Kgatelopele Local Municipality (Registration number NC086)
Annual financial statements
for the year ended 30 June 2024

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Municipality
Relevant Legislation	Constitution of the Republic of South Africa (Act No. 108 of 1996) Municipal Finance Management Act (Act 56 of 2003) Division of Revenue Act The Income Tax Act (Act No. 58 of 1962) Value Added Tax Act (Act No. 117 of 1998) Municipal Structures Act (Act No. 32 of 2000) Water Service Act (Act No.108 of 1997) Housing Act (Act No. 107 of 1997) Municipal Property Rates Act (Act No. 6 of 2004) Electricity Act (Act No. 41 of 1987) Skills Development Levies Act (Act No. 9 of 1999) Employment Equity Act (Act No. 55 of 1998) Unemployment Insurance Act (Act No. 30 of 1966) Basic Conditions of Employment Act (Act No. 75 of 1997) Municipal System Amendment Act (Act No. 7 of 2011) Municipal Planning and Performance Management Regulations Municipal Supply Chain Management Regulations Municipal Collective Agreements Municipal Budget and Reporting Regulations MFMA Circulars and Regulations
Mayoral committee	
Executive Mayor	Hon. NI Williams
Councillors	Cllr. M G Leutlwetse Cllr. G D Burger Cllr. S Vuyeka Cllr. R V Haai Cllr. F Maritz Cllr. D R Pienaar Cllr. F Sebelego Cllr. J Slinger Cllr. A C Van Zyl Cllr. G L Teteme
Chief Finance Officer (CFO)	Keanan Scholtz (Termination date: 30 June 2024) William Gaseranye (Acting: 01 July 2024) Leonard Coakley (Appointed: 01 August 2024)
Accounting officer	Willie Blunden
Registered office	222 Barker Street Danielskuil 8405
Bankers	First National Bank
Auditors	Auditor General South Africa
Attorneys	Van De Wall Inc.

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Abbreviations

VAT	Value Added Tax
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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 period and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and 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 12 months to 30 June 2025 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

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

Adv. Willie Blundin
Accounting Officer

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	2	3 861 677	3 012 846
Receivables from non-exchange transactions	3	11 165 209	11 088 119
VAT receivable	4	14 152 635	14 565 904
Receivables from exchange transactions	5	26 133 094	32 278 570
Cash and cash equivalents	6	13 221 433	79 756 099
		68 534 048	**140 701 538**
Non-Current Assets			
Investment property	7	29 055 094	28 767 420
Property, plant and equipment	8	518 935 892	422 978 659
Intangible assets	9	702 003	1 353 669
Heritage assets	10	1 151 058	1 151 058
		549 844 047	**454 250 806**
Total Assets		**618 378 095**	**594 952 344**
Liabilities			
Current Liabilities			
Provisions	15	4 429 852	-
Payables from exchange transactions	11	97 445 642	70 599 614
Consumer deposits	12	1 576 351	1 509 472
Employee benefit obligation	13	412 000	425 000
Unspent conditional grants and receipts	14	9 002 115	78 403 329
		112 865 960	**150 937 415**
Non-Current Liabilities			
Employee benefit obligation	13	1 960 000	1 825 000
Provisions	15	-	4 061 024
		1 960 000	**5 886 024**
Total Liabilities		**114 825 960**	**156 823 439**
Net Assets		**503 552 135**	**438 128 905**
Accumulated surplus		503 552 136	438 128 907
Total Net Assets		**503 552 136**	**438 128 907**

The accounting policies on pages 14 to 47 and the notes on pages 47 to 98 form an integral part of the annual financial statements.

* See Note 39

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	34 844 372	47 057 667
Rental of facilities and equipment	18	135 287	149 053
Licences and permits	19	383 301	427 941
Interest on Debtors and Investment	20	4 944 913	8 736 956
Other income	21	113 093	201 802
Total revenue from exchange transactions		**40 420 966**	**56 573 419**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	15 742 265	14 512 857
Interest on outstanding receivables	23	564 298	1 086 379
Transfer revenue			
Government grants & subsidies	24	163 921 214	93 435 734
Fines, Penalties and Forfeits	25	-	4 836
Total revenue from non-exchange transactions		**180 227 777**	**109 039 806**
Total revenue	16	**220 648 743**	**165 613 225**
Expenditure			
Employee related costs	26	42 359 589	41 415 524
Remuneration of councillors	27	5 079 633	4 714 466
Depreciation,amortisation and impairment	28	24 610 869	16 198 337
Finance costs	29	3 387 525	3 293 161
Bad debts written off	30	4 154 380	3 712 988
Debt impairment		13 368 589	(2 602 725)
Bulk purchases	31	28 873 552	24 351 857
Contracted services	32	15 486 156	16 530 211
General Expenses	33	17 461 013	16 444 317
Total expenditure		**154 781 306**	**124 058 136**
Operating surplus	35	**65 867 437**	**41 555 089**
Loss on disposal of assets	8	(760 351)	(1 710 752)
Fair value adjustments	7	287 674	290 580
Actuarial gains/losses	13	(76 277)	283 846
		(548 954)	**(1 136 326)**
Surplus for the period		**65 318 483**	**40 418 763**

* See Note 39

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	405 299 916	405 299 916
Adjustments		
Prior year adjustments	7 505 526	7 505 526
Balance at 01 July 2022 as restated*	**397 710 144**	**397 710 144**
Changes in net assets		
Surplus for the period	40 418 763	40 418 763
Total changes	40 418 763	40 418 763
Restated* Balance at 01 July 2023	**438 233 653**	**438 233 653**
Changes in net assets		
Surplus for the period	65 318 483	65 318 483
Total changes	65 318 483	65 318 483
Balance at 30 June 2024	**503 552 136**	**503 552 136**

Note(s)

* See Note 39

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		58 833 569	60 842 914
Grants		94 520 000	96 173 000
Interest income		3 443 724	5 604 831
		156 797 293	162 620 745
Payments			
Employee costs		(49 105 888)	(45 310 412)
Suppliers		(66 312 485)	(48 390 236)
Finance costs		(2 737 858)	(2 674 360)
		(118 156 231)	(96 375 008)
Net cash flows from operating activities	36	**38 641 062**	**66 245 737**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(105 175 731)	(62 292 982)
Net increase/(decrease) in cash and cash equivalents		**(66 534 669)**	**3 952 755**
Cash and cash equivalents at the beginning of the year		79 756 099	75 803 344
Cash and cash equivalents at the end of the year	6	**13 221 430**	**79 756 099**

* See Note 39

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	58 753 000	(5 632 000)	**53 121 000**	34 844 372	**(18 276 628)**	1
Rental of facilities and equipment	189 000	40 000	**229 000**	135 287	**(93 713)**	2
Licences and permits	1 000 000	-	**1 000 000**	383 301	**(616 699)**	3
Other income	176 000	(10 000)	**166 000**	113 093	**(52 907)**	4
Interest on outstanding debtors and investment	7 670 000	-	**7 670 000**	4 944 913	**(2 725 087)**	5
Total revenue from exchange transactions	**67 788 000**	**(5 602 000)**	**62 186 000**	**40 420 966**	**(21 765 034)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	25 922 000	1 885 000	**27 807 000**	15 742 265	**(12 064 735)**	6
Interest on outstanding debtors	1 116 000	-	**1 116 000**	564 298	**(551 702)**	7
Transfer revenue						
Government grants & subsidies	60 100 000	113 330 000	**173 430 000**	163 921 214	**(9 508 786)**	8
Fines, Penalties and Forfeits	80 000	(10 000)	**70 000**	-	**(70 000)**	9
Total revenue from non-exchange transactions	**87 218 000**	**115 205 000**	**202 423 000**	**180 227 777**	**(22 195 223)**	
Total revenue	**155 006 000**	**109 603 000**	**264 609 000**	**220 648 743**	**(43 960 257)**	
Expenditure						
Employee related costs	(50 164 000)	3 637 000	**(46 527 000)**	(42 359 589)	**4 167 411**	10
Remuneration of councillors	(3 885 000)	-	**(3 885 000)**	(5 079 633)	**(1 194 633)**	11
Depreciation,amortisation and impairment	(15 463 000)	500 000	**(14 963 000)**	(24 610 869)	**(9 647 869)**	12
Finance costs	(1 200 000)	-	**(1 200 000)**	(3 387 525)	**(2 187 525)**	13
Bad debt write-off	(4 687 000)	841 000	**(3 846 000)**	(4 154 380)	**(308 380)**	14
Bad debts written off	-	-	**-**	(13 368 589)	**(13 368 589)**	15
Bulk purchases	(25 622 000)	-	**(25 622 000)**	(28 873 552)	**(3 251 552)**	15
Contracted Services	(13 951 000)	(2 301 000)	**(16 252 000)**	(15 486 156)	**765 844**	16
General Expenses	(17 926 000)	1 173 000	**(16 753 000)**	(17 461 013)	**(708 013)**	17
Total expenditure	**(132 898 000)**	**3 850 000**	**(129 048 000)**	**(154 781 306)**	**(25 733 306)**	
Operating surplus	**22 108 000**	**113 453 000**	**135 561 000**	**65 867 437**	**(69 693 563)**	
Loss on disposal of assets and liabilities	-	-	**-**	(760 351)	**(760 351)**	18
Fair value adjustment	-	-	**-**	287 674	**287 674**	19
Actuarial gains/losses	-	-	**-**	(76 277)	**(76 277)**	20
	-	**-**	**-**	**(548 954)**	**(548 954)**	
Surplus for the year	**22 108 000**	**113 453 000**	**135 561 000**	**65 318 483**	**(70 242 517)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**22 108 000**	**113 453 000**	**135 561 000**	**65 318 483**	**(70 242 517)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	240 000	178 000	**418 000**	3 861 677	**3 443 677**	21
Receivables from non-exchange transactions	24 370 000	(22 479 000)	**1 891 000**	11 165 209	**9 274 209**	22
VAT receivable	18 343 000	17 931 000	**36 274 000**	14 152 635	**(22 121 365)**	23
Receivables from exchange	40 044 000	(4 567 000)	**35 477 000**	26 133 094	**(9 343 906)**	24
Cash and cash equivalents	67 105 000	(2 974 000)	**64 131 000**	13 221 433	**(50 909 567)**	25
	150 102 000	**(11 911 000)**	**138 191 000**	**68 534 048**	**(69 656 952)**	
Non-Current Assets						
Investment property	52 041 000	-	**52 041 000**	29 055 094	**(22 985 906)**	26
Property, plant and equipment	464 750 000	113 830 000	**578 580 000**	518 935 892	**(59 644 108)**	27
Intangible assets	2 156 000	-	**2 156 000**	702 003	**(1 453 997)**	28
Heritage assets	1 151 000	-	**1 151 000**	1 151 058	**58**	29
	520 098 000	**113 830 000**	**633 928 000**	**549 844 047**	**(84 083 953)**	
Total Assets	**670 200 000**	**101 919 000**	**772 119 000**	**618 378 095**	**(153 740 905)**	
Liabilities						
Current Liabilities						
Provisions	8 892 000	-	**8 892 000**	4 429 852	**(4 462 148)**	30
Payables from exchange transactions	118 661 000	13 287 000	**131 948 000**	97 445 642	**(34 502 358)**	31
Consumer deposits	1 415 000	-	**1 415 000**	1 576 351	**161 351**	32
Employee benefit obligation	-	-	**-**	412 000	**412 000**	33
Unspent conditional grants and receipts	-	-	**-**	9 002 115	**9 002 115**	34
	128 968 000	**13 287 000**	**142 255 000**	**112 865 960**	**(29 389 040)**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	1 960 000	**1 960 000**	33
Total Liabilities	**128 968 000**	**13 287 000**	**142 255 000**	**114 825 960**	**(27 429 040)**	
Net Assets	**541 232 000**	**88 632 000**	**629 864 000**	**503 552 135**	**(126 311 865)**	
Net Assets						
Reserves						
Accumulated surplus	541 232 000	88 632 000	**629 864 000**	503 552 135	**(126 311 865)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	74 100 000	(1 471 000)	**72 629 000**	58 833 569	**(13 795 431)**	35
Grants	60 100 000	113 330 000	**173 430 000**	94 520 000	**(78 910 000)**	36
Interest income	-	-	**-**	3 443 724	**3 443 724**	37
	134 200 000	**111 859 000**	**246 059 000**	**156 797 293**	**(89 261 707)**	
Payments						
Employee costs	(50 560 000)	3 389 000	**(47 171 000)**	(49 105 888)	**(1 934 888)**	38
Suppliers	(66 726 000)	(1 184 000)	**(67 910 000)**	(66 312 485)	**1 597 515**	39
Finance costs	(1 200 000)	-	**(1 200 000)**	(2 737 858)	**(1 537 858)**	40
	(118 486 000)	**2 205 000**	**(116 281 000)**	**(118 156 231)**	**(1 875 231)**	
Net cash flows from operating activities	**15 714 000**	**114 064 000**	**129 778 000**	**38 641 062**	**(91 136 938)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(27 982 000)	(117 038 000)	**(145 020 000)**	(105 175 731)	**39 844 269**	41
Cash flows from financing activities						
Increase (decrease) in consumer deposits	(1 000)	1 000	**-**	-	**-**	
Other cash item	-	-	**-**	-	**-**	
Net cash flows from financing activities	**-**	**-**	**-**	**-**	**-**	
Net increase/(decrease) in cash and cash equivalents	(12 268 000)	(2 974 000)	**(15 242 000)**	(66 534 669)	**(51 292 669)**	
Cash and cash equivalents at the beginning of the year	75 803 000	-	**75 803 000**	79 756 099	**3 953 099**	42
Cash and cash equivalents at the end of the year	**63 535 000**	**(2 974 000)**	**60 561 000**	**13 221 430**	**(47 339 570)**	

Reason for Adjustment budget

The municipality recieved R 24 000 000 additional Funding from MIG and R 11 000 000 additional funding was received from WSIG

Expalnation for the various in budgeted amounts and actual amounts

1. Billing of Municipality accounts excluded in the period, these had been considered in budget

2. Revenue on rental of facilities is below budgeted amounts.

3. Revenue on licences and permits is below budgeted amounts

4.Revenue on other income is below budgeted amounts

5. Revenue on interest on outstanding debtors and investment is below budgeted amounts

6. Variance is due to the increase in tariffs.

7.Revenue oninterest on outstanding debtors is below budgeted amounts

8. Revenue on government grants and subsidies is below budgeted amounts

9.Revenue on fines not incurred

10. Expenditure incurred is below budgeted amounts

11. Variance is due to the back-pay amount that was paid to councillors

12. Variances is due to additional depreciation on new projects.

13. Variance is due to the municipality incurring interest costs on outstanding accounts of supplier that have balances that are in arrangement.

