Fetakgomo Tubatse Local Municipality
(Registration number LIM 476)
Annual Financial Statements
for the year ended 30 June 2024

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996).

General Information

Councillors list

EXECUTIVE COMMITTEE

Cllr Maile EE-The Mayor
Cllr Shoba MV-The Chief Whip
Cllr Pholwane MB-The Speaker
MEMBERS OF EXECUTIVE COMMITTEE
Cllr Moeng QM
Cllr Mashego RM
Cllr Mphethi RD
Cllr Mampa DM
Cllr Mabelane MM
Cllr Radingwana MR
Cllr Makofane IT
Cllr Mengwai LD
Cllr Mohuba MS

MPAC CHAIRPERSON
Cllr Mojalefa HL

OTHER COUNCILLORS
Cllr Moopane MK
Cllr Nkosi MD
Cllr Magagula TB
Cllr Malapane OT
Cllr Magane IP
Cllr Magaba AM
Cllr Modipa FM
Cllr Thobejane LM
Cllr Mashabela VM
Cllr Tjie MR
Cllr Sebopela MM
Cllr Nchabeleng NC
Cllr Makofane T
Cllr Mokgotho K
Cllr Mokoena MS
Cllr Ngwatla TJ
Cllr Tjie TM
Cllr Lekgau AK
Cllr Mokgotho LL
Cllr Ratshoshi LM
Cllr Mokoena DF
Cllr Kgwete MP
Cllr Makutu TS
Cllr Hlase ST
Cllr Mabowa SI
Cllr Tshehla MS
Cllr Mmushi MJ
Cllr Magabe MS
Cllr Mohlala TH
Cllr Phasha MA
Cllr Mathipa MP
Cllr Thobela KML
Cllr Phasha MM
Cllr Matheba AM
Cllr Matlakaneng MM
Cllr Mamphekgo TL
Cllr Tlape MM
Cllr Mojalefa IH
Cllr Maepa ML
Cllr Makofane NN
Cllr Mokome KE
Cllr Rantho LJ

General Information

	Cllr Mgiba NP Cllr Motene PP Cllr Mashego OT Cllr Thamaga ST Cllr Kupa SM Cllr Molapo TI Cllr Kupa RB Cllr Malepe KP Cllr Mabelane JM Cllr Shai ML Cllr Sekgala SM Cllr Thobejane ME Cllr Ngwatle MP Cllr Komana WT Cllr Mogashoa ML Cllr Molapo WS Cllr Mogoane MK Cllr Masha MM Cllr Mola N Cllr Madalane ET Cllr Ngwatle AD Cllr Makofane PJ Cllr Bothma C
Grading of local authority	Grade 4
Accounting Officer	Makgata MJ
Chief Finance Officer (CFO)	Makgopa ML
Registered office	Fetakgomo Tubatse Local Municipality 1 Kastania Street Burgersfort
Business address	1 Kastania Street Burgersfort 1150
Postal address	P. O. Box 206 Burgersfort 1150
Bankers	Standard Bank FNB Bank Burgersfort
Auditors	Auditor General South Africa
Attorneys	Noko Maimela Incorporated Machaba Inc ML Mateme Inc Kgolishi A Mamabolo Kgoroeadira Mudau Mmakola Attorneys Rachoene Attorneys Mahowa Inc Mphambane Mokone Attorneys

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

Abbreviations used:

COIDA	Compensation for Occupational Injuries and Diseases Act 130 of 1993
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
CRR	Capital Replacement Reserve
MIG	Municipal Infrastructure Grant
INEP	Integrated National Electrification Program

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 7.

The annual financial statements set out on pages 11 to 122, 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:

Makgata MJ
Municipal Manager

Audit Committee Report

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

Audit committee members and attendance

The audit committee consists of the members listed hereunder and there should be at least 4 meetings as per its approved terms of reference. During the current year 14 meetings were held, with eight of these being ordinary audit and performance committee meetings and six being special meetings.

Name of member	Number of meetings attended
Ms. Mashamaite Ramutsheli (Chairperson)	14/14
Ms. Jamela Mabuza	14/14
Mr. Suren Maharaj	14/14
Mr. Mpaku Goodwill Mathabathe	14/14
Mr. Ntheng Marobane	14/14

Audit committee responsibility

The audit committee reports that it has complied with its duties and responsibilities prescribed by section 166(2)(a) of the MFMA.

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

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act were reviewed and assessed.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

Evaluation of annual financial statements

The Audit Committee has reviewed and discussed the unaudited Annual Financial Statements, to be submitted to the Auditor-General South Africa, with the Accounting Officer and Senior Management of the municipality. The Committee also reviewed the municipality’s compliance with the laws and legislations.

The Audit Committee has reviewed, discussed the draft unaudited Annual Performance Report prepared by the municipality before submission to the Auditor-General of South Africa and reviewed the reasons provided by management for material deviation from planned targets.

Internal audit

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

Auditor-General of South Africa

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

Ms. Mashamaite Ramutsheli
Chairperson of the Audit Committee

Date: 31 August2024

Auditor General South Africa

Accounting Officer's Report

The Accounting Officer submits his report for the year ended 30 June 2024.

1. Review of activities

Main business and operations

The Municipality is engaged in local service delivery as enshrined in the Constitution of the Republic of South Africa with its core functions and primary revenue sources being collection of property rates and taxes and refuse collection and operates principally in Burgersfort, South Africa.

Net surplus of the entity was 75 206 371 (2023: surplus 57 148 206).

2. Going concern

We draw attention to the fact that on 30 June 2024, the entity had an accumulated surplus of 2 730 065 377 and that the entity's total assets exceed its liabilities by 2 730 065 377.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

3. Subsequent events

Refer to the Events after reporting date note 57.

4. Accounting policies

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

5. Accounting Officer

The Accounting Officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality	Changes
Makgata MJ	RSA	None

Accounting Officer's Report

6. Corporate governance

General

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

The salient features of the municipality's adoption of the Code are outlined below:

Councillors

The Councillors:

- retain full control over the municipality, their plans and strategy.
- acknowledge their responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality.
- are of a unitary structure comprising:
  - Mayor
  - Speaker.
  - Chief Whip
  - Councillors

Mayor and Municipal Manager

The roles of the Mayor and Municipal Manager are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion. The Council and Mayor perform their oversight role and duties in terms of the prescribed legislation and delegated authorities.

Audit Committee meetings

The Audit Committee has met on 14 separate occasions during the financial year. The Audit Committee schedules to meet at least 4 times per annum.

Audit committee

During the period the audit committee was composed as follows:
1. Mr. N Marobane (appointed from 1 August 2021) - Chairperson from 01 July 2023 to 31 March 2024
2. Ms. M Ramutsheli (appointed from 1 August 2021) - Chairperson from 01 April 2024 to 30 June 2024
3. Ms. J Mabuza (appointed from 01 August 2021)
4. Mr. Suren Maharaj (appointed from 1 April 2021)
5. Mr. Mpaku Goodwill Mathabathe (appointed from 1 April 2021).

