuneration of councillors	(11 682 957)	(413 816)	(12 096 773)
Depreciation and amortisation	(26 494 322)	167 924	(26 326 398)
Finance costs	(24 607 748)	(172 951)	(24 780 699)
Loss due to undeposited receipts	(100 180)	19 190	(80 990)
Contracted services	(33 046 697)	(5 126 976)	(38 173 673)
Fines & penalties	(1 733 972)	(11 185)	(1 745 157)
General expenses	(54 008 332)	(4 638 057)	(58 646 389)

Cashflow Statement

	Previously reported 2023	Adjustments	Restated 2024
Cash receipts from ratepayers, government and others	291 013 181	(2 240 787)	288 772 394
Cash paid to suppliers and employees	(227 188 740)	(4 414 177)	(231 602 917)
Purchase of property, plant and equipment	(64 658 121)	6 654 964	(58 003 157)
	(833 680)	-	(833 680)

Commitments

	Previously reported 2023	Adjustments	Restated 2024
Already contracted for but not provided for	4 759 341	(2 638 886)	2 120 455
Not yet contracted for and authorised by accounting officer	7 341 868	6 700 659	14 042 527
Authorised operational expenditure	6 890 065	(173 044)	6 717 021
	18 991 274	3 888 729	22 880 003

Contingencies

	Previously reported 2023	Adjustments	Restated 2024
Atamelang Quarry Site/Borrow Pit	4 239 744	(4 239 744)	-

Fruitless and wasteful expenditure

	Previously reported 2023	Adjustments	Restated 2024
Opening balance	91 794 759	334 090	92 128 849
Add: Expenditure identified - current	20 078 644	-	20 078 644
Add: Expenditure identified - prior year	-	29 714	29 714
	111 873 403	363 804	112 237 207

Irregular expenditure

	Previously reported 2023	Adjustments	Restated 2024
Opening balance	731 979 424	(1 322 974)	730 656 450
Add: Expenditure identified - current	126 838 836	-	126 838 836
Add: Expenditure identified - prior year	-	32 046 525	32 046 525
	858 818 260	30 723 551	889 541 811

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49. Prior period errors (continued)		
Unauthorised expenditure	Previously reported 2023	Adjustments Restated 2024
Opening balance	695 790 654	- 695 790 654
Add: Expenditure identified - current	86 069 059	- 86 069 059
Add: Expenditure identified - prior year	-	(5 064 584) (5 064 584)
Less: Approved/condoned/authorised by council	(344 693 000)	- (344 693 000)
	437 166 713	(5 064 584) 432 102 129
Segment Reporting		
Revenue	Previously reported 2023	Adjustments Restated 2024
Rendering of services	75 264 618	(602 556) 74 662 062
Licences and permits	3 799 450	41 855 3 841 305
Other income	692 157	(461 239) 230 918
Government grants & subsidies	226 391 510	(13 056 758) 213 334 752
Expenditure	Previously reported 2023	Adjustments Restated 2024
Employee related costs	100 265 804	(262 230) 100 003 574
Remuneration of councillors	11 682 957	413 816 12 096 773
Depreciation and amortisation	1 314 309	25 012 089 26 326 398
Finance costs	21 916 128	2 864 571 24 780 699
Debt Impairment	165 743 244	(154 345 770) 11 397 474
Bad debts written off	793 883	5 462 830 6 256 713
Loss due to undeposited receipts	-	80 990 80 990
Contracted services	32 148 431	6 025 243 38 173 674
Fines and penalties	1 658 527	86 630 1 745 157
General Expenses	39 173 950	19 472 440 58 646 390
Loss on disposal of assets and liabilities	193 107	3 292 378 3 485 485
Gain on biological assets	(2 618 641)	956 740 (1 661 901)
Impairment reversal	-	(5 212 932) (5 212 932)
Inventories losses/write-downs	135 242	4 414 139 656
Assets	Previously reported 2023	Adjustments Restated 2024
Receivables from exchange transactions	3 181 379	(3 071 782) 109 597
Receivables from non-exchange transactions	30 320 140	(11 347 886) 18 972 254
VAT receivable	71 205 555	(42 826 089) 28 379 466
Trade and other receivables from exchange	57 332 038	(6 751 275) 50 580 763
Cash and cash equivalents	422 766	72 054 494 820
Biological assets	4 840 541	(956 740) 3 883 801
Investment property	62 446 743	1 620 076 64 066 819
Property, plant and equipment	736 891 868	(64 924 877) 671 966 991
Liabilities	Previously reported 2023	Adjustments Restated 2024
Payables from exchange transactions	315 054 706	26 922 465 341 977 171
Provisions	44 878 099	4 239 744 49 117 843
Unspent conditional grant and receipts	2 367 377	(2 367 377) -