14. Variance is due to the increase of consumers registering as indingent over the years which results in long outstanding debts having to be written-off

15.Variance is due to the increase in electricity tariffs effected by eskom on the purchases of electricity.

16.Variance is due to the muncipality incurring expenditure that is not budgted for on contracted services.

17. Expenditure underspent

18. Loss on dispposal of assets not budgeted for

19. Fair Value adjustment not budgeted for

20. actuarial gains/losses not budgted for

21. Variance is due to the municipality under budgeting for all inventory components

22. Variance is due to the municipality under budgeting for property rates

23. VAT receivable underspent

24. Receivables from exchange underspent

25. Cash and cash equivalents underspent

26. Investment property underspent

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

27. Property, plant and equipment underspent.

28. Intangible assets underspent

29. Variance is due to rounding difference.

30. Provisions underspent

31. Trade payables underspent

32. Variance is due to new accounts that were opened by consumers

33. Employee benefit obligation not budgeted for.

34. Unspent conditional grants not budgeted for

35. Sale of goods and services underspent

36. Grants underspent

37. Interest income not budgeted for

38. Employee costs variance is due to new appoitnments during the financial year under review.

39.Suppliers variance is due to an increase in trade payable

40. Finance costs variance is due to interest incurred and paid by them municipality that was incurred on trade payable

41. Purchases on property, plant and equipment is underspent

42. Cash and cash equivalents variance is due to the additional allocation that the municipality recieved during the current period under review.

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Accounting Policies

Figures in Rand	Note(s)	2024	2023

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 entity will continue to operate as a going concern for at least the next 12 months.

1.3 Materiality

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

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

1.4 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 entity, 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.

1.4 Investment property (continued)

In what circumstances, property interests held under operating leases are classified and accounted for as investment property - when classification is difficult (see paragraph .24), the criteria it uses to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes in accordance with paragraph

the methods and significant assumptions applied in determining the fair value of investment property, including a statement whether the determination of fair value was supported by market evidence or was more heavily based on other factors.

Subsequent events

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

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

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

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

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

Derecognition

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.

1.5 Property, plant and equipment

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

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

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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
Land	Straight-line	Indefinite
Buildings	Straight-line	10 - 100 years
Plant and machinery	Straight-line	5- 15 years
Furniture and fixtures	Straight-line	5 years
Motor vehicles/Transport Assets	Straight-line	5- 20 years
Office equipment	Straight-line	3-5 years
IT equipment	Straight-line	3-5 years
Solid waste infrastructure	Straight-line	10- 50 years
Sport facilities	Straight-line	15- 30 years
Stormwater infrastructure	Straight-line	20- 50 years
Waste water /Sanitation network	Straight-line	15 years
Water network	Straight-line	15- 80 years
Conservation assets	Straight-line	Indefinite
Housing	Straight-line	15- 100 years
Road Infrastructure	Straight-line	7- 100 years
Electricity Infrustructure	Straight-line	20-45 years
Community Facilities	Straight-line	10-100 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 entity. 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 entity assesses at each reporting date whether there is any indication that the entity 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 entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

1.5 Property, plant and equipment (continued)

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 entity 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.

1.6 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

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

1.7 Intangible assets

An asset is identifiable if it either:

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

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

1.7 Intangible assets (continued)

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	5 years

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

1.8 Heritage assets

Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

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

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

1.8 Heritage assets (continued)

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

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.

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

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

Derecognition

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

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

1.9 Financial instruments

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

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

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

Classification

1.9 Financial instruments (continued)

The entity has the following types of financial assets (Classes and category) as reflected on the face of the statement of financial position.

Class	**Category**
Cash and Cash equivalents	Financial asset measured at amortised cost
Receivables from exchange Transactions (Trade debtors)	Financial asset measured at amortised cost

The entity has the following types of financial liabilities(classes and category) as reflected on the face of the statement of financial position.

Class	**Category**
Payabales from exchange transactions (Trade Payables)	Financial liability measured at amortised cost
Consumer Deposits	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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 municipality uses that technique.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-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 entity 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.

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

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.

1.9 Financial instruments (continued)

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.

Impairment and uncollectibility of financial assets

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

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.

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.

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.

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 nonexchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

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.

1.9 Financial instruments (continued)

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

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

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

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

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

A financial asset is:

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

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

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

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

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

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.

1.9 Financial instruments (continued)

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

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

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

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

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

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

An entity discloses information about the assumptions relating to prepayment rates, rates of estimated credit losses and interest rates or discount rates.

An entity shall disclose for each class of financial instruments the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety, segregating fair value measurements in accordance with the levels defined in paragraph .120.

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

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

1.10 Statutory receivables

Identification

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

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

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

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

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

Recognition

The entity recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;

1.10 Statutory receivables (continued)

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

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

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

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

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

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

1.10 Statutory receivables (continued)

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

Derecognition

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

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

1.11 Tax

VAT

The municipality pays Value Added Tax (VAT) to South African Revenue Service on a payment basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991), however the municipality accounts for VAT on an accrual basis.

1.12 Leases

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

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

Finance leases - lessor

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

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

Finance leases - lessee

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

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

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

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

1.12 Leases (continued)

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.13 Inventories

Initial recognition

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.

Subsequent measurement

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 entity incurs to acquire the asset on the reporting date.

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

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

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

Derecognition

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

1.14 Impairment of cash-generating assets

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

1.14 Impairment of cash-generating assets (continued)

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 entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

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

Designation

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

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

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

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

Identification

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

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

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

1.14 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the entity:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.14 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.15 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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.

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

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 entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

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

Designation

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

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

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

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

Identification

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

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.16 Employee benefits

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

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

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

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

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

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

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

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

A constructive obligation is an obligation that derives from a 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.

1.16 Employee benefits (continued)

Short-term employee benefits

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

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

Post-employment benefit plans are formal or informal arrangements under which a 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.

Post-employment benefits: Defined contribution plans

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

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

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

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.16 Employee benefits (continued)

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

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

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a 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, a 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 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.

1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other post retirement obligations

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

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

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.16 Employee benefits (continued)

Termination benefits

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

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

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

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

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

1.17 Provisions and contingencies

Provisions are recognised when:
- the entity 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 entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

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

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

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

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

1.17 Provisions and contingencies (continued)

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

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 entity 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 entity 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 entity considers that an outflow of economic resources is probable, a entity recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.17 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.

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

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

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

1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

1.19 Revenue from exchange transactions

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

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

1.19 Revenue from exchange transactions (continued)

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

Measurement

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

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity 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 entity; 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 entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

Interest

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

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

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

1.20 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation. Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

1.20 Revenue from non-exchange transactions (continued)

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

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

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

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

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

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

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

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

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

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

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

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

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

Government grants, public contributions, donations.
Transfer revenue include government grants,subsidies, public contributions, donations, fines, penalties and forfeits. Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.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.

1.20 Revenue from non-exchange transactions (continued)

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

Fines
Revenue from fines will be accounted on accrual basis based on IGRAP 1.

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

The municipaliy recognises the full amount of revenue from fines at the transaction date and subsequently recognise the impairment loss for revenue not expected to be collected, as there is uncertainty about the entities ability to collect such revenue based on past history. The municipality considered the past history in assessing the likelihood of the disclounts or reductions being taken up by the debtorsWhere the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

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

Services in-kind

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

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

1.21 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets.
An expense is recognised in the municipality’s Statement of Financial Performance when, and only when, the following criteria are satisfied:

1. The cost or value may involve estimation. Where an item possesses the essential characteristics of an expense but fails to meet the criteria for recognition it is disclosed in the note; and
2. All expenditure has been dealt with in terms of the above definition and recognition criteria.

Where an outflow of economic benefits does not result in future benefits, it is disclosed as fruitless and wasteful expenditure.The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense. Where future economic benefits are consumed immediately or soon after acquisition, for example, repairs and maintenance expenditure, bulk purchases and general expenses, the expense is recognised in the reporting period in which the acquisition of the future economic benefit occurs. Where future economic benefits are expected to be consumed over several reporting periods e.g. non-current assets, expenses (depreciation) is allocated systematically to the reporting period during which the future economic benefits are expected to be consumed; where expenditure produces no future economic benefits e.g. fines paid, an expense is recognised immediately; and where a liability is incurred without the recognition of an asset an expense is recognised simultaneously with the recognition of the liability.

Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting expenses are recognised when incurred usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. 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.

Major expenses include:

- Write downs of inventory and decreases in fair values of financial instruments classified as held at fair value.

1.21 Expenditure (continued)
- Losses on the disposal of non-current assets are reported separately from expenses in the Statement of Financial Performance.
- Repairs and maintenance - inclusive of repairs and maintenance to buildings, infrastructure assets, motor vehicles and sports and recreational facilities;
- Bulk purchases - expenditure on the procurement of bulk electricity;
- Contracted services – included are debt collection costs, data cleansing costs, service level agreement costs, property valuation roll and asset register verification costs, software support costs and security services costs.
- Transfers and grants which relate to expenditure pertaining to free basic services; and
- General expenses which constitute several expense items which are not individually significant.
- Employee cost - relating to cost associated with employee contracts.
- Depreciation - Cost associated with the amortisation of property, plant and equipment..

1.22 Investment income

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

1.23 Accounting by principals and agents

Identification

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

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

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

Recognition

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

1.24 Comparative figures

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

1.25 Unauthorised expenditure

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

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

1.26 Fruitless and wasteful expenditure

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

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

1.27 Irregular expenditure

Irregular Expenditure”, in relation to a municipality or municipal entity, means—
(a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Act, and which has not been condoned in terms of section 170;
(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of the Act;
(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998) as amended from time to time; or
(d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality’s by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of “unauthorised expenditure”.

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

1.28 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the entity were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.29 Segment information

A segment is an activity of an entity:

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

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

Basis of Segmentation

Segment were identified based on the MFMA S71 monthly budget statements that are reviewed by the executive management and council to make strategic decisions and in monitoring segment performance . The disclosure of information about segments in these reports are organised around the type of service delivered in a standardised format, and is considered approprite for external reporting purposes to achieve the objectives of GRAP 18.

Segments are aggregated for reporting purposes when management considered that the economic characteristics and nature or services are sufficiently similar to warrant aggregation. The components of each aggregated segment is explained under the description of operations of the segments.

Reportable segments are identified based on activities of the municipality that generates economic benefits or service potential including internal services that contribute to achieving the municipality’s objectives without necessarily generating net cash inflows.

1.29 Segment information (continued)

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.

The accounting policies of the reportable segments are the same as the municipality's accounting policies. Inter-segment pricing is determined on an arm's length basis, similar to transactions with third parties. Inter-segment revenues are eliminated upon consolidation and reflected in the “elimination of intersegment transactions” column of the segment report.

Geographic information

All the municipality's operations are located in the Republic of South Africa in the Kgatelopele Local Municipality's demarcation.

1.30 Budget information

Entity 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 entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

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

The 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.

1.31 Related parties

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

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

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

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

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

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

1.31 Internal reserves (continued)

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

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

1.32 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

1.33 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.

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.

1.34 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets.

An expense is recognised in the municipality's Statement of Financial Performance when, and only when, the following criteria
are satisfied:
- The cost or value may involve estimation. Where an item possesses the essential characteristics of an expense but fails to meet the criteria for recognition it is disclosed in the note; and

1.34 Expenditure (continued)

- All expenditure has been dealt with in terms of the above definition and recognition criteria.