Internal audit

The municipality had its own internal audit function for the year under review. This is in compliance with the Municipal Finance Management Act,2003.

7. Bankers

The municipality banks primarily with Standard Bank.

Accounting Officer's Report

8. Auditors

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

The annual financial statements set out on page 11, 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:

Makgata MJ
Municipal Manager

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	11	75 410 994	132 994 483
Receivables from exchange transactions	12	21 004 452	521 568
Receivables from non-exchange transactions	13	3 244 850	2 223 014
VAT receivable	14	48 361 891	31 117 583
Prepayments	10	-	525 000
Consumer debtors from exchange transactions	15	12 183 830	7 029 129
Consumer debtors from non exchange transactions	15	67 819 115	39 219 774
Cash and cash equivalents	16	99 299 089	218 063 411
		327 324 221	**431 693 962**
Non-Current Assets			
Investment property	3	53 330 854	78 233 600
Property, plant and equipment	4	2 728 427 417	2 432 541 811
Intangible assets	5	339 041	436 535
Heritage assets	6	1 068 300	1 068 300
Long-term investment	7	50 000 000	-
		2 833 165 612	**2 512 280 246**
Total Assets		**3 160 489 833**	**2 943 974 208**
Liabilities			
Current Liabilities			
Borrowings	18	35 901 148	-
Payables from exchange transactions	8	232 173 969	135 910 399
Employee benefit obligation	9	1 605 107	1 274 255
Unspent conditional grants and receipts	17	8 404 838	71 316 069
Provisions	19	19 815 954	20 196 601
		297 901 016	**228 697 324**
Non-Current Liabilities			
Borrowings	18	64 503 499	-
Employee benefit obligation	9	37 937 254	32 413 172
Provisions	19	30 082 688	28 004 699
		132 523 441	**60 417 871**
Total Liabilities		**430 424 457**	**289 115 195**
Net Assets		**2 730 065 376**	**2 654 859 013**
Accumulated surplus		2 730 065 377	2 654 859 013
Total Net Assets		**2 730 065 377**	**2 654 859 013**

* See Note 55 & 54

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	26 100 304	22 760 952
Rental of community facilities and equipment	23	420 962	420 322
Interest charged (trading)	29	6 068 964	4 799 464
Agency services	25	8 372 821	7 228 803
Licences and permits	26	6 394 676	5 787 104
Fees earned	30	1 121 567	918 006
Other income	31	138 080 847	10 760 597
Interest received - investment	32	19 650 733	13 932 328
Fair value adjustments	49	1 597 254	510 500
Total revenue from exchange transactions		**207 808 128**	**67 118 076**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	33	191 050 398	122 770 396
Property rates - penalties imposed	33	24 547 312	14 482 295
Transfer revenue			
Government grants & subsidies	37	818 694 231	688 926 004
Public contributions and donations	27	17 391 303	-
Traffic fines	24	1 363 200	1 574 400
Total revenue from non-exchange transactions		**1 053 046 444**	**827 753 095**
Total revenue	20	**1 260 854 572**	**894 871 171**
Expenditure			
Employee related costs	38	(254 799 612)	(229 281 277)
Remuneration of councillors	39	(43 497 787)	(39 399 134)
Inventory consumed	21	(53 721 508)	(5 937 827)
Depreciation and amortisation	40	(85 935 983)	(75 695 581)
Impairment loss	41	(23 081 327)	(6 850)
Finance costs	42	(4 284 559)	(3 464 091)
Lease rentals on operating lease	28	(10 752 645)	(26 037 176)
Debt Impairment	44	(138 351 899)	(61 100 805)
Bad debts written off	46	(501 439)	(2 946 904)
Contracted services	47	(419 632 091)	(307 434 008)
Transfers and subsidies	34	(5 870 918)	(5 571 864)
Inventories losses/write-downs	35	(37 150 000)	-
Loss on disposal of assets	36	(4 962 992)	(6 275 666)
General expenses	45	(103 105 441)	(74 571 782)
Total expenditure		**(1 185 648 201)**	**(837 722 965)**
Surplus for the year		**75 206 371**	**57 148 206**

* See Note 55 & 54

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	2 573 705 297	2 573 705 297
Adjustments		
Prior year adjustments Note 55	24 005 510	24 005 510
Balance at 01 July 2022 as restated*	**2 597 710 807**	**2 597 710 807**
Changes in net assets		
Surplus for the year	57 148 206	57 148 206
Total changes	57 148 206	57 148 206
Restated* Balance at 01 July 2023	**2 654 859 006**	**2 654 859 006**
Changes in net assets		
Surplus for the year	75 206 371	75 206 371
Total changes	75 206 371	75 206 371
Balance at 30 June 2024	**2 730 065 377**	**2 730 065 377**

Note(s)

* See Note 55 & 54

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		190 637 923	156 867 971
Government grants and subsidies		755 621 000	745 422 122
		946 258 923	902 290 093
Payments			
Employee costs		(294 300 332)	(266 440 004)
Suppliers		(540 099 716)	(393 046 263)
Finance costs		(4 284 559)	(657 815)
		(838 684 607)	(660 144 082)
Net cash flows from operating activities	48	**107 574 315**	**242 146 011**
Cash flows from investing activities			
Purchase of property, plant and equipment		(296 691 286)	(171 419 364)
Purchase of other intangible assets	5	-	(190 899)
Proceeds from sale/(Purchase) of financial assets		(50 000 000)	-
Interest income		20 352 649	13 932 328
Net cash flows from investing activities		**(326 338 637)**	**(157 677 935)**
Cash flows from financing activities			
Inflow from borrowings	18	100 000 000	-
Finance lease payments-Interest portion		-	(2 806 276)
Finance lease payments - Capital portion		-	(49 818 724)
Net cash flows from financing activities		**100 000 000**	**(52 625 000)**
Net increase/(decrease) in cash and cash equivalents		**(118 764 322)**	**31 843 076**
Cash and cash equivalents at the beginning of the year		218 063 411	186 220 335
Cash and cash equivalents at the end of the year	16	**99 299 089**	**218 063 411**

The accounting policies on pages 27 to 61 and the notes on pages 62 to 128 form an integral part of the annual financial statements.