In terms of GRAP 3: Accounting policies, Changes in Estimates and Errors, all prior period errors should be disclosed in accordance to the standards.

During the current financial period, adjustments were processed for the previous financial periods.

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49. Prior period errors (continued)

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

01. Land inventory was overstated by R 1 259, Accumulated surplus was overstated by R 893 and General expenditure (Consumables) was understated by R 366 as a result of sale of inventory not recorded on the 2023 and 2022 year ends.

02. Receivables from exchange transactions (Suppliers with debit balances) and Trade and other payables (Trade payables) were both overstated by R 7 935 629 as a result of amounts withheld by CigiCell being net-off against the CigiCell creditor in the 2023 year end.

03. VAT receivable was overstated by R 1 465 663, Property, plant and equipment (WIP) was overstated by R 10 303 447, Trade and other payables(Retentions) was overstated by R 532 359, Accumulated surplus was overstated by R 2 500 000, Grants revenue was overstated by R 8 736 751 and Principle & agent agreement disclosure was understated by R 8 736 751 for funds received and R 8 736 751 for funds used as a result of the sanitation project funded by COGTA being recorded as a conditional grant instead of a principle and agent agreement.

04. VAT receivable was overstated by R 1 217 408, Property, plant and equipment (WIP) was overstated by R 8 934 128, Accumulated surplus was overstated by R 9 829 480, Grants revenue was overstated by R 170 471, General expenditure (Asset expensed) by R 151 585 and Principle & agent agreement disclosure was understated by R 170 471 for funds used as a result of the sanitation project funded by COGTA being recorded as a conditional grant instead of a principle and agent agreement.

05. VAT receivable was understated by R 260 870, Property, plant and equipment (WIP) was understated by R 1 739 130 and Trade and other payables (Trade payables) was understated by R 2 000 000 as a result of an invoice from a contractor that was not recognised in the 2023 year end.

06. VAT receivable was understated by R 2 240, Trade and other payables (Trade payables) was understated by R 17 170 and General expenditure (Hire) was understated by R 14 930 as a result of an invoice from a supplier that was not recognised in the 2023 year end.

07. VAT receivable was understated by R 17 054, Trade and other payables (Trade payables) was understated by R 130 748 and Contracted services was understated by R 113 694 as a result of an invoice from a supplier that was not recognised in the 2023 year end.

08. VAT receivable was understated by R 13 562, Trade and other payables (Trade payables) was understated by R 103 972 and General expenditure (Consumables) was understated by R 90 410 as a result of an invoice from a supplier that was not recognised in the 2023 year end.

09. VAT receivable was understated by R 2 672, Trade and other payables (Trade payables) was understated by R 20 485 and General expenditure (Consumables) was understated by R 17 8130 as a result of an invoice from a supplier that was not recognised in the 2023 year end.

10. VAT receivable was understated by R 2 657, Trade and other payables (Trade payables) was understated by R 20 369 and Accumulated surplus was overstated by R 17 712 as a result of an invoice from a supplier that was not recognised in the 2022 year end.

11. VAT receivable was understated by R 16 719, Trade and other payables (Trade payables) was understated by R 134 525 and Contracted services was understated by R 117 806 as a result of an invoice from a supplier that was not recognised in the 2023 year end.

12. VAT receivable was understated by R 23 738, Trade and other payables (Trade payables) was understated by R 181 989 and Accumulated surplus was overstated by R 158 252 as a result of an invoice from a supplier that was not recognised in the 2022 year end.

13. VAT receivable was understated by R 212 366, Trade and other payables (Trade payables) was understated by R 2 864 927 and Contracted services was understated by R 2 652 551 as a result of an invoice from a supplier that was not recognised in the 2023 year end.