Where an outflow of economic benefits does not result in future benefits, it is disclosed as fruitless and wasteful expenditure.The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense. Where future economic benefits are consumed immediately or soon after acquisition, for example, repairs and maintenance expenditure, bulk purchases and general expenses, the expense is recognised in the reporting period in which the acquisition of the future economic benefit occurs. Where future economic benefits are expected to be consumed over several reporting periods e.g. non-current assets, expenses (depreciation) is allocated systematically to the reporting period during which the future economic benefits are expected to be consumed; where expenditure produces no future economic benefits e.g. fines paid, an expense is recognised immediately; and where a liability is incurred without the recognition of an asset an expense is recognised simultaneously with the recognition of the liability.

Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting expenses are
recognised when incurred usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. 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.

Major expenses include:

- Write downs of inventory and decreases in fair values of financial instruments classified as held at fair value.

- Losses on the disposal of non-current assets are reported separately from expenses in the Statement of Financial Performance.

- Repairs and maintenance - inclusive of repairs and maintenance to buildings, infrastructure assets, motor vehicles and sports and recreational facilities;

- Bulk purchases - expenditure on the procurement of bulk electricity;

- Contracted services – included are debt collection costs, data cleansing costs, service level agreement costs, property
- valuation roll and asset register verification costs, software support costs and security services costs.

- Transfers and grants which relate to expenditure pertaining to free basic services; and

- General expenses which constitute several expense items which are not individually significant

- Employee cost - relating to cost associated with employee contracts.

- Depreciation - Cost associated with the amortisation of property, plant and equipment.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

2. Inventories

Inventory held for sale (Land)	817 210	817 210
Consumable stores	2 006 481	1 003 509
Maintenance materials	967 591	1 130 552
Water for distribution	70 395	61 575
	3 861 677	**3 012 846**

2.1 Inventory held for sale (Land)

Opening balance	817 210	886 226
Cost of land sold	-	(69 016)
	817 210	**817 210**

The cost of inventories(i.e consumables and maintenance material) is assigned using the weighted average cost formula. Subsequently inventories are measured at the lower of cost and net realisable value.

Inventory pledged as security

There was no Inventory pledged as security .

3. Receivables from non-exchange transactions

Gross balances		
Consumer debtors - Rates	21 438 598	16 673 798
Less: Allowance for impairment		
Consumer debtors - Rates	(10 273 389)	(5 585 679)
Net balance		
Consumer debtors - Rates	11 165 209	11 088 119

Rates		
Current (0 -30 days)	1 001 841	4 530 258
31 - 60 days	757 047	1 278 318
61 - 90 days	1 045 507	1 396 349
91 - 120 days	628 352	518 221
121 - 150 days	568 972	540 914
151 - 180 days	500 525	462 354
> 180 days	16 936 353	7 947 385
	21 438 597	**16 673 799**

3. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Statutory receivables past due but not impaired

At 30 June 2024, - (2023: 1 851 951 -) were past due but not impaired.

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

	2024	2023
1 month past due	-	786 331
2 months past due	-	676 400
3 months past due	-	389 220

Statutory receivables impaired

As of 30 June 2024, Statutory receivables of - (2023:R10 442 873 -) were impaired and provided for.

The amount of the provision was - as of 30 June 2024 (2023: 1 895 546).

The ageing of these debtors is as follows:

	2024	2023
3 to 6 months	-	751 876
Over 6 months	-	9 690 997

Reconciliation of provision for impairment for statutory receivables

	2024	2023
Opening balance	(6 888 005)	(4 992 459)
Allowance for impairment	-	(1 895 546)
	(6 888 005)	**(6 888 005)**

The statutory receivable (Property rates) have not been pledged as security.

4. VAT receivable

	2024	2023
VAT	14 152 635	14 565 904

VAT receivable is a statutory debtor as it arises from legislation (Value-added Tax Act) and requires settlement by another entity in cash. This receivable arises whenever the municipality enters into vatable transactions and is recognised at 15% on the transaction amount.

Pledged as security
The statutory receivables have not been pledged as security.

5. Receivables from exchange transactions

	2024	2023
Gross balances		
Electricity	3 496 514	6 865 159
Water	46 697 124	34 357 452
Sewerage	11 522 942	10 976 625
Refuse	13 763 724	11 735 976
Rental	70 173	63 353
Sundry receivables	(7 127 023)	1 889 487
	68 423 454	**65 888 052**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

5. Receivables from exchange transactions (continued)

Less: Allowance for impairment		
Electricity	(1 358 231)	(2 295 540)
Water	(22 615 813)	(16 548 144)
Sewerage	(8 914 168)	(8 245 629)
Refuse	(9 402 148)	(6 520 169)
	(42 290 360)	**(33 609 482)**

Net balance		
Electricity	2 138 283	4 569 619
Water	24 081 311	17 809 308
Sewerage	2 608 774	2 730 996
Refuse	4 361 576	5 215 807
Housing rental	70 173	63 353
Sundry Receivables	(7 127 023)	1 889 487
	26 133 094	**32 278 570**

Electricity		
Current (0 -30 days)	488 256	1 263 680
31 - 60 days	477 093	508 685
61 - 90 days	113 972	190 879
91 - 120 days	126 338	118 690
121 - 150 days	59 859	130 055
151 - 180 days	94 647	101 083
> 180 days	2 136 349	4 552 086
	3 496 514	**6 865 158**

Water		
Current (0 -30 days)	1 811 162	1 307 359
31 - 60 days	2 150 172	2 808 448
61 - 90 days	2 343 319	819 646
91 - 120 days	1 431 710	818 606
121 - 150 days	1 020 138	799 064
151 - 180 days	1 137 131	971 696
> 180 days	36 803 492	26 832 633
	46 697 124	**34 357 452**

Sewerage		
Current (0 -30 days)	297 740	243 805
31 - 60 days	298 557	283 709
61 - 90 days	276 854	238 311
91 - 120 days	256 295	233 338
121 - 150 days	249 198	228 341
151 - 180 days	242 138	231 481
> 180 days	9 902 160	9 517 640
	11 522 942	**10 976 625**

Figures in Rand	2024	2023

5. Receivables from exchange transactions (continued)

Refuse		
Current (0 -30 days)	601 530	651 509
31 - 60 days	723 606	620 985
61 - 90 days	538 990	593 702
91 - 120 days	328 164	563 299
121 - 150 days	599 905	303 777
151 - 180 days	249 285	303 940
> 180 days	10 722 243	8 698 763
	13 763 723	**11 735 975**

Housing rental		
Current (0 -30 days)	4 142	4 410
31 - 60 days	9 503	3 660
61 - 90 days	7 501	1 900
91 - 120 days	7 501	1 413
121 - 150 days	3 501	1 400
151 - 180 days	3 452	1 400
> 180 days	34 572	49 171
	70 172	**63 354**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(33 609 482)	(36 805 427)
Impairment raised	(1 776 780)	3 195 945
	(35 386 262)	**(33 609 482)**

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2024, - (2023: R2 579 929) were past due but not impaired.

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

1 month past due	-	1 221 815
2 months past due	-	743 950
3 months past due	-	614 164

6. Cash and cash equivalents

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Municipality do not have a bank overdraft facility

Cash on hand	180	180
Bank balances	3 697 321	1 143 683
Short-term deposits	9 523 932	78 612 236
	13 221 433	**79 756 099**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

6. Cash and cash equivalents (continued)

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
First National Bank - Business Cheque Account 52003878794	3 808 620	1 143 729	113 335	3 697 321	1 143 683	113 279
First National Bank -MIG Call account 62021476313	5 128 731	27 068 087	12 590 746	5 128 731	27 068 087	12 590 746
First National Bank -WSIG Call account 62714846500	10 339	19 732	392 217	10 339	19 732	392 217
First National Bank -MSIG Call account 62627395347	5 022	5 000	2 000	5 022	5 000	2 000
First National Bank -FMG Call account 62627396155	5 000	-	5 000	5 000	-	5 000
First National Bank -EPWP Call account 62627396915	185 432	-	5 000	185 432	-	5 000
First National Bank -Library Call account 62627394498	5 000	-	5 000	5 000	-	5 000
First National Bank -Disaster Management account 62822654530	5 010	1 453	1 466	5 010	1 453	1 466
First National Bank -INEP Call account 62289233547	5 000	5 000	317 417	5 000	5 000	317 417
First National Bank -Traffic account 62798890630	-	3 031	4 219	-	3 031	4 219
First National Bank -TOA 76200036773	2 260 243	51 230 360	62 367 000	2 260 243	51 230 360	62 367 000
First National Bank- Retention account 76203316875	1 914 155	279 573	-	1 914 155	279 573	-
Total	**13 332 552**	**79 755 965**	**75 803 400**	**13 221 253**	**79 755 919**	**75 803 344**

7. Investment property

	2024			2023		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	29 055 094	-	29 055 094	28 767 420	-	28 767 420

Reconciliation of investment property - 2024

	Opening balance	**Fair value adjustments**	**Total**
Investment property	28 767 420	287 674	29 055 094

Reconciliation of investment property - 2023

	Opening balance	**Fair value adjustment**	**Derecognition**	**Total**
Investment property	29 159 184	(290 580)	(101 184)	28 767 420

Pledged as security

No Investment property was pledged as security

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

Notes to the Annual Financial Statements

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8. Property, plant and equipment

	2024			2023		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	35 993 898	(22 923 936)	13 069 962	35 993 898	(22 923 936)	13 069 962
Plant and machinery	2 401 040	(2 154 147)	246 893	2 401 040	(1 922 861)	478 179
Furniture and fixtures	2 162 338	(1 608 387)	553 951	1 927 017	(1 427 555)	499 462
Transport Assets	10 189 882	(7 384 230)	2 805 652	8 952 814	(6 809 727)	2 143 087
IT equipment	2 974 718	(2 323 578)	651 140	2 712 368	(2 008 078)	704 290
Electrical Infrastructure	113 043 897	(72 435 382)	40 608 515	113 429 478	(69 672 847)	43 756 631
Community facilities	11 436 092	(10 330 068)	1 106 024	11 529 936	(10 294 864)	1 235 072
Roads Infrastructure	175 064 234	(102 289 890)	72 774 344	175 080 178	(99 337 159)	75 743 019
Solid Waste Infrastructure	5 572 807	(5 110 896)	461 911	5 572 807	(4 846 297)	726 510
Storm water Infrastructure	22 403 106	(9 948 148)	12 454 958	22 403 106	(9 369 052)	13 034 054
Sanitation Infrastructure	164 263 501	(48 800 861)	115 462 640	145 023 815	(36 428 887)	108 594 928
Water supply infrastructure	77 396 475	(33 736 025)	43 660 450	77 206 831	(31 965 770)	45 241 061
Work in progress	207 904 332	-	207 904 332	110 383 393	-	110 383 393
Buildings	17 505 558	(10 330 438)	7 175 120	17 087 280	(9 718 269)	7 369 011
Total	**848 311 878**	**(329 375 986)**	**518 935 892**	**729 703 961**	**(306 725 302)**	**422 978 659**

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Retention	Transfers	Depreciation	Impairment loss	Total
Land	13 069 962	-	-	-	-	-	-	13 069 962
Plant and machinery	478 179	-	-	-	-	(231 286)	-	246 893
Furniture and fixtures	499 462	235 321	-	-	-	(180 832)	-	553 951
Transport assets	2 143 087	1 237 068	-	-	-	(574 503)	-	2 805 652
IT equipment	704 290	262 350	-	-	-	(315 500)	-	651 140
Electrical Infrastructure	43 756 631	764 664	(474 524)	-	-	(3 365 495)	(72 761)	40 608 515
Community facilities	1 235 072	-	-	-	-	(128 724)	(324)	1 106 024
Roads Infrastructure	75 743 019	-	(232)	-	-	(2 968 384)	(59)	72 774 344
Solid Waste Infrastructure	726 510	-	-	-	-	(141 088)	(123 511)	461 911
Storm water Infrastructure	13 034 054	-	-	-	-	(579 096)	-	12 454 958
Sanitation Infrastructure	108 594 928	19 984 835	(259 561)	-	-	(6 944 504)	(5 913 058)	115 462 640
Water supply infrastructure	45 241 061	253 330	(26 034)	-	-	(1 779 856)	(28 051)	43 660 450
Work in progress	110 383 393	101 870 769	-	15 501 055	(19 850 885)	-	-	207 904 332
Buildings	7 369 011	418 279	-	-	-	(601 936)	(10 234)	7 175 120
	422 978 659	**125 026 616**	**(760 351)**	**15 501 055**	**(19 850 885)**	**(17 811 204)**	**(6 147 998)**	**518 935 892**

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Reclassific ations	Disposals	Retentions	Transfers	Other	Prior year adjustment	Provision	Depreciation	Impairme nt loss	Total
Land	13 069 962	-	-	-	-	-	-	-	-	-	-	13 069 962
Plant and machinery	809 385	-	-	-	-	-	-	-	-	(331 206)	-	478 179
Furniture and fixtures	405 323	297 550	-	-	-	-	-	-	-	(203 411)	-	499 462
Transport assets	1 487 975	1 362 022	-	-	-	-	-	-	-	(706 910)	-	2 143 087
IT equipment	946 460	24 020	-	-	-	-	-	87 499	-	(353 689)	-	704 290
Electrical Infrastructure	46 776 632	232 911	-	(17 659)	-	-	-	-	-	(3 246 866)	11 613	43 756 631
Community facilities	1 404 654	-	-	-	-	-	731	-	-	(119 466)	(50 847)	1 235 072
Road Infrastructure	67 219 924	12 540 613	-	(1 092 462)	-	-	-	-	-	(2 925 056)	-	75 743 019
Solid Waste Infrastructure	3 214 473	-	-	-	-	-	2 085	-	(1 162 222)	(1 327 826)	-	726 510
Storm Water Infrastructure	12 005 062	1 780 978	-	(160 230)	-	-	-	-	-	(591 756)	-	13 034 054
Sanitation Infrastructure	84 215 237	20 323 376	157	(312 664)	-	-	57 638	7 990 877	-	(3 601 803)	(77 890)	108 594 928
Water supply infrastructure	46 461 216	527 399	(157)	(17 703)	-	-	-	-	-	(1 944 523)	214 829	45 241 061
Work in progress	87 725 336	59 734 923	-	-	6 162 515	(43 239 381)	-	-	-	-	-	110 383 393
Buildings	7 896 740	-	-	(8 850)	-	-	-	-	-	(519 542)	663	7 369 011
	373 638 379	**96 823 792**	**-**	**(1 609 568)**	**6 162 515**	**(43 239 381)**	**60 454**	**8 078 376**	**(1 162 222)**	**(15 872 054)**	**98 368**	**422 978 659**

Pledged as security

There was no assets pledged as security.

The amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in surplus or deficit

The carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected, including reasons for any delays.

The carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s). The entity shall also disclose reasons for halting the construction or development of the asset and indicate whether any impairment losses have been recognised in relation to these assets

8. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2024

	Community Assets	Electrical Infrastructure	Roads Infrastructure	Sanitation Infrastructure	Solid waste Infrastructure	Water infrastructure	Total
Opening balance	1 052 239	-	13 358 272	29 887 397	66 085 486	-	110 383 394
Additions	9 700 953	-	7 400 613	76 040 144	16 869 126	7 360 989	117 371 825
Transfers	(10 753 192)	-	-	(9 097 693)	-	-	(19 850 885)
	-	**-**	**20 758 885**	**96 829 848**	**82 954 612**	**7 360 989**	**207 904 334**

Reconciliation of Work-in-Progress 2023

	Community Assets	Electrical Infrastructure	Roads Infrastructure	Sanitation Infrastructure	Solid waste Infrastructure	Storm Water infrastructure	Total
Opening balance	-	527 399	22 988 725	20 841 823	43 367 390	-	87 725 337
Additions	1 052 239	-	4 691 138	37 435 965	22 718 096	-	65 897 438
Transfers	-	(527 399)	(14 321 591)	(28 390 391)	-	-	(43 239 381)
Total	**1 052 239**	**-**	**13 358 272**	**29 887 397**	**66 085 486**	**-**	**110 383 394**

Expenditure incurred to repair and maintain property, plant and equipment

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 entity.

Notes to the Annual Financial Statements

Figures in Rand

9. Intangible assets

	2024			2023		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	2 763 772	(2 061 769)	702 003	2 989 550	(1 635 881)	1 353 669

Reconciliation of intangible assets - 2024

	Opening balance	**Amortisation**	**Total**
Computer software	1 353 669	(651 666)	702 003

Reconciliation of intangible assets - 2023

	Opening balance	**Amortisation**	**Total**
Computer software	1 779 634	(425 965)	1 353 669

Notes to the Annual Financial Statements

Figures in Rand

10. Heritage assets

	2024			2023		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Historical monuments	861 058	-	861 058	861 058	-	861 058
Conservation areas	25 000	-	25 000	25 000	-	25 000
Mayoral Chain	265 000	-	265 000	265 000	-	265 000
Total	**1 151 058**	**-**	**1 151 058**	**1 151 058**	**-**	**1 151 058**

Reconciliation of heritage assets 2024

	Opening balance	Total
Historical monuments	861 058	861 058
Conservation areas	25 000	25 000
Mayoral Chain	265 000	265 000
	1 151 058	**1 151 058**

Reconciliation of heritage assets 2023

	Opening balance	Total
Historical monuments	861 058	861 058
Conservation areas	25 000	25 000
Mayoral Chain	265 000	265 000
	1 151 058	**1 151 058**

Impairment indications

There was no indication of impairment of Heritage assets as at year end.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

10. Heritage assets (continued)

Pledged as security

There was no Heritage assets pledged as security.

11. Payables from exchange transactions

Trade payables	47 784 295	51 831 381
Payments received in advance - unused prepaid electricity	364 173	338 115
Accrued bonus	1 245 942	1 412 182
Accrued expense	11 339	11 339
Accruals	318 192	-
Unallocated deposits	1 135 537	418 317
Salary control account	733 637	2 332 312
Retention	21 663 570	6 162 515
Leave accrual	2 696 317	2 407 791
Debtors with credit balance	20 922 893	5 085 324
Cash-in-Transit	569 747	600 338
	97 445 642	**70 599 614**

12. Consumer deposits

Electricity	1 576 351	1 509 472

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

13. Employee benefit obligations

Long service award

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

	2024	2023
Carrying value		
Opening Balance	(2 250 000)	(2 220 000)
Current-service cost	(252 000)	(273 000)
Interest cost	(236 000)	(239 000)
Benefits Vesting	442 277	198 154
Acturial gain/(loss)	(76 277)	283 846
	(2 372 000)	**(2 250 000)**

	2024	2023
Non-current liabilities	(1 960 000)	(1 825 000)
Current liabilities	(412 000)	(425 000)
	(2 372 000)	**(2 250 000)**

The municipality provides certain long term service bonus awards. The municipality offers bonuses for every 5 years of completed services from 10 years to 45 years. Long term service accummulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed out. Municipal employees, in most cases choose to excericise the option of taking their accummulated leave bonus as leave days.

The most recent actuarial valuation of plan assets and the present value of the defined obligation were carried out at 30 June 2024 by Mr. Chanan Weiss. Fellow of the Actuarial Society of South Africa employee of Arch Actuarial Consulting (Pty)Ltd. 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 funding method

Long service awards

The number of members entitled to receive long service leave awards from the municipality were as follows:

	2024	2023
Eligible employees		
Female	47	53
Male	58	57
	105	**110**

Net expense recognised in the statement of financial performance:

	2024	2023
Net expense recognised in the statement of financial performance	122 000	30 000

Net expense recognised in the statement of financial performance

	2024	2023
Current service cost	252 000	273 000
Interest cost	236 000	239 000
Actuarial (gains) losses	76 277	(283 846)
Benefit vesting	(442 277)	(198 154)
	122 000	**30 000**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

13. Employee benefit obligations (continued)

Key assumptions used at reporting date

Assumptions used at the reporting date:

Discount rates used	11.36 %	11.53 %
General earnings inflation	6.48 %	6.75 %
CPI inflation rate	5.48 %	5.75 %
Net discount rate	4.58 %	4.48 %
Average retirement age	62	62
Pre-retirement mortality	SA 85-90	SA85-90

Movements in the present value of the defined benefit obligations were as follows:

Opening balance	2 250 000	(2 220 000)
Total annual expenditure	198 277	(313 846)
Acturial loss/(gains)	(76 277)	283 846
	2 372 000	**(2 250 000)**

The amounts recognised in the Statement of Financial Performance are as follows:

	1	-

Net Defined Benefit Liability History	**30/06/2024**	**30/06/2023**	**30/06/2022**	**30/06/2021**	**30/06/2020**
Defined benefit obligation	2 372 000	2 250 000	2 220 000	1 860 000	1 353 000
Fair value of plan asset	-	-	-	-	-
Surplus/(Deficit)	(2 372 000)	(2 250 000)	(2 220 000)	(1 860 000)	(1 353 000)
	-	-	-	-	-

13. Employee benefit obligations (continued)

Financial Assumptions

Discount rate
GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the DBO. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.. Consequently, a discount rate of 11.53% per annum has been used. The corresponding liability-weighted index-linked yield is 5.10%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2024.

These yields were obtained by calculating the duration of the DBO and then taking the fixed-interest and index-linked yields from the respective yield curves at that duration using an iterative process (because the yields depend on the duration, which in turn depends on the DBO). The duration of the DBO was estimated to be 9.25 years

Earnings Inflation rate
This assumption is required to reflect the estimated growth in earnings of the eligible employees until retirement. It is important in that the LSA are based on an employee's earnings at the date of the award.The assumption is traditionally split into two components, namely General Earnings Inflation and Promotional Earnings Escalation. The latter is considered under demographic assumptions.

General Earnings Inflation Rate
This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, earnings inflation is between 1.0% and 1.5% above CPI inflation. The CPI inflation assumption of 5.48% was obtained from the differential between market yields on index-linked bonds (5.10%) consistent with the estimated terms of the liabilities and those of nominal bonds (11.36%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected CPI inflation is determined as ((1+11.36%-0.50%)/(1+5.10%))-1. Thus, a general earnings inflation rate of 6.48% per annum over the expected term of the DBO has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 4.58%. It was assumed that the next general earnings increase will take place on 1 July 2025.

Demographic Assumptions
Demographic assumptions are required about the future characteristics of current employees who are eligible for LSA.
Promotional Earnings Scale
The annual inflation rates below are in addition to the General Earnings Inflation assumption of 6.48% per annum for all employees.

Promotional earnings scale

Age Band	**Additional Promotional Scale**
20 – 24	5.0%
25 – 29	4.0%
30 – 34	3.0%
35 – 39	2.0%
40 – 44	1.0%
45+	0.0%

Average Retirement Age
The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement.

Mortality During Employment

SA85-90 ultimate table, adjusted for female lives.

Termination of Service

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

13. Employee benefit obligations (continued)

Age	Rate
20 – 24	9%
25 – 29	8%
30 – 34	6%
35 – 39	5%
40 – 44	5%
45 – 49	4%
50 – 54	3%
55+	0%

Plan assets
Management has indicated that there are currently no long-term assets set aside off-balance sheet in respect of the LSA DBO.

LSA Arrangement Assumptions
It was assumed that the employer's LSA arrangements would remain as outlined in Section 3, and that the level of benefits in respect of such, would remain unchanged, with the exception of allowing for inflationary adjustments.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

13. Employee benefit obligations (continued)

Sensitivity Analysis

The assumptions which tend to have the greatest impact on the results are:
(i) the general earnings inflation rate assumption;
(ii) the discount rate assumption;
(iii) the average retirement age of employees; and
(iv) assumed service termination rates.

The DBO at this valuation was recalculated to show the effect of:
(i) a one percentage point increase and decrease in the assumed general earnings inflation rate;
(ii) a one percentage point increase and decrease in the assumed discount rate;
(iii) a two-year increase and decrease in the assumed average retirement age of eligible employees; and
(iv) a two-fold increase and a 50% decrease in the assumed rates of termination of service.

Sensitivity analysis on the DBO

Assumptions	Change	Liability	% Change
Central assumptions		2 372 000	
General earnings inflation rate	+1%	2 518 000	6%
	-1%	2 238 000	-6%
Discount rate	+1%	2 239 000	-6%
	-1%	2 520 000	6%
Average retirement age	+2 yrs	2 456 000	4%
	-2 yrs	2 096 000	-12%
Withdrawal rates	x2	1 860 000	-22%
	x0,5	2 726 000	15%

The table above indicates, for example, that if the earnings inflation rate is one percentage point greater than the long-term assumption made, the DBO will be 6% higher than the results shown in Section 6.

Sensitivity analysis on current service and interest costs for year ending 30/06/2024

Assumption	Change	Current-service cost	Interest cost	Total	% Change
Central assumptions		252 000	236 000	488 000	
General earningsinflation rate	+1%	272 000	251 000	523 000	7%
	-1%	234 000	222 000	456 000	-7%
Discount rate	+1%	236 000	241 000	477 000	-2%
	-1%	270 000	229 000	499 000	2%
Average retirement age	+2yrs	258 000	244 000	502 000	3%
	-2yrs	232 000	209 000	441 000	-10%
Withdrawal rates	x2	177 000	180 000	357 000	-27%
	x0.5	309 000	274 000	583 000	19%
		2 240 000	**2 086 000**	**4 326 000**	

Sensitivity analysis on current service and interest costs for year ending 30/06/2025

Assumption	Change	Current-service cost	Interest cost	Total	% Change
Central assumptions	-	247 000	247 000	494 000	-
General earningsinflation rate	+1%	266 000	263 000	529 000	7%
	-1%	229 000	231 000	460 000	-7%
Discount rate	+1%	231 000	252 000	483 000	-2%
	-1%	264 000	240 000	504 000	2%

Notes to the Annual Financial Statements

13. Employee benefit obligations (continued)

Average retirement age	+2 yrs	253 000	256 000	509 000	3%
	-2 yrs	226 000	217 000	443 000	-10%
Withdrawal rates	x2	174 000	189 000	363 000	-27%
	x0.5	300 000	287 000	587 000	19%
		-	-	-	

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant - MIG	8 928 870	31 957 712
Housing Grant	66 792	66 792
Regional bulk infrastructure grant - RBIG	-	46 372 372
Disaster Management Grant	1 436	1 436
Energy Effieciency Grant	5 017	5 017
	9 002 115	**78 403 329**

Movement during the period

Balance at the beginning of the period	78 403 329	75 666 063
Additions during the period	94 520 000	96 173 000
Income recognition during the period	(163 921 214)	(93 435 734)
	9 002 115	**78 403 329**

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

See note 24 for reconciliation of grants from National/Provincial Government.

15. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Interest	Change in discount factor	Total
Environmental rehabilitation	4 061 024	413 667	(44 839)	4 429 852

Reconciliation of provisions - 2023

	Opening Balance	Interest	Change in discount factor	Total
Environmental rehabilitation	6 672 044	379 802	(2 990 822)	4 061 024

	2024	2023
Current liabilities	4 429 852	-
Non-current liabilities	-	4 061 024
	4 429 852	**4 061 024**

Environmental rehabilitation provision

The municipality has an obligation to rehabilitate the landfill sites of Kgatelopele Local Municipality.

The environmental rehabilitation provision represents the estimated costs to rehabilitate and close existing waste landfill sites. The provision is recognised at the present value of the expenditure expected to settle the obligation.

The valuation of the landfill site provision was done by Infatec (Pty) Ltd, a company which specialises in infrastructure maintenance and environmental consultancy services to municipalities.

The future value of the rehabilitation of landfill sites obligation was calculated by inflating the non-current cost to an estimated future cost which is then discounted to present value. Interest rate used is 10,30%.

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

Because of the time value of money, provisions relating to cash outflows that arise soon after the reporting date are more onerous than those where cash outflows of the same amount arise later. Provisions are therefore discounted, where the effect is materialsettle the obligation.

Kgatelopele Local Municipality intends to close the existing landfill site and establish a new landfill site at Daniëlskuil for the disposal of General waste. The provision that has been recognised represents the estimated costs to rehabilitate and close existing waste landfill sites.

Key financial assumptions used

Discount Rate (Bond rate)	10.30%
Inflation	5.10%
Net effective discount rate	5.20%

Landfill site detail

Landfill site perimeter	920.00m
Landfill Site Rehabilitation Area	45 500.00sqm
Total landfill volume as at June 2024	76 160.00m3
Rehabilitation volume as at June 2024	65 107m3
Remaining landfill volume as at June 2024	11 052.26m3
Remaining airspace as at June 2024	11 052.26m3
Site remaining life as at June 2024	1years
Additional years lying fallow before restoration	1years

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

16. Revenue

Service charges	34 844 372	47 057 667
Rental of facilities and equipment	135 287	149 053
Licences and permits	383 301	427 941
Other income	113 093	201 802
Interest on outstanding receivables exchange	4 944 913	8 736 956
Property rates	15 742 265	14 512 857
Interest on outstanding receivables (non exchange)	564 298	1 086 379
Government grants & subsidies	163 921 214	93 435 734
Fines, Penalties and Forfeits	-	4 836
	220 648 743	**165 613 225**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	34 844 372	47 057 667
Rental of facilities and equipment	135 287	149 053
Licences and permits	383 301	427 941
Other income	113 093	201 802
Interest received - investment	4 944 913	8 736 956
	40 420 966	**56 573 419**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	15 742 265	14 512 857
Interest on outstanding receivables	564 298	1 086 379
Transfer revenue		
Government grants & subsidies	163 921 214	93 435 734
Fines, Penalties and Forfeits	-	4 836
	180 227 777	**109 039 806**

17. Service charges

Sale of electricity	14 166 182	24 450 619
Sale of water	8 344 445	10 901 742
Solid waste	7 873 477	7 444 379
Sewerage and sanitation charges	4 460 268	4 260 927
	34 844 372	**47 057 667**

18. Rental of facilities and equipment

Premises		
Premises	135 287	149 053

19. Licences and permits

Road and Transport	383 301	427 941

20. Interest received

Interest revenue		
Interest charged on receivables	1 501 189	3 132 125
Interest on cash and cash equivalents	3 443 724	5 604 831
	4 944 913	**8 736 956**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

21. Other income

Advertisements	11 608	9 686
Building plans	41 140	78 819
Consolidation and rezoning fees	5 589	230
Cemetries and Burials	22 114	15 865
Skills development refund	-	8 923
Clearance Fees	11 220	14 434
Photocopies and Faxes	-	1 550
Reconection fees	7 568	2 755
Sale of goods - Tender documents	12 174	36 652
Valuation services	1 680	615
Sundries	-	32 273
	113 093	**201 802**

22. Property rates

Rates received

Residential Properties	8 986 755	8 124 081
Business and Commercial Properties	2 884 797	3 052 569
Public Service Infrustructure Properties	764 894	754 087
Agricultural Properties	453 824	61 049
Mining Property	2 324 588	2 210 930
Industrial Properties	327 407	310 141
	15 742 265	**14 512 857**

Valuations

Residential	1 072 492 720	1 072 492 720
Commercial	91 383 000	91 383 000
Government	170 911 900	170 911 900
Municipal	46 909 100	46 909 100
Business	76 795 700	76 795 700
Church	1 064 000	1 064 000
Industrial	30 192 000	30 192 000
Mining	125 621 000	125 621 000
Agricultural	1 060 961 019	1 060 961 019
	2 676 330 439	**2 676 330 439**

23. Interest from non-exchange receivables

Property rates	564 298	1 086 379

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

24. Government grants and subsidies

Operating grants		
Equitable share	33 241 000	30 490 000
Library Grant	1 147 000	1 100 000
Expanded Public Works Programme	960 000	1 073 005
Financial Management Grant	3 100 000	3 000 000
	38 448 000	**35 663 005**
Capital grants		
Energy Efficiency Grant	-	318 792
Municipal Infrastructure Grant	55 125 842	29 038 600
Municipal Water Infrastructure Grant	23 975 000	12 420 709
Regional bulk infrastructure grant	46 372 372	15 994 628
	125 473 214	**57 772 729**
	163 921 214	**93 435 734**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	61 279 000	65 683 000
Unconditional grants received	33 241 000	30 490 000
	94 520 000	**96 173 000**

Equitable Share

In terms of section 227 of the Constitution, this grant is used to enable the municipality to provide basic services and perform functions allocated to it. The Equitable Share Grant also provides funding to the municipality to deliver free basic services to poor households and to subsidise costs of administration and other core services of the municipality. The grant is realised in full upon receipt.

EPWP

Current-year receipts	960 000	1 073 005
Conditions met - transferred to revenue	(960 000)	(1 073 005)
	-	-

Conditions still to be met - remain liabilities (see note 14).

The purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, in compliance with EPWP guidelines.

Financial Management Grant

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

Conditions still to be met - remain liabilities (see note 14).

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

Municipal Infrastructure Grant

Figures in Rand	2024	2023

24. Government grants and subsidies (continued)

Balance unspent at beginning of the period	31 957 712	12 486 317
Current-year receipts	32 097 000	48 510 000
Conditions met - transferred to revenue	(55 125 842)	(29 038 605)
	8 928 870	**31 957 712**

Conditions still to be met - remain liabilities (see note 14).

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

Housing Grant

Balance unspent at beginning of the period	66 792	66 792

Conditions still to be met - remain liabilities (see note 14).

The purpose is to fund capital projects and maintenance of library facilities the community.

Library Grant

Current-year receipts	1 147 000	1 100 000
Conditions met - transferred to revenue	(1 147 000)	(1 100 000)
	-	-

Conditions still to be met - remain liabilities (see note 14).

Regional bulk infrastructure grant

Balance unspent at beginning of the period	46 372 372	62 367 000
Conditions met - transferred to revenue	(46 372 372)	(15 994 628)
	-	**46 372 372**

Conditions still to be met - remain liabilities (see note 14).

To develop new, refurbish, upgrade and replace ageing bulk water and sanitation infrastructure of regional significance that connects water resources to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality; to implement bulk infrastructure with a potential of addressing water conservation and water demand management projects or facilitate and contribute to the implementation of local water conservation and water demand management projects that will directly impact on bulk infrastructure requirements.

Disaster Management Grant

Balance unspent at beginning of the period	1 436	1 436

Conditions still to be met - remain liabilities (see note 14).

To provide for the immediate release of funds for disaster response if an occurrence cannot be adequately addressed in line with section 2 (1)(b) of the Disaster Management Act.

Water infrastructure grant - WSIG

Balance unspent at beginning of the period	-	420 709
Current-year receipts	23 975 000	12 000 000
Conditions met - transferred to revenue	(23 975 000)	(12 420 709)
	-	-

Figures in Rand	2024	2023

24. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 14).

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure availability of water to the community.

Energy efficiency grant

Balance unspent at beginning of the period	5 017	323 809
Conditions met - transferred to revenue	-	(318 792)
	5 017	**5 017**

Conditions still to be met - remain liabilities (see note 14).

The purpose of this grant is to provide capital subsidies to municipalities to address the electrification backlog of all existing and planned residential dwellings (including informal settlements, farm dwellers, new and existing dwellings) and the installation of relevant bulk infrastructure.

25. Fines, Penalties and Forfeits

Municipal Traffic Fines	-	4 836

Figures in Rand	2024	2023

26. Employee related costs

Basic	30 555 377	28 488 435
Bonus	1 790 213	2 450 303
Medical aid	1 986 984	1 974 044
Unemployment Insurance Fund	241 966	238 549
Skill Development Levy	348 834	339 328
Leave pay provision charge	272 539	(335 545)
Leave pay	(30 376)	240 399
Standby Allowance	368 882	245 458
Cellular and Telephone Allowance	28 800	19 600
Defined contribution plans	(190 277)	74 846
Overtime payments	1 859 207	1 557 184
Long-service awards	234 360	56 641
Acting allowances	408 973	1 377 408
Travel allowance	71 621	145 526
Housing benefits and other allowances	43 870	110 889
Bargaining Council	15 488	13 823
Group Life Insurance	9 936	13 803
Pension Contributions	4 189 694	4 290 990
Scarcity allowance	153 498	113 843
	42 359 589	**41 415 524**

Remuneration of Municipal Manager (Adv W BLUNDIN)

Annual Remuneration	1 077 607	959 035
Scarcity Allowance	77 922	63 699
Skills Development Levy	12 591	10 227
Unemployment Insurance Fund	2 125	1 948
Back Pay	88 278	-
Gratuity Allowance	15 255	-
	1 273 778	**1 034 909**

Remuneration of acting Municipal Manager: AK TIETIES (1 May 2022-31 July 2022)

Annual Remuneration	-	55 344
Scarcity Allowance	-	6 342
Unemployment Insurance Fund	-	354
Back Pay	-	91 964
Skills Development Levy	-	1 858
	-	**155 862**

Remuneration of Acting Municipal Manager: MC Pienaar (1 February 2024- 28 February 2024)

Remuneration	42 252	-
Acting Allowance	13 616	-
Bargaining Council	11	-
Skills Development Levy	559	-
Medical aid fund	3 820	-
Unemployement Insurance Fund	177	-
Retirement Fund	7 605	-
	68 040	**-**

Remuneration of Chief Financial Officer (KS SCHOLTZ)

Annual Remuneration	884 773	143 167
Scarcity Allowance	63 978	10 022
Skills Development Levy	10 253	1 532

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

26. Employee related costs (continued)

Unemployment Insurance Fund	2 125	354
Back Pay	61 252	-
Gratuity Allowance	15 255	-
	1 037 636	**155 075**

Remuneration of Acting Chief Financial Officer (WB GASERANYE): 1 January 2024 to 28 February 2024

Remuneration	104 609	-
Skills Development Levy	1 475	-
Unemployment Insurance Fund	354	-
Acting Allowance	42 853	-
	149 291	**-**

Remuneration of the Technical Manager: (SB SEHOLE)

Annual Remuneration	88 477	284 243
Housing Allowance	29 492	94 748
Scarcity Allowance	11 598	33 781
Skills Development Levy	1 512	4 886
Unemployment Insurance Fund	354	1 063
Back Pay	35 651	-
Travel Allowance	29 492	-
Unpaid leave	(37 658)	-
	158 918	**418 721**

Terminated 01 September 2023

Remuneration of the Acting Technical Manager (LN Skota): 1 September 2023 to 30 June 2024

Remuneration	573 761	-
Annual Bonuses	57 511	-
Acting Allowance	148 004	-
Unemployment Insurance Fund	1 771	-
Skills Development Levy	7 483	-
Retirement Fund	103 277	-
Medical Aid Fund	20 672	-
Bargaining council	114	-
	912 593	**-**