* See Note 55 & 54

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 Comparison of Budget and Actual Amounts						
Revenue						
Revenue from exchange transactions						
Service charges	19 200 000	8 395 000	**27 595 000**	26 100 304	**(1 494 696)**	Immaterial (below 10%)
Rendering of services	101 420 000	(57 612 000)	**43 808 000**	138 080 847	**94 272 847**	N1
Rental of community offices and facilities	307 000	82 000	**389 000**	420 962	**31 962**	Immaterial (below 10%)
Interest received (trading)	6 179 000	-	**6 179 000**	6 068 964	**(110 036)**	Immaterial (below 10%)
Agency services	7 450 000	1 193 000	**8 643 000**	8 372 821	**(270 179)**	Immaterial (below 10%)
Licences and permits	6 752 000	(138 000)	**6 614 000**	6 394 676	**(219 324)**	Immaterial (below 10%)
Fees earned	2 020 000	(986 000)	**1 034 000**	1 121 567	**87 567**	Immaterial (below 10%)
Interest received - investment	9 095 000	7 180 000	**16 275 000**	19 650 733	**3 375 733**	N2
Total revenue from exchange transactions	**152 423 000**	**(41 886 000)**	**110 537 000**	**206 210 874**	**95 673 874**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	153 960 000	36 875 000	**190 835 000**	191 050 398	**215 398**	Immaterial (below 10%)
Property rates - interest on outstanding debtors	12 000 000	11 510 000	**23 510 000**	24 547 312	**1 037 312**	Immaterial (below 10%)
Transfer revenue						
Government grants & subsidies	742 033 000	84 563 000	**826 596 000**	818 694 231	**(7 901 769)**	Immaterial (below 10%)
Public contributions and donations	-	-	**-**	17 391 303	**17 391 303**	N3
Fines, Penalties and Forfeits	3 420 000	28 000	**3 448 000**	1 363 200	**(2 084 800)**	N4
Total revenue from non-exchange transactions	**911 413 000**	**132 976 000**	**1 044 389 000**	**1 053 046 444**	**8 657 444**	
Total revenue	**1 063 836 000**	**91 090 000**	**1 154 926 000**	**1 259 257 318**	**104 331 318**	
Expenditure						
Employee related costs	(248 622 000)	(6 744 000)	**(255 366 000)**	(254 799 612)	**566 388**	Immaterial (below 10%)
Remuneration of councillors	(39 792 000)	(5 807 000)	**(45 599 000)**	(43 497 787)	**2 101 213**	Immaterial (below 10%)
Inventory consumed	(5 269 000)	157 000	**(5 112 000)**	(53 721 508)	**(48 609 508)**	N5
Depreciation and amortisation	(96 524 000)	15 469 000	**(81 055 000)**	(85 935 983)	**(4 880 983)**	Immaterial (below 10%)
Impairment loss/ Reversal of impairments	-	-	**-**	(23 081 327)	**(23 081 327)**	N6
Finance costs	(4 000 000)	(80 000)	**(4 080 000)**	(4 284 559)	**(204 559)**	N7

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
Lease rentals on operating lease	(20 770 000)	-	**(20 770 000)**	(10 752 645)	**10 017 355**	N8
Debt impairment	(40 000 000)	-	**(40 000 000)**	(138 351 899)	**(98 351 899)**	N9
Bad debts written off	-	(2 766 000)	**(2 766 000)**	(501 439)	**2 264 561**	N10
Contracted Services	(281 695 000)	(140 242 000)	**(421 937 000)**	(419 632 091)	**2 304 909**	Immaterial (below 10%)
Transfers and subsidies	-	-	**-**	(5 870 918)	**(5 870 918)**	N11
General expenses	(101 424 000)	(39 426 000)	**(140 850 000)**	(103 105 441)	**37 744 559**	N12
Total expenditure	**(838 096 000)**	**(179 439 000)**	**(1 017 535 000)**	**(1 143 535 209)**	**(126 000 209)**	
Operating surplus	**225 740 000**	**(88 349 000)**	**137 391 000**	**115 722 109**	**(21 668 891)**	
Fair value adjustments	-	-	**-**	1 597 254	**1 597 254**	N13
Inventories losses/write-downs	-	-	**-**	(37 150 000)	**(37 150 000)**	
Loss on disposal of assets	-	-	**-**	(4 962 992)	**(4 962 992)**	N14
	-	**-**	**-**	**(40 515 738)**	**(40 515 738)**	
Surplus	**225 740 000**	**(88 349 000)**	**137 391 000**	**75 206 371**	**(62 184 629)**	
Actual Amount on Comparable basis as presented in the Budget and Actual Comparative Statement	**225 740 000**	**(88 349 000)**	**137 391 000**	**75 206 371**	**(62 184 629)**	

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	2 103 000	1 367 000	**3 470 000**	75 410 994	**71 940 994**	N15
Receivables from exchange transactions	130 690 000	(103 548 000)	**27 142 000**	33 188 282	**6 046 282**	N16
Receivables from non-exchange transactions	42 941 000	53 522 000	**96 463 000**	71 063 965	**(25 399 035)**	N17
VAT receivable	16 340 000	(11 073 000)	**5 267 000**	48 361 891	**43 094 891**	N18
Prepayments	654 000	1 039 000	**1 693 000**	-	**(1 693 000)**	N19
Cash and cash equivalents	183 260 000	(51 036 000)	**132 224 000**	99 299 089	**(32 924 911)**	N20
	375 988 000	**(109 729 000)**	**266 259 000**	**327 324 221**	**61 065 221**	
Non-Current Assets						
Investments	-	51 262 000	**51 262 000**	-	**(51 262 000)**	N21
Investment property	60 150 000	650 000	**60 800 000**	53 330 854	**(7 469 146)**	N22
Property, plant and equipment	2 063 104 000	738 763 000	**2 801 867 000**	2 728 427 417	**(73 439 583)**	Immaterial (less than 10%)
Intangible assets	1 639 000	(1 202 000)	**437 000**	339 041	**(97 959)**	N23
Heritage assets	220 662 000	(219 594 000)	**1 068 000**	1 068 300	**300**	Immaterial (less than 10%)
Investments	-	-	**-**	50 000 000	**50 000 000**	
	2 345 555 000	**569 879 000**	**2 915 434 000**	**2 833 165 612**	**(82 268 388)**	
Total Assets	**2 721 543 000**	**460 150 000**	**3 181 693 000**	**3 160 489 833**	**(21 203 167)**	
Liabilities						
Current Liabilities						
Borrowings	35 083 000	(44 077 000)	**(8 994 000)**	35 901 148	**44 895 148**	N24
Consumer deposits	32 647 000	(16 981 000)	**15 666 000**	5 428 659	**(10 237 341)**	N25
Payables from exchange transactions	112 458 000	69 712 000	**182 170 000**	226 745 309	**44 575 309**	N26
VAT payable	4 089 000	7 748 000	**11 837 000**	-	**(11 837 000)**	N27
Employee benefit obligation	-	-	**-**	1 605 107	**1 605 107**	N28
Unspent conditional grants and receipts	7 212 000	64 104 000	**71 316 000**	8 404 838	**(62 911 162)**	N29
Provisions	4 363 000	-	**4 363 000**	19 815 954	**15 452 954**	N30
Other liability	3 981 000	12 201 000	**16 182 000**	-	**(16 182 000)**	N31
	199 833 000	**92 707 000**	**292 540 000**	**297 901 015**	**5 361 015**	
Non-Current Liabilities						
Borrowing	101 900 000	(2 906 000)	**98 994 000**	64 503 499	**(34 490 501)**	N32
Employee benefit obligation	-	-	**-**	37 937 254	**37 937 254**	N33
Provisions	242 000	8 884 000	**9 126 000**	30 082 688	**20 956 688**	N34
Other liability	-	5 836 000	**5 836 000**	-	**(5 836 000)**	N35
	102 142 000	**11 814 000**	**113 956 000**	**132 523 441**	**18 567 441**	
Total Liabilities	**301 975 000**	**104 521 000**	**406 496 000**	**430 424 456**	**23 928 456**	