14. Property, plant and equipment (WIP) and Accumulated surplus were both overstated by R 2 235 108 as a result of costs incorrectly capitalised to work in progress instead of being expensed in the 2021 year end.

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49. Prior period errors (continued)

15. Property, plant and equipment (WIP) was overstated by R 5 821 738, Accumulated surplus was overstated by R 2 343 478 and General expenditure (Asset expensed) was understated by R 3 478 260 as a result of an electricity project that should have been expensed at the completion of each phase. Phase 1 and phase 2 of the project were completed in the 2022 and 2023 year ends respectively.

16. Property, plant and equipment (Community Infrastructure assets: Cost) and Accumulated surplus were both overstated by R 4 228 435 as a result of the incorrectly capitalisation of an asset that belongs to the District Municipality. The construction of this asset was completed in the 2022 year and the asset should have been transferred to the District Municipality in that year end.

17. Property, plant and equipment (Community Infrastructure assets: Accumulated depreciation) was overstated by R 99 315, Accumulated surplus was understated by R 46 629 and depreciation was overstated by R 52 686 as a result of the incorrect capitalisation and depreciation of assets belonging to the District Municipality. Depreciation was accounted for in the 2022 and 2023 year ends.

18. Property, plant and equipment (Other assets: Cost) was understated and Loss due to undeposited receipts was overstated both by R 19 190 as a result of a purchase of a safe for the traffic department using funds from license receipts.

19. Property, plant and equipment (Other assets: Accumulated depreciation) and depreciation were both overstated by R 631 as a result of useful lives revised in the 2023 year end.

20. Property, plant and equipment (Community Infrastructure assets: Accumulated depreciation) was overstated by R 21 250, Property, plant and equipment (Roads infrastructure assets: Accumulated depreciation) was overstated by R 114 337, Accumulated surplus was understated by R 20 981 and Depreciation was overstated by R 144 606 as a result of residual values incorrectly calculated for the 2023 and 2022 year ends

21. Investment property and Accumulated surplus were both understated by R 1 481 000 as a result of land that was incorrectly disposed in the 2021 year end. During that year end, the portions of land incorrectly showed as disposed by the Municipality in the title deeds search performed. The deed search performed in the 2024 year end shows that these portions of land have never been transferred from the ownership of the Municipality.

22. Accumulated surplus was overstated by R 4 023 510, Provisions were undersated by R 4 033 268 (Non-current) and R 206 476 (Current), finance costs was understated by R 143 237, General expenditure (Environmental rehabilitation provision expense) was understated by R 72 997 and Contingent liabilities was overstated by R 4 239 744 as a result of borrow pit.

23. Provisions were overstated and Employee Benefits Obligations were understated both by R 438 858 (Current) and R 6 127 669 Non-Current as a result of long service awards benefits incorrectly disclosed as provisions instead of employee benefits as per GRAP standards.

24. Accumulated surplus was overstated and Trade and other payables (Other payables) was understated both by R 108 650 as a result of overtime worked by an employee in the 2021 year end, not recognised at the time.

25. Accumulated surplus was overstated by R 368 822, Trade and other payables (Trade payables) was overstated by R 380 007 and fines & penalties was overstated by R 11 185 as a result of fines for late payment on licence fees not accounted for.

26. Accumulated surplus was overstated by R 251 531, Trade and other payables (Trade payables) was understated by R 271 278 and General expenses (Motor vehicle expenses) was understated by R 19 747 as a result of licence fees for the Municipality's vehicles not accounted for the 2023 and 2022 year ends.

27. Accumulated surplus was overstated by R 14 330, Trade and other payables (Leave accrual) was understated by R 16 036 and Employee costs was understated by R 1 706 as a result of leave days not accounted for one employee.

28. Accumulated surplus was overstated by R 108 573, Trade and other payables (Other payables) was understated by R 522 389 and Councillor remuneration was understated by R 413 816 as a result of upper limits not accounted for in the 2023 and 2022 year ends.

29. Accumulated surplus was overstated and Trade and other payables (Other payables) was understated both by R 286 476 as a result of salaries for contract employees to accounted for in the 2022 year end.

Tswaing Local Municipality

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49. Prior period errors (continued)

30. Accumulated surplus was overstated and Employee costs was understated both by R 879 663 as result of overtime worked in the 2022 year end, incorrectly accounted for in the 2023 year end.