27. Remuneration of councillors

Executive Mayor Basic salary	895 361	845 227
Councillors and Speaker Basic salary	3 635 225	3 385 506
Skills Development Levy	49 447	42 796
Unemployment insurance fund	-	(1 063)
Executive Mayor Cellphone Allowance	45 600	40 800
Councillors & Speaker Cellphone Allowance	454 000	401 200
	5 079 633	**4 714 466**

In-kind benefits

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

27. Remuneration of councillors (continued)

Additional information

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

28. Depreciation, Amortisation and Impairment

Property, plant and equipment	17 811 204	15 870 743
Intangible assets	651 666	425 962
Property,plant and equipment - Impairment loss	6 147 998	(98 368)
	24 610 868	**16 198 337**

29. Finance costs

Interest from provision of landfill sites	413 667	379 802
Trade and other payables	2 737 858	2 674 359
Long Service Awards	236 000	239 000
	3 387 525	**3 293 161**

30. Bad debt written-off

Bad debt written-off	4 154 380	3 712 988

31. Bulk purchases

Electricity - Eskom	28 873 552	24 351 857

Electricity losses

Units purchased (value in rand)	27 891 160	19 098 382
Units sold (value in rand)	(19 789 603)	(14 142 346)
Total loss	**8 101 557**	**4 956 036**
Comprising of:		
Units purchased (KVA/KWH)	16 005 364	15 712 584
Unist sold (KVA/KWH)	(11 356 279)	(11 635 164)
Total	**4 649 085**	**4 077 420**
Percentage Loss:		
Non-technical losses	29 %	26 %

32. Contracted services

Outsourced Services		
Professional Staff	7 211 394	6 774 354
Refuse Removal	2 642 552	3 225 770
Security Services	3 229 764	3 158 483

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

32. Contracted services (continued)

Contractors		
Maintenance of Buildings and Facilities	350 823	558 079
Maintenance of Vehicle, Plant and Machinery	1 507 472	1 249 225
Maintenance of Infrastructure	544 151	1 564 300
	15 486 156	**16 530 211**

33. General expenses

Advertising and communication	80 882	112 092
Auditors remuneration	4 159 374	4 197 646
Bank charges	231 611	251 913
Commission paid	706 739	1 919 639
Consumables	1 042 797	3 039 520
Catering Services	207 250	234 587
Insurance	590 453	531 830
Fleet	-	40 329
Medical expenses	-	400
Motor vehicle expenses	130 034	111 275
Fuel and oil	1 692 176	1 501 048
Printing,stationery and meter reading	270 949	194 978
Protective clothing	581 511	358 759
Software expenses	1 734 994	1 777 071
Subscriptions and membership fees	519 576	38 089
Telephone and fax	788 296	647 047
Training	155 845	174 736
Travel - local	1 523 355	1 661 052
Ward committees	678 800	618 838
Water sample testing	339 067	296 480
Licences and permits	457 948	(1 372 727)
Sundry expenses	-	43 536
Mayoral projects	1 614 195	1 894 780
Movement in landfill sites provision	(44 839)	(1 828 601)
	17 461 013	**16 444 317**

34. Auditors' remuneration

Fees	4 159 374	4 197 646

35. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Loss on sale of property, plant and equipment	(760 351)	(1 710 752)
Amortisation on intangible assets	651 666	254 638
Depreciation on property, plant and equipment	23 959 203	15 943 699
Employee costs	47 439 222	46 129 990

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

36. Cash generated from operations

	2024	2023
Surplus	65 318 483	40 418 763
Adjustments for:		
Depreciation and amortisation	24 610 868	16 199 652
Addition non cash	(15 501 055)	(6 162 515)
Loss on disposal of assets	760 351	1 710 752
Fair value adjustment	(287 674)	290 580
Addition non cash-provision	-	1 162 222
Bad debts written off	4 154 380	3 712 988
Debt impairment	13 368 589	(2 602 725)
Movements in retirement benefit assets and liabilities	45 723	313 846
Movements in provisions	368 828	(2 611 020)
Acturial gains/loss	76 277	(283 846)
Other non-cash items on PPE	-	(8 138 830)
Other non-cash items	104 743	102
Changes in working capital:		
Inventories	(848 831)	566 482
Receivables from exchange transactions	(6 689 782)	(12 561 612)
Receivables from non-exchange transactions	(4 764 800)	6 275 815
Payables from exchange transactions	26 846 028	25 774 662
VAT	413 269	(667 029)
Unspent conditional grants and receipts	(69 401 214)	2 737 266
Consumer deposits	66 879	110 184
	38 641 062	**66 245 737**

37. Commitments

Authorised capital expenditure

	2024	2023
Already contracted for but not provided for		
• Property, plant and equipment	63 228 802	146 309 808
Total capital commitments		
Already contracted for but not provided for	63 228 802	146 309 808

Total commitments

	2024	2023
Total commitments		
Authorised capital expenditure	63 228 802	146 309 808

Figures in Rand	2024	2023

38. Related parties

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

Relationships

Councillor M.G. Ngesi	Bokamoso NS Trading, Monate Mpolaye Crew M PCPhatsimo 101
Councillor R. Losper	Rene's Maitenance Enterprises (Derigestered),Lady L osper Cleaning Services (Deregisteringprocess)
Councillor E.M. Sulliman	Ebrahim Sulliman Farming Enterprise,Taanil Construction
N. Prince (Party reprensetantive)	Yinhla Training and Business ConsultingFirm D eregistering process), Grand BridgeTrading 95
Councillor S.G. Edwards	Seteisene Trading and Projects, DivineVision G eneral TradiningIts Possible Trading
Gabanthate Dorcas Burger	Rekathusa Cleaning Services

Related party balances

	2024	2023
Amounts included in Trade receivable (Trade Payable) regarding related parties		
F Maritz	(3 343)	1 463
GD Burger	7 952	11 443
F Sebelego	1 428	11 397
J&S Slinger	1 064	2 080

	2024	2023
Commitments with related parties		
Management of Landfill site	-	6 567 175

The municipality incurred the following expenditure with the related parties:

	2024	2023
Expenses recognised in respect of bad or doubtful debts		
Taanil Constructruction	-	16 466 296

EM Sulliman disclosed that his son is a director for Taanil contruction.

Related party transactions

Key management information

Class	Description	Number
Mayor	Honorable Mayor	1
Councllors	Councillors	10
Municipal Managers	Accounting Officer	1
Chief Financial Officer	CFO	1
Director Technical	Manager Technical	1
Acting Municipal Managers	Acting Accounting Officer	1
Acting Chief Financial Officer	Acting Chief Financial Officer	1
Acting Director Technical Services	Acting Manager Technical Services	1

Remuneration of management

The municipality has the following current employee benefit obligations and made other non-employee cost related cost payments towards senior management for the financial year ended 30 June 2024 and 30 June 2023 respectively

Leave accrual and bonus accrual balances due to key management on year end is stated as per below tables:

38. Related parties (continued)

Refer to Note for detailed note26 on remuneration of senior managers and Note 27 for detailed disclosure on remuneration of councillors.

Management class: Section 57 management

2024

Name	Travel and Subsitence allowance	Leave accrual	Bonus Accrual	Total
Adv WL Blundin	13 550	4 410	-	17 960
Mr KS Scholtz	17 678	43 454	-	61 132
WB Gaseranye	4 550	33 395	39 228	77 173
Mr SB Sehole	29 492	-	-	29 492
Mr LN Skota	10 813	118 630	38 341	167 784
	76 083	**199 889**	**77 569**	**353 541**

2023

Name	Travel and Subsitence allowance	Leave accrual	Total
Adv WL Blundin	600	50 221	50 821
Mr KS Scholtz	3 538	13 745	17 283
Mr SB Sehole	15 042	16 493	31 535
	19 180	**80 459**	**99 639**

38. Related parties (continued)

Management class: Councillors

2024

Name	Basic salary	Travel and Subsistence Allowance	Cellphone Allowance	Skills Development Levy	Back Pay	Total
Ms NI WILLIAMS (Mayor)	853 910	13 850	45 600	8 987	41 451	963 798
Mr MG LEUTLWETSE (Speaker)	683 128	19 600	45 600	7 687	33 161	789 176
Miss AC VAN ZYL	354 731	6 033	45 600	4 372	30 057	440 793
Mr DR PIENAAR	270 232	-	45 600	2 915	7 095	325 842
Mr F MARITZ	270 232	-	45 600	3 357	13 118	332 307
Mr F SEBELEGO	354 731	15 503	45 600	4 372	30 057	450 263
Mr J SLINGER	270 232	4 550	45 600	3 294	13 118	336 794
Mr S VUKEYA	346 798	42 012	44 800	4 101	11 745	449 456
Mrs GD BURGER	270 232	3 172	45 600	3 102	13 118	335 224
Mrs RV HAAI	357 279	9 150	45 600	3 933	17 343	433 305
Mr GL TETEME	268 319	3 150	44 400	3 327	13 228	332 424
	4 299 824	**117 020**	**499 600**	**49 447**	**223 491**	**5 189 382**

2023

Name	Basic salary	Cellphone Allowance	Skills Development Levy	Backkpay	Total
Ms NI WILLIAMS (Mayor)	828 233	40 800	8 165	16 994	894 192
Mr MG LEUTLWETSE (Speaker)	662 587	40 800	6 966	13 642	723 995
Miss AC VAN ZYL	336 370	40 800	3 630	6 229	387 029
Miss P LEBURU	86 944	13 600	993	5 537	107 074
Miss TS HARMSE	105 555	13 600	1 192	6 841	127 188
Mr DR PIENAAR	268 129	40 800	2 689	18 690	330 308
Mr EM SULLIMAN	-	-	26	2 551	2 577
Mr F MARITZ	262 106	40 800	2 880	5 536	311 322

Notes to the Annual Financial Statements

Figures in Rand

38. Related parties (continued)

Mr F SEBELEGO	336 370	40 800	3 638	7 048	387 856
Mr J SLINGER	262 106	40 800	2 625	5 536	311 067
Mr MG NGESI	-	-	26	2 551	2 577
Mr N PRINCE	-	-	26	2 551	2 577
Mr RC LESSING	-	-	26	2 551	2 577
Mr S VUKEYA	224 792	40 800	2 625	-	268 217
Mrs GD BURGER	262 106	27 200	2 411	5 537	297 254
Mrs RV HAAI	346 536	40 800	3 405	7 238	397 979
Ms R LOSPER	-	-	81	8 061	8 142
Ms SG EDWARDS	80 459	-	40	4 261	84 760
Mr GL TETEME	127 545	20 400	1 377	-	149 322
	4 189 838	**442 000**	**42 821**	**121 354**	**4 796 013**

Councillors of the municipality did not have any outstanding debtor balances in terms of municipal service chrages as at year ended 30 June 2024.

39. Prior period errors

Statement of Financial Position

Figures in Rand	Note(s)	Previously reported	Adjustment	Re-classification	Restated		Re
Assets							
Current Assets							
Inventories	2	4 617 511	(1 604 665)	-	3 012 846	[13]	
Receivables from non-exchange transactions	3	14 157 784	(3 069 665)	-	11 088 119	[11]	
VAT receivable	4	14 457 945	107 959	-	14 565 904	[12]	
Receivables from exchange transactions	5	29 354 522	2 924 048	-	32 278 570	[11]	
Cash and cash equivalents	6	79 756 099	-	-	79 756 099		
		142 343 861	**(1 642 323)**	**-**	**140 701 538**		
Non-Current Assets							
Investment property	7	28 727 247	40 173	-	28 767 420	[10]	
Property, plant and equipment	8	423 159 351	(180 692)	-	422 978 659	[10]	
Intangible assets	9	1 353 669	-	-	1 353 669		
Heritage assets	10	1 151 058	-	-	1 151 058		
		454 391 325	**(140 519)**	**-**	**454 250 806**		
Total Assets		**596 735 186**	**(1 782 842)**	**-**	**594 952 344**		
Liabilities							
Current Liabilities							
Payables from exchange transactions	11	72 250 260	(1 650 646)	-	70 599 614	5]	
Consumer deposits	12	1 509 472	-	-	1 509 472		
Employee benefit obligation	13	425 000	-	-	425 000		
Unspent conditional grants and receipts	14	78 403 329	-	-	78 403 329		
		152 588 061	**(1 650 646)**	**-**	**150 937 415**		
Non-Current Liabilities							
Employee benefit obligation	13	1 825 000	-	-	1 825 000		
Provisions	15	4 061 024	-	-	4 061 024		
		5 886 024	**-**	**-**	**5 886 024**		
Total Liabilities		**158 474 085**	**(1 650 646)**	**-**	**156 823 439**		
Net Assets		**438 261 101**	**(132 196)**	**-**	**438 128 905**		
Accumulated surplus		438 261 101	(132 194)	-	438 128 907		