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
Net Assets	**2 419 568 000**	**355 629 000**	**2 775 197 000**	**2 730 065 377**	**(45 131 623)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	2 419 568 000	404 212 000	**2 823 780 000**	2 730 065 377	**(93 714 623)**	Immaterial (less than 10%)

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	104 494 000	39 326 000	**143 820 000**	190 847 923	**47 027 923**	N36
Government Grant and subsidies	742 033 000	84 563 000	**826 596 000**	755 621 000	**(70 975 000)**	Immaterial (less than 10%)
Interest income	9 095 000	4 672 000	**13 767 000**	20 352 649	**6 585 649**	N37
Other receipts	224 585 000	(57 432 000)	**167 153 000**	-	**(167 153 000)**	N38
	1 080 207 000	**71 129 000**	**1 151 336 000**	**966 821 572**	**(184 514 428)**	
Payments						
Employee costs and Suppliers	(698 299 000)	(196 731 000)	**(895 030 000)**	(834 610 049)	**60 419 951**	Immaterial (less than 10%)
Finance costs	(4 000 000)	9 321 000	**5 321 000**	(4 284 559)	**(9 605 559)**	N39
	(702 299 000)	**(187 410 000)**	**(889 709 000)**	**(838 894 608)**	**50 814 392**	
Net cash flows from operating activities	**377 908 000**	**(116 281 000)**	**261 627 000**	**127 926 964**	**(133 700 036)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(299 863 000)	(155 883 000)	**(455 746 000)**	(296 691 286)	**159 054 714**	Immaterial (less than 10%)
Decrease (increase) in non-current investments	-	100 000 000	**100 000 000**	-	**(100 000 000)**	N40
Long-term investment	-	-	**-**	(50 000 000)	**(50 000 000)**	N43
Net cash flows from investing activities	**(299 863 000)**	**(55 883 000)**	**(355 746 000)**	**(346 691 286)**	**9 054 714**	
Cash flows from financing activities						
Short-term loans	100 000 000	-	**100 000 000**	100 000 000	**-**	N41
Repayment of borrowing	10 000 000	-	**10 000 000**	-	**(10 000 000)**	N42
Net cash flows from financing activities	**110 000 000**	**-**	**110 000 000**	**100 000 000**	**(90 000 000)**	
Net increase/(decrease) in cash and cash equivalents	188 045 000	(172 164 000)	**15 881 000**	(118 764 322)	**(214 645 322)**	
Cash and cash equivalents at the beginning of the year	15 216 000	202 847 000	**218 063 000**	218 063 411	**411**	
Cash and cash equivalents at the end of the year	**203 261 000**	**30 683 000**	**233 944 000**	**99 299 089**	**(214 644 911)**	

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

Explanations for significant variances

A - STATEMENT OF FINANCIAL PERFORMANCE

N1 – Rendering of services
The Municipality recognised an unforseen income of R85 million in respect of Mphaphuli and TT Propertiesi cases which were awarded in favour of the municipality.The amount was not included in the approved budget thus resulting in a over performance.

N2 – Interest received - investment
Excess cash was invested which resulted in higher than expected interest earned from the intial budget of R16 million.

N3 –Public contributions and donations
Roads to the value of R17 391 303 were donated by the Roads Agency Limpopo (RAL) which was not budgeted for.

N4 – Fines, Penalties and Forfeits
The variance emanates from the reduction of traffic fines issued and cancellation by court which resulted in lower revenue collection than anticipated.

N5 - Inventory Consumed
The variance emanates from better than expected sale of stands during the year.

N6 – Impairment loss
Impairment loss on assets was not budgeted for whereas an amount of R22 196 639 was recognised during the year.

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

N7 – Finance costs
Interest on the borrowings was capitalised to PPE in terms of GRAP 5 Borrowing costs.

N8 - Lease rentals on operating lease
Lease rentals on operating lease was not budgeted for whereas an amount of R10 334 868 was recognised during the year.

N9 – Debt impairment
Debt impairment includes fully impaired amounts on TT Properties and Mphaphudi based on the fact that they are under liquidation.

N10 – Bad debts written off
Bad debts written off expense was lower than budgeted for as the provision for doubtful debt was utilised for most of the balances written off.

N11 – Transfers and subsidies
Transfers and subsidies were not budgeted for whereas an amount of R5 870 918 was recognised during the year.

N12 – General Expenses
Operational Expenditure shows saving realised during the year as a result of implementation of cost containment measures.

N13 - Fair value adjustments
An unforseen fair value adjustment to land inventory was made in the current year.

Inventory writedowns
Praktisser 275KT portions 7, 8, 23, 24, 25, 28, 31, 32 and 33 were written down by R37 150 000 in the current year due to land invasions on the properties.

N14 - Loss on disposal of assets
The line item was not budgeted for.

B - STATEMENT OF FINANCIAL POSITION

N15 - Inventories
Land was bought during the year for expansion of Mashifane park.

N16 - Receivables from exchange transactions
Receivables from exchange transactions were higher as a result of higher than expected due to the credit sale of land to Terrace Drive.

N17 - Receivables from non-exchange transactions
Receivables from exchange transactions were lower as a result of higher than expected impairment charge which reduced the receivebles form exchange by an amount higher than budgeted for.

N18 - VAT receivable
VAT receivable increased due to input VAT received during the year.

N19 -Prepayments
There were no prepayments arising in the 2024 financial year hence the variance.

N20 -Cash and cash equivalents
The favourable variance is due to better than expected returns on investments and improved revenue collection during the year.

N21 - Investments
Long-term investments were not budgeted for hence the variance.

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

N22 - Investment property
Investment property to the value of R26 500 000 was disposed of, hence the variance.

N23 - Intangible assets
Expected addtions to Intangible assets did not materialise during the year hence the variance.

N24 - Borrowings (Current Liabilities)
The current balance of the borrowings at year-end was higher than the budgeted amount hence the variance.

N25 - Consumer deposits
The budget projection for consumer deposits was overstated in the 2024 budget.