31. Accumulated surplus was overstated by R 653 908, Trade and other payables (Trade payables) was understated by R 683 622 and Finance costs was understated by R 29 714 as a result of expenditure and interest incurred from a supplier that was not accounted for in the 2023 and previous year ends.

32. Trade and other payables (Other payables) and Employee costs were both understated by R 849 520 as result of overtime that was not accounted for in the 2023 year end.

33. Trade and other payables (Trade payables) and Contracted services were both understated by R 133 630 as a result of an invoice from a supplier that was not recognised in the 2023 year end.

34. Trade and other payables (Trade payables) and Contracted services were both understated by R 9 285 as a result of an invoice from a supplier that was not recognised in the 2023 year end.

35. Trade and other payables (Trade payables) and Contracted services were both understated by R 2 100 000 as a result of an invoice from a supplier that was not recognised in the 2023 year end.

36. Trade and other payables (Trade payables) and General expenditure (Hire) were both understated by R 56 000 as a result of two invoices from different suppliers that were not recognised in the 2023 year end.

37. Trade and other payables (Trade payables) and General expenditure (Travel - local) were both understated by R 206 000 as a result of an invoice from a supplier that was not recognised in the 2023 year end.

38. Trade and other payables (Trade payables) and General expenditure (Travel - local) were both understated by R 63 000 as a result of an invoice from a supplier that was not recognised in the 2023 year end.

39. Trade and other payables (Trade payables) and General expenditure (Printing and stationery) were both understated by R 151 725 as a result of an invoice from a supplier that was not recognised in the 2023 year end.

40. Trade and other payables (Trade payables) and General expenditure (Protective clothing) were both understated by R 52 200 as a result of an invoice from a supplier that was not recognised in the 2023 year end.

41. Trade and other payables (Trade payables) and General expenditure (Travel - local) were both understated by R 10 800 as a result of an invoice from a supplier that was not recognised in the 2023 year end.

42. Trade and other payables (Trade payables) and General expenditure (Travel - local) were both understated by R 25 000 as a result of an invoice from a supplier that was not recognised in the 2023 year end.

43. Trade and other payables (Trade payables) and General expenditure (Repairs and maintenance) were both understated by R 227 224 as a result of an invoice from a supplier that was not recognised in the 2023 year end

44. Other income (exchange revenue) was overstated and Debt forgiven by suppliers (non-exchange revenue) was understated both by R 563 214 as a result of income from debt forgiven incorrectly classified as revenue from exchange transactions instead of revenue from non exchange transactions as required by GRAP 23.

45. Cash receipts from ratepayers, government and others was overstated by R 2 240 787, Cash paid to suppliers and employees was understated by R 4 414 171 and Purchase of property, plant and equipment was overstated by R 6 654 964 as a result of the various errors noted above on the statement of financial position and the statement of financial performance.

46. Total commitments was understated by R 3 888 729 as result of commitments not correctly accounted for in the prior year end.

47. Unauthorised expenditure was overstated by R 5 064 584 as a result of various errors noted.

48. Fruitless and wasteful expenditure was understated by R 363 804 as a result of interest finance costs not accounted for.

49. Irregular expenditure was understated by R 30 046 525 as a result of transactions not accounted for

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49. Prior period errors (continued)

50. Segment Revenue was overstated by R 14 068 698, Segment Expenditure was overstated by R 96 148 791, Segment Assets were overstated by R 128 186 519 and Segment Liabilities were understated by R 28 794 832 due to errors that were noted in the previously disclosed amounts. Management recalculated segment reporting and updated the prior year amounts.

51. The Principle-agent agreement disclosure was understated by R 1 974 106 as a result of the principle-agent agreement between the Municipality and the Department of Transport not disclosed in the prior year.