39. Prior period errors (continued)

Statement of Financial Performance

Figures in Rand	Note(s)	Previously reported	Adjustment	Re-classification	Restated	Referen
Revenue						
Revenue from exchange transactions						
Service charges	17	47 722 484	(664 817)	-	47 057 667	[16]
Rental of facilities and equipment	18	149 053	-	-	149 053	
Licences and permits		427 941	-	-	427 941	
Other income	21	201 802	-	-	201 802	
Interest on outstanding debtors and investment	20	9 032 116	(295 160)	-	8 736 956	[16]
Total revenue from exchange transactions		**57 533 396**	**(959 977)**	**-**	**56 573 419**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	22	14 765 729	(252 872)	-	14 512 857	[16]
Interest on outstanding receivables		1 086 379	-	-	1 086 379	
Transfer revenue						
Government grants & subsidies	24	93 435 734	-	-	93 435 734	
Fines, Penalties and Forfeits		4 836	-	-	4 836	
Total revenue from non-exchange transactions		**109 292 678**	**(252 872)**	**-**	**109 039 806**	
Total revenue	16	**166 826 074**	**(1 212 849)**	**-**	**165 613 225**	
Expenditure						
Employee related costs	26	(41 440 040)	201 961	(177 445)	(41 415 524)	[1]
Remuneration of councillors	27	(4 718 363)	3 897	-	(4 714 466)	[7]
Depreciation,amortisation and impairment	28	(16 198 337)	-	-	(16 198 337)	[10]
Finance costs	29	(3 226 095)	(67 066)	-	(3 293 161)	[9]
Bad debts written off	30	(3 745 433)	32 445	-	(3 712 988)	[11]
Debt Impairment		(5 603 699)	8 206 424	-	2 602 725	[17]
Bulk purchases	31	(24 351 857)	-	-	(24 351 857)	
Contracted services	32	(18 456 073)	(283 920)	2 209 782	(16 530 211)	[12]
General Expenses	33	(14 582 831)	350 993	(2 212 479)	(16 444 317)	[1] &[12]
Total expenditure		**(132 322 728)**	**8 444 734**	**(180 142)**	**(124 058 136)**	
Operating (deficit) surplus	35	**34 503 346**	**7 231 885**	**(180 142)**	**41 555 089**	
Loss on disposal of assets and liabilities		(1 535 427)	(175 325)	-	(1 710 752)	[10]
Fair value adjustment		(290 580)	581 160	-	290 580	[10]
Actuarial losses	13	283 846	-	-	283 846	
		(1 542 161)	**405 835**	**-**	**(1 136 326)**	
Surplus for the period		**32 961 185**	**7 637 720**	**-**	**40 418 763**	
Attributable to:						
Commitments		166 633 184	(20 323 376)	-	146 309 808	2
Contingencies		-	200 000	-	200 000	4
Fruitless and wasteful expenditure		9 083 189	(4 512 406)		4 570 783	6
Water losses		1 968 161	(178 711)		1 789 450	15
Unauthorized expenditure		264 474 262	432 406 631	-	696 880 893	3
Irregular Expenditure		112 469 369	308 937	-	112 778 306	8
MFMA Disclosure - Pension and medical aid deduction		3 747 845	(2 383 052)	-	1 364 793	14
		558 376 010	**405 518 023**	**-**	**963 894 033**	

* See Note 39

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*

39. Prior period errors (continued)

[1] Travel allowance for senior manager (technical department) and other municipal officials was errorneously classified as reimbursement travel claim under general expenses. This was subsequentely corrected by reclassfying the vote for travel allowance to employee related costs, however inclusive in the vote for travel allowance was reimbursement travel claim expenditure. Thus increase in the reclassification of R177 445.06 and an adjustment decrease of R319 308.52 in employee related costs due to correction of duplication of trasanction and recognition of allowance previously not accounted.

[2] Change in commitments disclosure amount is due to total payments of R20 323 376 made not being taken into account in prior year final amount disclosed for the capital project of Eradication of conservancy tanks Phase 1.

[3] Unauthorised expenditure opening balance was restated as a result of errors that were noted on the calculations for prior years. It was recalculated based on the correct budgets and actual expenditure and the current year movement figure of unauthorised expenditure was restated based on the budgeted and actual figures of prior year with the following figures R393 876 048.00 and R38 53 583.00 respectively

[4] The lawyers confirmation was received by the municipality with all active matters relating to the 2022/2023 financial year from Van De Wall Incorporated (previously Van de Wall & Partners.

[5] Other payables from exchange transactions were reclassified to trade payable due to the similarity in the nature of transactions as they are both supported by the trade payables age analysis. The adjustment of R182 274 was due a decrease in leave accrual and employee related cost with an amount of R62 120 and R120 153 respectively.

[6] Fruitless and wasteful expenditure opening balance was restated as a result of an error that occurred in the prior financial year due to the municipalities inadequate filling system. The opening balance for the year financial year 2019/2020 was errorneously restated to R6 063 053 in the year 2020/2021 without any supporting schedule, this figure was thus corrected with the correct amount based on the complete schedule prepared using the municipality financial data available for the period. The prior year opening balance and movement were restated with the following figures R4 155 698.50 and R-356 705.80 respectively.

[7] Remuneration of councillors decreased with an amount of R2 833.92 and the salary control account increase with the same due to a deduction that was incorectly made on the councillors remuneration and company contribution towards Unemployment Insurance Fund.

[8] irregular expenditure increased by R308 937 due to additional expenditure incurred on irregular contracts previously not included in the register.

[9]Finance costs was restated as a result of interest on supplier account that was incorrectly recorded under auditors ‘remuneration with an amount of R67 065.51 and general expenses decreased with the same amount.

[10]The following prior period errors were identified and the corrections have now been made to amounts previously reported in the annual financial statements of the Municipality.

Investment Property

The correction of error of R40 172,28 relates to R6 21 332 Fair value adjustment for FY21. The amount of R290 580 relates to FV adjustment for FY23 that was debited instead of credit in the General ledger.

Infrastructure Assets

Electrical Infrastructure

The correction of error that amounts to R(-R62 722,42 relates FY23 additions of R232 910 that were omitted . They were included in the AFS and not in the FAR. Amount of R44 300 relates to training costs that were incorrectly capitalised on the R232 910) and R(-R17 659,27) for omitted derecognitions. (R1 374,80) correction of for derecognised assets and (-R2 137,67) depreciation for omiited additions.

Roads Infrastructure

* See Note 39

39. Prior period errors (continued)

The amount of R6 920 037 relates to the correction of Accummulated depreciation for financial year21 and financial year22 in the general ledger.

Solid Waste Infrastructure

The amount of R367 152,01 relates to -R1 801 657,48 movement in proviosn for FY21 and R21 68 810,23 FY22 movement in provision that were not recored correctly in the GL

Water Supply Infrastructure

The correction relates to R177 919 relates to FY20 derecognition of R146 611 that were not recorded correctly in the GL and R30 237,40, reclassifcation from water for FY23 that were not recorde correctly in the GL

Sanitation Infrastructure

The amount of R7 990 876 relates to relates R8 067 014 omitted completed project, R18 731, deprection thereof . R64 742,08 derecognition due to tomitted completed pr and R7 336, FY21 reclassification from Water Infrastructure.

[11] The adjustment on bad debts written-off is due to adjustments made on customer accounts for prior year council approved write-off not effected. This resulted in an increase in bad debt write-off of R67 066 and a decrease in trade and other receivables non-exchange transactions and exchange transaction with the same amount.

[12] Contracted services was adjusted as result of a correction in the classification of expenditure disclosed. This resulted in contracted services expenditure decreasing with an amount of R2 215 811.61 and general expenses increasing with the same amount , Vat receivables decrease with R465 and trade payable decreased with R3 562.07 due to an error in duplication of invoice number IN24415 in expenditure.

[13] Inventories was corrected as a result of an adjustment on inventory land due to a transfer of property from the municipality to purchasers which occurred inthe financial year 2021/2022 and 2022/2023 resulting in invetory land expense increasing with an amount of R120 115.71 and R 69 016.19 respectively and inventory land assets decreasing with a total R189 132.13

[14] An adjustment to the opening balance was made due to the amount dislcosed in the prior year not being accurate and complete, only opening balance was reflected and no current year movement was included, thus resulted in an aggregated adjustment amount of R2 383 052.36 on the openeing balance and current year movement.

15. Water losses were restated as a result of the municipality erronously accounting for water usage of the municipality accounts, the adjustment resulted in a decrease of R178 711.

16. Restatement of accounts is due to an assessment on municipal own consumption billing accounts that resulted in decreace of revenue(i.e. Service charges, property rates and interest on outstanding debtors) and receivables from exchange and non-exchange transaction components

[17] Restatement of accounts is due to an assessment on municipal own consumption billing accounts .

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*

40. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the municipality will continue to receive grants from National and Provincial Governments as well as continue to levy rates and charge for services provided to consumers. The proceeds are presumed to be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The following indicators have a negative outlook on the going concern of the municipality,however it does not indicate that the municipality has going concern issue:

The municipality's current liabilities are more than the current assets, resulting in the municipality not being able to pay its current liabilities using the current assets.

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:

Kgatelopele Local Municipality is a state entity 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 below are the amounts that the government has committed to allocate to Kgatelopele in line with the DORA to ensure that the municipality continues with its operations.

	2024/25	2025/26
Finance Management Grant (FMG)	3 100 000	3 238 000
Municipal Infrastructure Grant (MIG)	8 856 000	9 042 000
Integrated National Electrification Grant	1 500 000	2 800 000
Water Services infrastructure (WSIG)	13 559 000	14 163 000
Equitable Share	36 092 000	38 111 000
	63 107 000	**67 354 000**

Based on the draft budget of 20242025 financial year, the municipality's budget is funded and will be able to finance its operations for the next financial year.

Significant financial indicators

	Current year	**Previous year**
Revenue management		
Debt-collection period (after impairment)	62 days	60 days
Amount of debtor’s impairment provision	R55 637 142	R55 608 009
Amount of accounts receivable	R93 542 925	R82 561 851
Debt-impairment provision as a percentage of accounts receivable	59%	67%
Amount of debt-impairment provision	R55 637 142	R55 608 009
Amount of accounts receivable (before impairment)	R93 542 925	R82 561 851
Percentage distribution losses – electricity	28%	26%
Amount of units generated / purchased	R27 891 160	R15 712 584
Amount of units sold to consumers	-R20 058 592	-R11 635 464
Percentage distribution losses – water	20%	20%
Amount of units generated / purchased	R1 376 975	R1 172 887
Amount of units sold to consumers	-R1 100 655	-R933 760
Asset maintenance and renewal		
Percentage spending on repairs and maintenance	0%	1%
Amount of expenditure on repairs and maintenance	R2 402 446	R3 371 604
Amount of property, plant and equipment (carrying value)	R511 992 048	R415 808 752
Asset and liability management		

* See Note 39

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*

40. Going concern (continued)

	2024	2023
Total debt / borrowings vs total revenue for the year	51%	94%
Amount of debt / borrowings	-R114 461 787	-R156 485 324
Amount of revenue for the year	R224 355 674	R165 951 340
Current liabilities as a percentage of next year's budgeted resources	99%	149%
Amount of current liabilities	-R112 501 787	-R150 599 300
Total budgeted income for the next year, excluding employee costs and remuneration of councillors	R113 510 000	R101 413 000
Liquid assets as a percentage of total current liabilities (acid test percentage)	44%	81%
Amount of liquid assets	R49 420 407	R121 275 845
Current ratio	0.47	0.83
Amount of current assets	R53 282 084	R124 288 691
Total debt to total assets ratio	0.19	0.27
Amount of debts	-R114 461 787	-R156 485 324
Amount of assets	R596 182 287	R571 369 590
Cash management		
Cash plus investments less applications	-R50 007 369	-R66 553 709
Amount of year-end bank balance (cash and cash equivalents)	R13 221 433	R79 756 099
Amount of total investments (short and long term)	R0.00	R0.00
Less: amount of cash applications/ commitments	-R63 228 802	-R146 309 808
Cash coverage	1 months	1 months
Amount of expenditure	156 924 738	140 408 249

41. Unauthorised expenditure

	2024	2023
Opening balance as previously reported	696 880 893	264 474 262
Correction of prior period error - Opening balance	-	393 876 048
Opening balance as restated	**696 880 893**	**658 350 310**
Add: Expenditure identified - current	33 753 740	-
Add: Expenditure identified - prior period error	-	38 530 583
Closing balance	**730 634 633**	**696 880 893**

Unauthorised expenditure opening balance was restated as a result of errors that were noted on the calculations for prior years. It was reclaculated based on the correct budgets and actual expenditure.

42. Fruitless and wasteful expenditure

	2024	2023
Opening balance as previously reported	4 570 782	5 510 916
Correction of prior period error	-	(4 155 699)
Opening balance as restated	**4 570 782**	**1 355 217**
Add: Expenditure identified - current	2 835 399	3 572 271
Add/Less: Expenditure identified - prior period correction	-	(356 706)
Closing balance	**7 406 181**	**4 570 782**

*Inclusive of VAT

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*

43. Irregular expenditure

Opening balance as previously reported	112 778 306	112 305 686
Opening balance as restated	**112 778 306**	**112 305 686**
Add: Irregular Expenditure - current	327 009	163 683
Add: Irregular Expenditure - prior period	-	308 937
Closing balance	**113 105 315**	**112 778 306**

*Inclusive of VAT

Analysis of irregular expenditure - Current year

Competitive bidding not invited	317 799	88 990
Three written quotations not invited	9 211	145 259
Non-Compliance with SCM Regulation	-	203 970
Contract expired	-	6 625
Non-Compliance with PPPFA	-	27 774
	327 010	**472 618**

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*

44. Deviation from supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager and noted by Council. The awards listed below have been approved by the Municipal Manager and noted by Council.