N26 - Payables from exchange transactions
The variance is mainly due to the credit purchase of the Mashifane land reulting in an accrual of R46,9m at year-end.

N27 - VAT Payable
The municipality had a net VAT receivable balance at year year-end hence the variiance.

N28 - Employee benefit obligation (Current Liabilities)
Employee benefit obligation was not budgeted for in the 2024 budget.

N29 - Unspent conditional grants and receipts
The budget projection for Unspent conditional grants and receipts was overstated in the 2024 budget.

N30 - Provisions - Leave (Current Liabilities)
The budget projection for provisions (leave) was understated in the 2024 budget.

N31 - Other liability (Current Liabilities)
No "Other liability" was incurred during the year hence the variance,

N32 - Borrowings (Non-Current Liabilities)
Incorrect budget projections for in the 2024 budget as the closing balance for non-current borrowings was lower than budgeted.

N33 - Employee benefit obligation (Non-Current Liabilities)
Employee benefit obligation was not budgeted for in the 2024 budget.

N34 - Provisions -Landfill environmental rehabilitation (Non-Current Liabilities)
The variance is due to a prior year error adjustment to provision which was not forseen in the budget.

N35 - Other liability (Non-current Liabilities)
No "Other liability" was incurred during the year hence the variance,

C - CASHFLOW STATEMENT

N36 - Sale of goods and services
Incorrect budget projections in the 2023 budget cashflow statement for Sale of goods and services.

N37 - Interest income
Incorrect budget projections in the 2023 budget cashflow statement for interest income.

N38 - Other receipts
Budgeted for but no actual amount received.

N39 -Finance costs
Incorrect budget projections in the 2023 budget cashflow statement for finance costs.

N40 - Non-current investments

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

Budgeted for but no actual amount received

N41- Repayment of borrowings
Budgeted for but no actual amount paid.

N42 - Repayment of borrowings
There were no repayments of borrowings during the year.

N43 - Long-term investments
The actual long-term investments of R50,000,000 were not budgeted for.

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

Reasons for adjustments to the approved Budget	**Approved Budget**	**Adjustment**	**Final Budget**	**Reason for the adjustment**
Statement of Financial Performance	-	-	-	**2024**
Service charges - Waste Management	19 200 000	8 395 000	27 595 000	Adjustment was done to cater for the results of the implementation of 2023-2028 valuation roll which resulted in increases in market values.
Sale of Goods and Rendering of Services	101 420 000	(57 612 000)	43 808 000	The budget was decreased as a result of sale of stands which did not perform as anticipated as customers were reluctant to pay for the land parcels bought or deposited.
Agency services	7 450 000	1 193 000	8 643 000	Agency Services was increased to cater for the 20% third party refund from Department of Roads and Transport.
Interest earned-Investments	9 095 000	7 180 000	16 275 000	Interest received from invested funds were increased as a result of the amount of cash invested in different call accounts and fixed deposits which yield higher interest rates.
Rental from Fixed Assets	307 000	82 000	389 000	Rental on community facilities over performed due to increased utilization of the halls by the community and other stakeholders.
Operational revenue	2 020 000	(986 000)	1 034 000	Operational Grants include LGSETA discretionatonary grant which was decreased as a result of the refunds received during the year.
Property rates	153 960 000	36 875 000	190 835 000	Adjustment was done to cater for the results of the implementation of 2023-2028 valuation roll which resulted in increases in market values.
Fines, penalties and forfeits	3 420 000	28 000	3 448 000	No major adjustment done.
Licences or permits	6 752 000	(138 000)	6 614 000	Adjustmement done to cater for the under collection on these revenue streams due to loadshedding experienced during the first quarter of the year.
Property rates - interest on outstanding debtors	12 000 000	11 510 000	23 510 000	Interest charged on overdue debtors was increased as a result of historical debts which have increased as a result of debtors not paid in time.
Transfer and subsidies-operational	593 619 000	(190 000)	593 429 000	The variance is below the acceptable norm.

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
Employee related costs	(248 622 000)	(6 744 000)	(255 366 000)	Employee related costs variance was due to other posts not filled during the as anticipated.		
Interest	(4 000 000)	(80 000)	(4 080 000)	The variance is below the acceptable norm.		
Remuneration of councillors	(39 792 000)	(5 807 000)	(45 599 000)	Remuneration for councillors was increased due to increased expenditure on travelling and subsistence allowance.		
Inventory consumed	(5 269 000)	157 000	(5 112 000)	Inventory consumed decreased as a result of reduction of COVID 19 supplies which were not bought as compared to the previous years.		
Depreciation and amortisation	(96 524 000)	15 469 000	(81 055 000)	Depreciation was reduced to cater for the current year depreciable assets.		
Contracted services	(281 695 000)	(140 242 000)	(421 937 000)	Contracted services was increased to cater for maintenance of assets which were under projected during the compilation of the budget.		
Irrecoverable debts written off	-	(2 766 000)	(2 766 000)	Indigent debtors interest charged was written off as per council resolutions thus resulting in the projection for the irrecoverable debts being budgeted in the current year.		
General expenses	(122 194 000)	(39 426 000)	(161 620 000)	Operational costs increased as a result of increased spending on advertising costs and other costs which showed an overspending during the year.		
Statement of Financial Position	-	-	-			
Inventory	2 103 000	1 367 000	3 470 000	Under projection of Inventory during the year as compared to the current stock items on hand.		
Receivables from exchange transactions	130 690 000	(103 548 000)	27 142 000	The anticipated decrease in other revenue base like sale of stands resulted in decrease in trade receivables.		
Receivables from non-exchange transactions	42 941 000	53 522 000	96 463 000	The anticipated increase in other revenue base resulted in decrease in trade receivables.		
Prepayments	654 000	1 039 000	1 693 000	Under projection of other assets during the budget compilation.		
VAT	16 340 000	(11 073 000)	5 267 000	VAT was projected based on the audited outcomes from previous years as they were always understated.		

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 and cash equivalents	183 260 000	(51 036 000)	132 224 000	Anticipated cash and cash equivalents decreased as a result of increased contracted and operational expenditure for the year.		
Investments	-	51 262 000	51 262 000	Budget adjusted to accommodate the long-term portion of the investment made.		
Heritage assets	220 662 000	(219 594 000)	1 068 000	The overprojection on heritage assets which was then corrected as per current balances under heritage assets.		
Investment property	60 150 000	650 000	60 800 000	No major increase.		
Property Plant and Equipment	2 063 104 000	738 763 000	2 801 867 000	PPE increased due to the increased budget on Capital projects which were anticipated to be completed during the year.		
Intangible assets	1 639 000	(1 202 000)	437 000	Intangible assets were also overstated during compliation of the budget		
Current liabilities	-	-	-			
Payables from exchange transactions	(112 458 000)	(69 712 000)	(182 170 000)	Payables were projected based on the audited outcomes from previous years as they were always understated.		
Trade and other payables from non-exchange transactions	(7 212 000)	(64 104 000)	(71 316 000)	Payables were projected based on the audited outcomes from previous years as they were always understated.		
Borrowings	(35 083 000)	44 077 000	8 994 000	Error in polulation of the A1 Schedule as it reflected a negative financial liability		
Consumer deposits	(32 647 000)	16 981 000	(15 666 000)	Consumer deposits were also overstated during compilation of the Budget.		
VAT	(4 089 000)	(7 748 000)	(11 837 000)	VAT was projected based on the audited outcomes from previous years as they were always understated.		
Other current liabilities	(3 981 000)	(12 201 000)	(16 182 000)	Other Current Liabilities were projected based on the audited outcomes from previous years as they were always understated.		
Non-current liabilities	-	-	-			
Borrowings	(101 900 000)	2 906 000	(98 994 000)	Loan received was budgeted at 100 million.		