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50. Additional disclosure in terms of Municipal Finance Management Act (continued)		
50. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to Medical Aid		
Opening balance	(729 797)	(780 179)
Current year subscription / fee	(10 979 038)	(7 459 185)
Amount paid - current year	10 950 055	7 509 567
	(758 780)	(729 797)
Contributions to Pension Fund		
Opening balance	(38 644 978)	(36 555 771)
Current year subscription / fee	(18 447 872)	(16 310 583)
Amount paid - current year	15 629 647	14 221 376
	(41 463 203)	(38 644 978)
Audit fees Auditor General		
Opening balance	(1 687 613)	(1 595 037)
Current year subscription / fee	(4 543 145)	(3 186 360)
Amount paid - current year	5 224 783	3 093 784
	(1 005 975)	(1 687 613)
PAYE, SDL and UIF		
Opening balance	(4 564 109)	(3 862 152)
Current year subscription / fee	(16 793 042)	(16 908 908)
Amount paid - current year	15 274 029	16 206 951
	(6 083 122)	(4 564 109)
South African Local Government Association		
Opening balance	(3 485 415)	(2 316 509)
Current year subscription / fee	(1 240 193)	(1 168 906)
Amount paid - current year	1 126 394	-
	(3 599 214)	(3 485 415)

Tswaing Local Municipality

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

Councillors' arrear consumer accounts

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

30 June 2024	Total R
N.J. Molehabangwe	35 671
S. Viljoen	72 921
S.K. Moleleki	27 199
N.R. Baitsumedi	35 394
T.M. Sehemmo	22 101
K.P. Mathibe	27 185
F. Lobelo	50 488
	270 959
 30 June 2023	 Total R
N.J. Molehabangwe	31 111
S. Viljoen	62 131
S.K. Moleleki	24 296
N.R. Baitsumedi	31 038
T.M. Sehemmo	18 230
K.P. Mathibe	24 282
F. Lobelo	46 687
	237 775

Supply chain management regulations

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

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

Incident

Emergency	781 726	2 532 165
Sole Supplier	395 974	-
Impractical or impossible to follow normal process	566 923	526 554
	1 744 623	3 058 719

51. Accounting by principals and agents

The Municipality is a party to principal-agent arrangements.

WATER RELIEF

The Municipality is a party to a principal-agent arrangement in terms of the Water Relief Grant. The municipality is the agent and the Provincial Department of Co-operative Governance and Traditional Affairs is the principal in this arrangement.

SANITATION PROJECTS

The Municipality is a party to a principal-agent arrangement in terms of the Sanitation projects. The municipality is the agent and the Provincial Department of Co-operative Governance and Traditional Affairs is the principal in this arrangement.

Tswaing Local Municipality

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51. Accounting by principals and agents (continued)

PREPAID ELECTRICITY

The Municipality is in a principal - agent arrangement with CigiCell (Pty) Ltd, where the Municipality is the principal and CigiCell is the agent.

LICENSING

The Municipality is in a principal agent agreement with the Department of Transport, where the Municipality is an agent.

Details of the arrangements are as follows:Details of the arrangements are as follows:

WATER RELIEF

The purpose of the arrangement is to construct and refurbish boreholes in the Tswaing Local Municipality area in order to improve the provision of water within communities.

SANITATION PROJECTS

The purpose of the arrangement is to refurbish the bulk sanitation infrastructure in the Tswaing Local Municipality area in order to improve the provision of sanitation within communities.

PREPAID ELECTRICITY

CigiCell is acting as an agent in selling prepaid electricity on behalf of the Municipality

LICENSING

The Municipality is administrating traffic service on behalf of the Department of Transport in terms of the licensing of vehicles. The Municipality receives 20% of the revenue generated from this service while the Department is entitled to 80% of the revenue.

Tswaing Local Municipality

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51. Accounting by principals and agents (continued)		
Entity as agent		
Financial Impact		
WATER RELIEF		
Amount Received	1 851 966	2 698 000
Amount Paid	(1 851 966)	(2 698 000)
SANITATION RELIEF		
Amount Received	12 688 588	8 736 751
Amount Paid	(13 596 797)	(9 030 433)
LICENSING		
Revenue	2 272 138	1 974 106
Entity as a principal		
Financial Impact		
PREPAID ELECTRICITY		
Commission paid	1 539 459	1 387 828

52. VAT receivable

VAT	33 902 796	28 379 466
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The municipality submits VAT 201's to SARS on the payment basis, while the VAT payable above is on an accrual basis.

This results in time differences between amounts reflected by SARS and the municipality on VAT.