Nature of deviations from SCM Regulations granted during the reporting period		
Accomodation	-	43 384
Advertisement	19 025	92 630
Annual membership	7 197	7 197
Electricity Cost of supply	97 878	-
Fuel	310 321	-
Hiring of Machinery	24 208	-
Maintenance/Service	9 616	9 291
Petrol and diesel	997 549	1 187 630
Pole replacement	19 775	-
Repairs and maintenance	567 976	682 545
Repairs to vehicle	253 063	-
Transformer replacement	158 848	28 750
Accommodation for MM	-	112 560
Accommodation for Acting MM	-	27 129
Annual Subscription	-	3 600
Anti Virus	-	35 100
Breakdown	-	42 426
Competency test for Municipal Manager	-	22 956
Electrical Repairs	-	57 830
Emergency breakdown	-	74 405
Emergency supply and delivery of electrical item	-	5 200
Groceries	-	19 704
Groceries for the family of the two deceased employees	-	7 276
Hiring of water tank	-	23 000
IT Services	-	159 798
Maintenance	-	2 128
Repairs	-	37 510
Scheduled maintenance	-	12 579
Strategic session in Bonza	-	4 550
Standby-Electricians	-	20 820
Subscription	-	2 585
Total amount approved by the Accounting Officer and noted by Council	**2 465 456**	**2 722 583**

All deviations considered by the Accounting Officer are processed in terms of the SCM regulations and the municipality's SCM policy. This process entails being assessed by the SCM Bid Adjudication Committee in terms of the stipulated criteria for emergency procurements and circumstances where it is impractical or not possible to follow the official procedure.

45. Accounting by principals and agents

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

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*

45. Accounting by principals and agents (continued)

Details of the arrangment(s) are as follows:

Kgatelopele Local Municipality as an Agent has and agreement with Department of Safety and Liaison which enables customers to pay for their licence ad permits services at the Municipality's point of sales. The municipality is thereafter entitled to 12% commission based on the collections made and pay over the balance to the Department

The municipality is an agent to this agreement

	2024	2023
Reconciliation of amounts payable to the department		
Balance owing at the beginning of the year	8 604 060	7 914 204
Revenue received on behalf of principal (includes commission)	677 560	630 906
Revenue recognised by municipality as agency fee (includes VAT)	42 408	58 950
Revenue paid over to the principal	(1 920 659)	-
	7 403 369	**8 604 060**

46. Contingent liabilities

The municipality had the following litigation cases that resulted in the following contingent liabilities as at year end:

	2024	2023
Lottering CA: Claim for Damages - Case no 12/17, amount claimed R100 000.00 plus interest at the prescribed rate and costs.	100 000	100 000
McCarthy GP: Claim for Damages - Case no 11/17, amount claimed R100 000.00 plus interest at the prescribed rate and costs.	100 000	100 000
Auditor General-SA V kgatelopele Local MunicipalityThe Auditor-General-South Africa instituted legal proceedings against Kgatelopele Local Municipality in terms thereof they claim payment of unpaid Auditor’s fees.	150 000	-
The Benjanim Sehole V Kgateloplele Local Municipality - The Applicant issued an Application against Kgatelopele Local Municipality in terms thereof he sought an order to declare the termination of his Appointment to be invalid and Unconstitutional and to be set aside.	220 070	-
	570 070	**200 000**

47. Statutory Receivables

	2024	2023
VAT Receivables	14 152 635	14 565 904
Receivables from non-exchange (Property rates)	11 165 209	11 088 119
	25 317 844	**25 654 023**

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. The receivables within the scope of GRAP 108, effective for all periods started on or after 1 April 2019.

The above are regarded as statutory receivables.

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	572 857	572 357
Current year subscription / fee	542 617	507 705
Amount paid - current year	(572 857)	(507 205)
	542 617	**572 857**

Pension and medical aid

Opening balance as previously reported	1 364 793	3 747 845
Correction of prior period error	-	(2 526 480)
Opening balance as restated	**1 364 793**	**1 221 365**
Current year subscription / fee	9 948 838	9 941 053
Amount paid - current year	(10 770 764)	(9 797 625)
	542 867	**1 364 793**

Water Distribution losses

Units distributed from resevoirs (quantity KL)	1 376 975	1 172 887
Units sold (quantity KL)	1 100 655	933 760
Distribution Loss (quantity KL)	276 320	21 768
Tarriff at 8.59 rands	8	8
Distribution Loss (value in Rands)	2 373 586	1 789 450

Audit fees

Opening balance	13 231 894	10 311 084
Current year subscription / fee	4 783 280	4 729 711
Current year interest on outstanding balance	1 609 517	1 188 070
Amount paid	(7 091 570)	(2 996 971)
	12 533 121	**13 231 894**

PAYE

Opening balance	1 578 451	1 098 004
Current year subscription / fee	6 064 635	5 174 379
Amount paid - current year	(7 643 086)	(4 693 932)
	-	**1 578 451**

UIF

Opening balance	1 072 864	1 032 425
Current year subscription / fee	488 184	440 422
Amount paid - current year	(1 561 048)	(399 983)
	-	**1 072 864**

SDL

Opening balance	161 777	129 269
Current year subscription/fee	398 260	343 845
Amount paid - current year	(560 037)	(311 337)
	-	**161 777**

* See Note 39

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*

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

VAT

VAT receivable	14 152 635	14 565 904

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

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

Councillors' arrear consumer accounts

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

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr GD Burger	820	5 632	6 452
Cllr GJ Teteme	566	14 965	15 531
Cllr Pienaar	280	16 406	16 686
Cllr F Maritz	418	-	418
Cllr F Sebelego	704	-	704
	2 788	**37 003**	**39 791**

30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr. Pienaar	1 000	19 317	20 317
Cllr. Slinger	639	-	639
Cllr. Maritz F	2 358	-	2 358
Cllr. Sebelego F	1 968	709	2 677
Cllr. Burger GD	3 618	5 859	9 477
	9 583	**25 885**	**35 468**

Non-compliance with the Municipal Finance Management Act

MFMA: 129. Oversight reports on annual reports.—(1) The council of a municipality must consider the annual report of the municipality and of any municipal entity under the municipality's sole or shared control, and by no later than two months from the date on which the annual report was tabled in the council in terms of section 127, adopt an oversight report containing the council's comments on the annual report, which must include a statement whether the council

- The municipality only approved the oversiight report in the last council meeting, dated 01 August 2024

MFMA: 24. Approval of annual budgets.—(1) The municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.

- The municipality only approved annual budget on the 19 June 2024. This is a material non-compliance, however the municipality did submit a letter to the Provincial Treasury to notify of the late submission.

49. Financial Instruments disclosure

Categories of financial instruments

2024

* See Note 39

49. Financial Instruments disclosure (continued)

Financial assets	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	26 133 094	-	26 133 094
Cash and cash equivalents	-	-	13 221 433	13 221 433
	-	**26 133 094**	**13 221 433**	**39 354 527**

Financial liabilities	At fair value	At amortised cost	At cost	Total
Payables from exchange transactions	-	97 445 642	-	97 445 642
Consumer deposits	-	-	1 576 351	1 576 351
	-	**97 445 642**	**1 576 351**	**99 021 993**

2023

Financial Assets	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	32 278 570	-	32 278 570
Cash and cash equivalents	-	-	79 756 099	79 756 099
	-	**32 278 570**	**79 756 099**	**112 034 669**

Financial liabilities	At fair value	At amortised cost	At cost	Total
Payables from exchange transactions	-	70 599 614	-	70 599 614
Consumer deposits	-	-	1 509 472	1 509 472
	-	**70 599 614**	**1 509 472**	**72 109 086**

50. Risk management

Financial risk management

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

50. 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.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	-	-	-	-
Trade and other payables	97 445 642	-	-	-
Consumer deposits	1 576 351	-	-	-
Unspent conditional grants and receipts	9 002 115	-	-	-
	108 024 108	**-**	**-**	**-**

At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	70 599 614	-	-	-
Consumer deposits	1 509 472	-	-	-
Unspent conditional grants and receipts	78 403 329	-	-	-
	150 512 415	**-**	**-**	**-**

Credit risk

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

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

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

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

Financial instrument	2024	2023
Receivables from exchange transactions	26 133 094	32 278 570
Cash and cash equivalents	13 221 433	79 756 099

Market risk

Interest rate risk

The entity’s interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the entity to fair value interest rate risk.

The entity analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

* See Note 39

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

51. Change in estimate

Property, plant and equipment

In terms of GRAP 17, the useful lives of all assets were reviewed by management at year-end. The remaining useful life expectation of some of the asset items differed from previous estimates. This resulted in a revision of some of the previous estimates which were accounted for as a change in accounting estimate. The effect of this revision is a decrease in depreciation charges for the current period ended 30 June 2024.

Impact on Depreciation		
Community facilities	18 352	(40 788)
Electrical Infrastructure	126 938	(534 161)
Roads Infrastructure	(360 488)	(394 067)
Sanitation Infrastructure	2 554 145	(658 342)
Solid Waste Infrastructure	39 960	(1 186 433)
Storm water Infrastructure	(41 033)	(43 595)
Water Supply Infrastructure	(157 289)	(487 228)
Buildings	89 307	(149 387)
	2 269 892	**(3 494 001)**

52. Segment information

For management purposes the Local Municipality is broadly organised into business units based on the nature of operations and the services they provide. The municipality has the following primary reportable segments

Reportable segment	
Executive and Council	This segment consist of all control and governance servicesof the municipality
Office of the Municipal Manager	This segment consists of municipal manager,town secretaryand Chief Executive, Risk management, Governancefunction and corporate wide strategic planning(IDPs,LEDs).
Finance Services	This segment consists of provision of financial and administrative to other segments of the municipality.
Corporate Service	This segment consists of provision of financial and administrative services and corporate support ,information technology.
Technical and Community Services	This segment consists of the provision of electricity, solid waste disposal (landfill sites), solid waste removal,sewerage, Road and traffic regulation, town planning,building regulations and enforcement, libraries and archives,community halls and facilities,recreational facilities.
Technical and Community Services2	This segment consists of the provision of roads, water storage,storm water management, waste water treatment, health surveillance and prevention of communication, support to local municipalities,health services, water treatment.

No individually material operating segments have been aggregated to form the above reportable operating segments. The municipality does not monitor segments geographycally.

Management does not monitor rhe operating units of its business units separately for the purpose of making decisions about resources allocation and performance assessment. However, the municipality's financing (including fiance costs and finance income)and revenue from taxes are managed on a group basis and are not allocated to operating segments.

Inter-business unit services are not valued and are deemed to have been supplied for no consideration, and are therefore not eliminated. However, the quality of services provided internally is monitered as part of the non-financial service performance information.

The segmental information for Capital assets of the municipality is disclosed in Note 51. It is not practical to segmentise Financial Position and Cashflo operations.

53. Subsequent event

Non-adjusting events after the reporting date:.

Judgement of the High Court on a matter between Afriforum vs Nersa High Court on 8 July 2024

Municipalities are responsuble for calculating the tariffs consumers pay for electricity and are required in terms of s.2(h) off the Electricity Regulation Act no.4 of 2006 (ERA) to set such tariffs in accordance with the Electricity Pricing Policy. The National Energy Regulation of South africa (NERSA), as custodian and enforcer of the regulation framework, must consider and approve the tariffs calculated by municipalities.

The Policy mandates that the electricity tariffs, and therefore both the tariff applications by municipalities and the approval by Nersa, must be based on the cost of supply of electricity and requires municipalities to cnduct a cost of supply study when calculating electricity tariffs. This is re-enforced by s.74(2)(d) of the Municipal Systems Act no.32 of 2000, which requires that municipal tariffs must reflect the costs reasonably associated with rendering the service. In addition, Ners approved a framework that mandates municipalities to conduct a cost of supply study..

53. Subsequent event (continued)

Despite these clear, consistent and legal requirements that Nersa's approval of electricity tariff applications must be based on the cost of supply of electricity, Nersa decided in January 2024 to no longer require tariff increase applications for the 2024-25 financial year to be accompanied by a cost of supply study. Instead, Nersa introduced a methodology that tested tariff applications against certain assumptions (assumption method). In terms of this method, Nersa would approve the 2024-25 tariffs if they fell within certain assumptions, they would not be approved.

Sicty-six municipalities (compliant municipalities) complied with the obligation to conduct a cost of supply study in calculating and submitting their 2024-25 tariff applications to Nersa. The remainder (non-compliant municipalities) did not.