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
Provisions		(242 000)	(8 884 000)	(9 126 000)	Other current liabilities were not budgeted for during the tabled budget.	
Other non-current liabilities		-	(5 836 000)	(5 836 000)	Other non-current liabilities were not budgeted for during the tabled budget.	
Accumulated surplus		(2 419 566 000)	(355 632 000)	(2 775 198 000)	Increase in revenue as a result of additional funding.	
Cash Flow Statement		-	-	-		
CASH FLOW FROM OPERATING ACTIVITIES		-	-	-		
Property Rates (Receipts-Cash flows from operating activities)		88 950 000	32 610 000	121 560 000	Property rates collection was based on the estimated collection rate of 90%.	
Service Charges (Receipts-Cash flows from operating activities)		15 544 000	6 716 000	22 260 000	Service Charges collection was based on the estimated collection rate of 90%.	
Other Revenue (Receipts-Cash flows from operating activities)		224 585 000	(57 432 000)	167 153 000	Other revenue was decreased based on the decreased collection on sale of stands.	
Transfers and Subsidies - Capital (Receipts-Cash flows from operating activities)		148 414 000	84 753 000	233 167 000	Transfers and subsidies Capital was increased to cater for the rollover on MIG and INEP.	
Interest received		9 095 000	4 672 000	13 767 000	Interest received on investment was increased to cater for the funds invested in various call accounts which yield interest at higher rates than anticipated.	
Suppliers and employees		(698 299 000)	(196 731 000)	(895 030 000)	Suppliers and Employees were increased to cater for the increased contracted services and operational costs.	
Finance charges		(4 000 000)	9 321 000	5 321 000	Incorrect budget projection.	
CASH FLOW FROM INVESTING ACTIVITIES		-	-	-		
Increase in non-current investments		-	100 000 000	100 000 000	An amount of R100 million received on the medium-term loan.	
Capital assets		(299 863 000)	(155 883 000)	(455 746 000)	Capital assets repayments increased due to the increased expenditure on capital projects.	
		(400 062 000)	(345 079 000)	(745 141 000)		

Accounting Policies

1. Significant account policies

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

1.1 Basis of preparations

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

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

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

These accounting policies are consistent with the previous period.

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

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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

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

1.5 Significant judgements and sources of estimation uncertainty

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

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

Trade receivables

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

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

Accounting Policies

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.
The cost of defined benefit pension contribution plans and other employment medical benefits is determined using actuarial valuations.
The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Additional information is disclosed in note 9.

Traffic Debtors

The traffic fines will be impaired when the probability of collecting the outstanding amount is uncertain. The traffic fine shall be assessed "in each reporting period" individually to determine the recoverability rate of the amount collected and thereafter determine percentage for provision to be made based on the calculation recoverability rate. The provision for doubtful debts on traffic fines will be informed by the recoverability rate.

Impairment of Consumer and Other Receivables

The calculation in respect of the impairment of debtors is based on the municipality's approved policy on calculation of doubtful debts. In accordance with GRAP 104 (Financial Instruments), an objective assessment of financial assets is made at year end to determine possible impairment. Impairment loss is recognised as an expense in the Statement of Financial Performance.
The determination of the impairment loss is guided by the following principles as per GRAP 104. The municipality assesses financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. (Individual Debtors' balances that constitute at least 5 percent of the total debtors' book are considered to be individually significant by the municipality).
Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), the municipality includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.
Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment. As soon as information becomes available that specifically identifies losses on individually impaired assets in a group (that are collectively assessed for impairment), those assets are removed from the group and assessed individually for impairment.
For collective assessment of impairment, as indicated above, assets with similar credit risk characteristics are grouped together. The credit risk characteristics should be indicative of the debtors' ability to pay all amounts due according to the contractual terms.
The method used in determining the group of assets to be assessed for impairment, is a grading process that considers the:
-Debtor type
-Industry
-Past due status (e.g. days/months that the accounts are in arrears)
Consumer debtors are evaluated at the end of the reporting date and impaired as follows:
a) Timing of Assessment
The Municipality will assess at the end of each reporting date whether there is objective evidence that a receivable account or group of receivable accounts is impaired.
b) Evidence of Impairment
Any one of the following events is considered to provide objective evidence that a receivable account or group of receivable accounts could be impaired:
• Indigent accounts.
• Inactive accounts.
• Accounts handed over to debt collectors and/or power of attorney, and not yet recovered at year-end.
• All accounts with balances outstanding 270 days and longer as these accounts are considered to be past due.
c) Calculation and Recognition of Impairment Loss
1. The impairment loss is calculated as the difference between the carrying value at reporting date less the present value of expected future cash flows:
Carrying Amount at reporting Date - Present Value of Future Expected Cashflows = Impairment Loss
2. The carrying amount (Expected Future Cash Flows) at reporting date is calculated as follows:
Gross carrying amount Less debtors to be impaired 100% (Indigent debtors, Handed over Debtors, Debtors with balances 270 days and longer)
The Discount Rate used is derived from the policy (prime plus 1%), average for the financial year.
4) The Expected Repayment Term is 30 days (derived from the policy).

Accounting Policies

Classification as investment property

The municipality has reviewed its property portfolio and determined which items of land and buildings are held to earn rental revenue or for capital appreciation. Land and buildings fulfilling these requirements have been classified as investment property, whilst the remainder of the portfolio has either been classified as property, plant and equipment or inventory depending on management's intention in dealing with these properties.

Depreciation and carrying value of items of property plant and equipment

The estimation of the useful lives of assets is based on management's judgment. Management considers the impact of technology, availability of capital funding, service requirements, and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgment whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

1.6 Investment property

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

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

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

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

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

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

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

Fair value

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

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

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

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

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

Accounting Policies

1.7 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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	2-40 years
Plant and Machinery	Straight-line	2-40 years
Furniture and Office Equipment	Straight-line	4-40 years
Motor vehicles	Straight-line	5-25 years
Office equipment	Straight-line	3-50 years
Computer equipment	Straight-line	3-25 years
Infrastructure Assets	Straight-line	2-150 years
Community Assets	Straight-line	3-80 years

Accounting Policies

Landfill site assets	Straight-line	20-100 years
Other property, plant and equipment	Straight-line	3-50 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life. (Depreciation per day)

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

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

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

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

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

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

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

1.8 Intangible assets

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

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

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

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

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	3-25 years

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

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

1.9 Heritage assets

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.