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

53. Donations

Donations from Suppliers	540 960	-
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The Donor, Bodibe Consulting Engineers, made a gratuitous donation to the Recipient Organization, Tswaing Local Municipality, due to surplus material from other projects exclusive to the agreement with Tswaing Local Municipality. The donor donated the specified items below to the recipient, free and clear of all and any charges, pledges, liens and encumbrances whatsoever, from the effective date of 05 September 2023. The recipient may without restriction use the donated material as they see fit without compulsion from the donor.

54. Statutory Receivables

Statutory receivables included in receivables from non-exchange transactions above are as follows:

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54. Statutory Receivables (continued)

Consumer Debtors - Rates

Fine Debtors

Statutory receivables included in receivables from exchange transactions above are as follows:

VAT Receivables

Statutory receivables general information

Transaction(s) arising from statute

Rates are levied and billed as per the Municipal Property Rates Act No. 6 of 2004.

Traffic fines are issued on traffic violations as per the National Road Traffic Act No. 21 of 1999.

Transactions are based on the Value Added Tax Act 89 of 1991.

Determination of transaction amount

The rates are calculated using the value of the property and the applicable tariff which is based on the usage of the property, this will also be subject to any applicable rebates based on the nature of the consumer.

Traffic fines amount are determined by the transgressions.

Rates used is 15% on vatable amounts, 0% on zero rated amounts and no VAT is levied on exempt amounts as per the VAT Act.

Basis used to assess and test whether a statutory receivable is impaired

Rates receivable have been assessed for impairment collectively with other consumer debtors. The debtors are grouped as per their payment history.

There is no impairment on the VAT Receivable

Statutory receivables past due but not impaired

There are no statutory receivables that are past due but not impaired.

Consumer Debtors - Rates	18 090 971	18 855 044
Fine Debtors	188 033	117 209
VAT Receivable	33 902 796	28 379 466
	52 181 800	47 351 719

55. Debt Relief

In the 2023/24 year end, the Municipality was successful in their application for the s124 debt relief application. The debt relief entails the following;

1. The Municipality's application for Municipal debt relief is was approved with effect 01 October 2023.
2. The amount that qualified for debt relief is R 115 349 492 (including interest and penalties - excluding the March 2023 current account).
3. Eskom, in consultation with the National Treasury (NT) and only after the Municipality, to the satisfaction of NT, has met the conditions applicable to Municipalities in accordance with the applicable MFMA Circular/s regarding Municipal debt relief issued by the NT – to write-off a third of all the municipality's arrears owed to Eskom at 31 March 2023 (including interest and penalties, but excluding the March current account 2023) annually over three Municipal financial years.

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55. Debt Relief (continued)

4. Eskom to permanently suppress any interest on the municipality's arrears that are the subject of Municipal Debt Relief retrospectively from 01 April 2023 – Eskom to align its accounting records and the municipality's Eskom statement(s) / invoice(s). Eskom estimates to effect this suppression within approximately three (3) calendar months from the effective date.

4. As part of accounting for the debt relief, the amount that qualified, was present valued over a the 3 year period using a prime + 2.5% interest rate. The present value of the qualifying amount has been disclosed as a non-current liability and the off-market portion of the liability has been disclosed as revenue from non-exchange transactions. The unwinding of interest has been calculated, also using prime + 2.5% interest rate and has been disclosed as finance.

5. The Municipal debt relief will be accounted for over the next 3 years.

Amount qualified as Municipal Debt Relief	115 349 492	-
Municipal Relief Debt Liability	98 886 517	-
Debt Waived	25 707 324	-
Unwinding Interest	9 244 349	-

56. 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 period errors.

Reclassifications

The following reclassifications adjustment occurred:

Reclassification 1

Within property, plant and equipment R 41 073 from the opening balance of community infrastructure assets: costs was reclassified to the opening balance of community infrastructure assets: accumulated depreciation.

57. Comparative figures

Comparative figures have been restated.

The effect of the restatements are disclosed in the prior period adjustments note 49.

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58. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of five major functional areas: Executive and Council, Budget and Treasury, Corporate Services, Community and Social Services and Technical 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.