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.

Accounting Policies

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

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

Recoverable amount is the higher of a cash-generating asset’s net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset’s remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 6).

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Transfers

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

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

Derecognition

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

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

1.10 Financial instruments

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

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

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

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

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

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 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.

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

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

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

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

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

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

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

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

Classification

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

Class	Category
Cash and cash equivalents	financial asset measured at amortised cost
Receivables from exchange transactions	financial asset measured at amortised cost
Receivables from non-exchange transactions	financial asset measured at amortised cost
Consumer debtors from exchange transactions	financial asset measured at amortised cost
Consumer debtors from non-exchange transactions	financial asset measured at amortised cost
Long-term investments	financial asset measured at amortised cost

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

Class	Category
Financial lease obligation	financial liability measured at amortised cost
Borrowing	financial liability measured at amortised cost
Payables from exchange	financial liability measured at amortised cost

Initial recognition

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

Accounting Policies

Derecognition

Financial assets

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

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

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

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

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

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

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

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.
An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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

1.11 Statutory receivables

Identification

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

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

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

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

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

The municipality has identified the following statutory receivables and their applicable legislation:

Name	Legislation
Property rates	Municipal Property Rates Act No. 6 of 2004.
Traffic fines	Criminal Procedures Act 51 of 1977. Administrative Adjudication of Road Traffic Act.
VAT Receivable	Value Added Tax Act 89 of 1991 (VAT Act).

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Other charges

Accounting Policies

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

Impairment losses

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

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

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

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

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

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

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

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

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

Accounting Policies

1.12 Value-Added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the Value-Added Tax Act No.89 of 1991.

The municipality recognises VAT on the accrual basis and declares it to SARS on a cash basis.

Revenue, expenses and assets are recognised net of the amounts of value added tax (VAT) measured in terms of the VAT Act except:

• Where the VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
• Receivables and payables that are stated with the amount VAT included.
Where recoverable VAT amount (input VAT) exceeds payable VAT amount (output VAT), the municipality recognises VAT receivable. In case where output VAT exceeds input VAT, the municipality recognises VAT payable.
VAT receivable is an asset and creates a statutory receivable as defined in GRAP 108 - Statutory receivables.

1.13 Leases

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

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

Finance leases - lessor

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

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the 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 on the remaining balance of the liability.

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.14 Inventories

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

Subsequent measurement

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

Consumables and municipal bins

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

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

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

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

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.15 Cash and cash equivalents

Cash and cash equivalents are measured at fair value. The carrying amount approximates fair value due to the short period to maturity. Cash and cash equivalents comprise cash at bank, cash on hand and short- term investments.

1.16 Impairment of cash-generating assets

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

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

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

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

Accounting Policies

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 of its fair value less costs to sell and its value in use.

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

Designation

At initial recognition, the entity designates an asset as non-cash-generating, or a 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.

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.

Value in use

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

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

Accounting Policies

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.

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.17 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.

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

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

Designation

At initial recognition, the 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 cash-generating assets.

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Accounting Policies

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

The 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.

Accounting Policies

1.18 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

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

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity 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 recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

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

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

Post employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

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 long-term employee benefits
Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The cost for each employee is computed at each reporting date based on the probability of being employed at each service award date, taking into account the assumed rates of withdrawal, early retirement and death. On determining this liability due allowance is made for future salary increases. Actuarial gains and losses are recognised in full in the year they are incurred.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Accounting Policies

1.19 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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.

Contingent assets and contingent liabilities are not recognised as an asset or liability in the financial statements. Contingencies are disclosed in note 51.

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 considers 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 1.16 and 1.17.
- 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.

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

1.20 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. The municipality discloses commitments arising from:

- Operating leases in accordance with GRAP 13,

- The purchase, construction, development, or repair and maintenance of investment property in accordance with GRAP 16,

- The acquisition of property, plant and equipment and intangible assets in accordance with GRAP 17 and GRAP 3,

- The acquisition, maintenance and restoration of heritage assets in accordance with GRAP 103,

- Contractual arrangements between related parties in accordance with GRAP 20.

1.21 Revenue from exchange transactions

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

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

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

Measurement

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

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;Sale of stands is recognised in full once payment has been fully made and that is the point in time where the risk and rewards are transfered and the title deeds will be issued to the buyer.
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- the amount of revenue can be measured reliably.
- it is probable that the economic benefits or service potential associated with the transaction will flow to the 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 municipality.
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property.
Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Interest

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

Accounting Policies

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

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

Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Accounting Policies

1.22 Revenue from non-exchange transactions

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

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

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

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

Recognition

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

Payments received from third parties like insurance refunds are recognised as revenue.

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

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

All unclaimed deposits are initially recognised as a liability. All unclaimed deposits that are more than one year old are transferred to the accumulated surplus.

Measurement

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

When, as a result of a non-exchange transaction, the entity 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.

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.

Property Rates

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

Accounting Policies

Resources arising from taxes satisfy the definition of an asset when the entity 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 entity analyses the taxation laws to determine what the taxable events are for the various taxes levied.

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.

Transfers

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

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

Fines

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

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

Gifts and donations

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 entity and the fair value of the assets can be measured reliably.

1.23 Investment income

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

1.24 Borrowing costs

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

Qualifying asset is an asset that necessarily takes a substantial period of period to get ready for its intended use of sale.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits or service potential to the entity, and the costs can be measured reliably. The entity applies this consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the entity. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred.
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets and Inventories as per accounting policy number 1.14, 1.16 and 1.17. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is suspended.

Accounting Policies

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the entity completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.25 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.

Accounting Policies

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).

Principle-agent arrangement
The Constitution of the Republic of South Africa, 1996 (the Constitution), sets out the various responsibilities of government, and assigns activities to various spheres of government or to particular types of entities. Supporting legislation within each sphere of government sets out the mandate, authority, roles and responsibilities of specific entities in undertaking the activities outlined in the Constitution. In many cases, this legislation results in the establishment of separate entities to undertake these activities. It is however not feasible to establish separate entities in all instances, and it may be more efficient and effective to utilise other entities to undertake certain activities. As a result, entities frequently have certain activities executed by another entity, or undertake activities on behalf of other entities. The ultimate responsibility, however, for the various activities still rests with the entities identified in legislation.