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Executive and Council	Support and oversight of Municipality implementations of service delivery mandates
Budget and Treasury	Financial management, debt management, supply chain management, accounting and reporting
Corporate Services	Governance within the Municipality
Community and Social Services	Providing the community services and facilities. Includes housing, libraries, waste removal, vehicle licencing and testing.
Technical Services	Distribution of main service delivery. Includes waste water management, electricity distribution and water distribution.

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58. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

Revenue

Revenue from exchange transactions

Rendering of services	-	-	-	-	12 030 621	72 093 677	84 124 298
Rental of facilities and equipment	-	-	-	-	292 303	-	292 303
Licences and permits	-	-	-	-	3 959 240	-	3 959 240
Dividends income	-	28 020	-	-	-	-	28 020
Interest received	-	681 717	-	-	-	-	681 717
Other income	-	45 895	-	-	154 419	79 716	280 030

Revenue from non-exchange transactions

Property rates	-	35 350 289	-	-	-	-	35 350 289
Donations	-	-	-	-	540 960	-	540 960
Government grants & subsidies	151 406 000	3 100 000	157 411	-	-	33 150 000	187 813 411
Fines	-	-	-	-	366 450	-	366 450
Debt forgiven by suppliers	-	22 429 258	-	-	-	-	22 429 258

Total segment revenue

	151 406 000	61 635 179	157 411	17 343 993	105 323 393	335 865 976
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Entity's revenue

Expenditure

Employee related costs	8 830 038	16 553 599	29 812 494	31 994 389	20 302 625	107 493 145
Remuneration of councillors	11 870 346	-	-	-	-	11 870 346
Depreciation and amortisation	-	36 407 899	-	14 024	-	36 421 923
Finance costs	-	24 615 734	-	-	-	24 615 734
Lease rentals on operating lease	-	-	989 014	-	-	989 014
Debt impairment	-	45 418 364	-	-	-	45 418 364
Bad debts written-off	-	473 399	-	-	-	473 399
Loss due undeposited receipts	-	412 191	-	-	-	412 191
Bulk purchases	-	-	-	-	61 897 289	61 897 289
Contracted services	346 400	26 626 508	6 492 470	307 625	161 203	33 934 206

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58. Segment information (continued)

	Executive and council	Budget and Treasury	Corporate Service	Community and Social Services	Technical services	Total
Fines and penalties	-	1 167 621	-	-	-	1 167 621
General expenses	18 418 643	12 088 646	4 894 558	7 320 625	18 147 746	60 870 218
Other						
Actuarial gains/losses	-	811 636	-	-	-	811 636
Fair value adjustments	-	(153 424)	-	-	-	(153 424)
Gain or loss on disposal of assets	-	-	-	262 059	933 859	1 195 918
Gain or loss on biological assets	-	-	-	-	(1 445 994)	(1 445 994)
Impairment loss	-	-	-	64	267 305	267 369
Inventory losses/write-downs	-	86 502	-	-	-	86 502
Total segment expenditure	39 465 427	164 508 675	42 188 536	39 898 786	100 264 033	386 325 457
Total segmental surplus/(deficit)						(50 459 481)

Assets

Inventories	-	4 860 496	-	-	-	4 860 496
Receivables from exchange transactions	-	100 675	-	-	-	100 675
Receivables from non-exchange transactions	-	18 279 003	-	-	-	18 279 003
VAT receivable	-	33 902 796	-	-	-	33 902 796
Trade and other receivables from exchange	-	-	-	19 699 347	27 968 948	47 668 295
Cash and cash equivalents	-	1 206 362	-	-	1 206 362	1 206 362
Biological assets	-	-	-	-	5 329 795	5 329 795
Investment property	-	-	-	64 052 795	-	64 052 795
Property, plant and equipment	-	17 958 750	2 735 609	203 897 771	435 927 183	660 519 313
Heritage assets	-	-	-	953 000	-	953 000
Other financial assets	-	657 443	-	-	-	657 443
Total segment assets	-	76 965 525	2 735 609	288 602 913	469 225 926	837 529 973
Total assets as per Statement of financial Position						837 529 973

Liabilities

Payables from exchange transactions	-	375 161 662	-	-	-	375 161 662
Consumer deposits	-	129	-	-	1 445 485	1 445 614

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58. Segment information (continued)

Employee benefit obligation
Provisions

Total segment liabilities

Total liabilities as per Statement of financial Position

2023

Revenue

Revenue from exchange revenue

Rendering of services
Rental of facilities and equipment
Licences and permits
Other income
Interest received
Dividends received

Revenue from non-exchange revenue

Property rates
Government grants & subsidies
Fines
Debt forgiven by suppliers

Total segment revenue

Entity's revenue

Expenditure

Employee related costs
Remuneration of councillors
Depreciation and amortisation

Executive and council	Budget and Treasury	Corporate Service	Community and Social Services	Technical services	Total
-	25 808 288	-	-	-	25 808 288
-	56 696 725	-	-	-	56 696 725
-	457 666 804	-	-	1 445 485	459 112 289
					459 112 289

Executive and council	Budget and Treasury	Corporate Service	Community and Social Services	Technical services	Total
-	-	-	12 158 619	62 503 443	74 662 062
-	-	-	70 405	-	70 405
-	-	-	3 841 305	-	3 841 305
-	58 961	-	110 403	61 554	230 918
-	281 631	-	-	-	281 631
-	19 840	-	-	-	19 840
-	28 770 538	-	-	-	28 770 538
140 778 700	15 940 555	310 497	-	56 315 000	213 344 752
-	-	-	521 380	-	521 380
-	563 214	-	-	-	563 214
140 778 700	45 634 739	310 497	16 702 112	118 879 997	322 306 045
					322 306 045

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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58. Segment information (continued)

Finance costs	-	24 780 699	-	-	-	24 780 699
Lease rentals on operating lease	-	-	962 504	-	-	962 504
Debt Impairment	-	11 397 474	-	-	-	11 397 474
Bad debts written off	-	6 256 713	-	-	-	6 256 713
Loss due to undeposited receipts	-	-	-	80 990	-	80 990
Bulk purchases	-	-	-	-	50 861 267	50 861 267
Contracted services	2 410 870	24 582 254	10 395 600	194 000	590 950	38 173 674
Fines and penalties	-	1 745 157	-	-	-	1 745 157
General Expenses	22 755 355	9 970 607	6 489 393	8 344 551	11 086 484	58 646 390
Other						
Loss on disposal of assets and liabilities	-	-	-	194 566	3 290 919	3 485 485
Fair value adjustments	-	13 767	-	-	-	13 767
Actuarial gains/losses	-	(15 850 467)	-	-	-	(15 850 467)
Gain on biological assets	-	-	-	-	(1 661 901)	(1 661 901)
Impairment loss	-	-	-	-	(5 212 932)	(5 212 932)
Inventories losses/write-downs	-	139 656	-	-	-	139 656
Total segment expenditure	47 986 186	106 710 653	36 152 150	43 623 284	77 772 948	312 245 221
Total segmental surplus/(deficit)						10 060 824

Assets

Inventories	-	3 297 546	-	-	-	3 297 546
Receivables from exchange transactions	-	109 597	-	-	-	109 597
Receivables from non-exchange transactions	-	18 972 254	-	-	-	18 972 254
VAT receivable	-	28 379 466	-	-	-	28 379 466
Trade and other receivables from exchange	-	-	-	20 390 243	30 190 520	50 580 763
Cash and cash equivalents	-	494 820	-	-	-	494 820
Biological assets	-	-	-	-	3 883 801	3 883 801
Investment property	-	-	-	64 066 819	-	64 066 819
Property, plant and equipment	-	4 456 968	2 738 385	213 755 299	451 016 339	671 966 991
Heritage assets	-	-	-	953 000	-	953 000
Other financial assets	-	504 019	-	-	-	504 019
Total segment assets	-	56 214 670	2 738 385	299 165 361	485 090 660	843 209 076
Total assets as per Statement of financial Position						843 209 076

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

58. Segment information (continued)

Liabilities

Payables from exchange transactions

Consumer deposits

Employee benefit obligation

Provisions

Total segment liabilities

Total liabilities as per Statement of financial Position

	Executive and council	Budget and Treasury	Corporate Service	Community and Social Services	Technical services	Total
	-	341 977 171	-	-	-	341 977 171
	-	6 884	-	-	1 382 485	1 389 369
	-	21 847 527	-	-	-	21 847 527
	-	49 117 843	-	-	-	49 117 843
	-	412 949 425	-	-	1 382 485	414 331 910
						414 331 910