Where these arrangements exist, it is important to identify which entity should account for the transactions arising from these activities, and what resulting revenue, expenses, assets and/or liabilities should be recognised. Examples of typical arrangements where one entity undertakes activities on behalf of another entity in the public sector may include:
• The collection of revenue, including taxes, fees and other charges from specific parties, e.g. motor vehicle licence fees collected by municipalities for the provincial government, and taxes collected by the Revenue Authority for the national government.
• The construction of assets, e.g. houses built for beneficiaries of the reconstruction and development programme, for national and/or provincial housing departments and organisations.
• The provision of goods and services to recipients, e.g. the provision of water to specific communities by municipalities on behalf of water service authorities.
Property management services, which may include the maintenance of properties and collection of revenue, for the Department of Public Works and/or municipalities.

Service concession arrangements may be an example of a principal-agent arrangement as one party (the operator, which is usually a private sector entity) carries out certain activities on behalf of the other entity (the grantor, which is usually a public sector entity) in relation to third parties (the public). An entity should assess whether a principal-agent arrangement exists, and whether it is a principal or an agent in such an arrangement using this Standard.

When an entity directs another entity to undertake an activity on its behalf, it must consider whether it is a party to a principal-agent arrangement. The definition of a principal-agent arrangement refers to an entity acting on behalf of another entity in relation to transactions with third parties. In the absence of transactions with third parties, the arrangement is not a principal-agent arrangement, and the entity then acts in another capacity rather than as an agent. This type of assessment may be particularly relevant to the following two scenarios that are often encountered in the public sector:
(a) Entities, particularly national and provincial departments, are often asked to collect money from public entities or other agencies and to subsequently deposit the money into the relevant revenue fund. In these arrangements, although the departments seemingly undertake activities on behalf of the revenue fund, there is no specific direction given by the revenue fund in relation to the transactions with third parties. As a result, such arrangements may not meet the definition of a principal-agent arrangement.

b) The structure and operation of the public sector means that entities frequently control other entities in accordance with the Standard of GRAP on Consolidated Financial Statements (GRAP 35). Although these control relationships mean that the controlling entity is able to direct the activities of an entity so that it benefits from those activities, these relationships by themselves do not indicate the existence of a principal-agent arrangement. Only where a controlling entity specifically directs a controlled entity to undertake transactions with third parties for its benefit will a principal-agent arrangement exist. In control relationships, it is possible for one or more principal-agent arrangements to exist within the context of a control relationship.

“Transactions with third parties” in the context of this Standard includes the execution of a specific transaction with a third party, e.g. a sale or purchase transaction, but it also includes interactions with third parties, e.g. when an agent is able to negotiate with third parties on the principal’s behalf. The nature of the transactions with third parties is linked to the type of activities carried out by the agent in accordance with the binding arrangement. These activities could include the agent transacting with third parties for the procurement or disposal of resources, or the receipt resources from a third party on behalf of the principal.

Principal-agent arrangements usually exist as a result of a binding arrangement between the parties to the arrangement. It is unlikely that an entity would undertake activities on behalf of another entity in the absence of a binding arrangement as the arrangement imposes rights and obligations on the parties to perform in a particular manner.

Where no binding arrangement exists, it is assumed that the entity is acting for itself, rather than on behalf of another entity. As a result, no principal-agent arrangement exists in the absence of a binding arrangement.

Accounting Policies

Presentation
Where assets and liabilities are recognised, in accordance with other Standards of GRAP by an agent in respect of those transactions that it undertakes on behalf of its principal, it is inappropriate to offset the assets and liabilities recognised, unless another Standard of GRAP permits the offsetting of such amounts.

Disclosure
An entity that is a party to a principal-agent arrangement shall disclose:
(a) a description of the arrangement, including the transactions undertaken.
(b) whether the entity is the principal or agent and any significant judgement applied in making this assessment.
(c) significant terms and conditions of the arrangements and whether any changes occurred during the reporting period; and
(d) an explanation of the purpose of the principal-agent relationship and any significant risks (including any risk mitigation strategies) and benefits associated with the relationship.

Disclosure by agents
An entity that is the agent in a principal-agent arrangement shall disclose the following in the notes to the financial statements:
(a) a description of any resources (including the carrying value and description of any assets recognised) that are held on behalf of a principal but recognised in the agent's own financial statements. Such disclosure shall include:
(i) the remittance of any resources during the period, as well as the expected timing of remittance of any remaining resources to the principal; and
(ii) risks that are transferred from the principal to the agent (if any), including risks flowing to the entity as a result of its custodianship over the resources held on behalf of a principal.
(b) the aggregate amount of revenue that the entity recognises as compensation for the transactions carried out on behalf of the principal; and
(c) a description of any liabilities incurred on behalf of a principal that have been recognised by the entity, as well as any corresponding rights of reimbursement that have been recognised as assets.

An agent shall disclose information in the notes to the financial statements about the revenue and expenses that relate to transactions with third parties undertaken in terms of the principal-agent arrangement. An agent shall disclose:
(a) The category of revenue received or to be received, as well as the category of expenses paid or accrued on behalf of the principal.
(b) The amount of revenue received or to be received, as well as the amount of expenses paid or accrued on behalf of the principal during the reporting period per category of revenue or expense.

1.26 Comparative figures

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

1.27 Unauthorised expenditure

Unauthorised expenditure is defined in section 1 of the MFMA as follows:
“unauthorised expenditure”, in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes—
(a) overspending of the total amount appropriated in the municipality's approved budget;
(b) overspending of the total amount appropriated for a vote in the approved budget;
(c) expenditure from a vote unrelated to the department or functional area covered by the vote;
(d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
(e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of “allocation” otherwise than in accordance with any conditions of the allocation; or
(f) a grant by the municipality otherwise than in accordance with this Act.

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).

1.28 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is defined in section 1 of the MFMA as Expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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

Accounting Policies

1.29 Irregular expenditure

Irregular expenditure is defined in section 1 of the MFMA as follows:
"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 this 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 that 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); 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".

In this context 'expenditure' refers to any use of municipal funds that is in contravention of the following legislation:
- Municipal Finance Management Act, Act 56 of 2003, and its regulations;
- Municipal Systems Act, Act 32 of 2000, and its regulations;
- Public Office-Bearers Act, Act 20 of 1998, and its regulations; and
- The municipality's supply chain management policy, and any by-laws giving effect to that policy.

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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).

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

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law.

Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.30 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.

Accounting Policies

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.

Reportable segment Goods and/or services

Community services - Removal and disposal of waste, traffic safety, municipal bylaws and security. Provision of libraries, pounds, public parks and cemeteries.

Finance - Ensure proper management of municipal finances to improve financial viability, revenue, budget control, expenditure and free basic services. It also administers supply chain, fleet and asset management services.

Technical services - Technical Services Administration, Roads, Storm Water.

Corporate services - Corporate Services Administration, Executive Support., Waste Management Waste disposal.

Development Planning - Development Planning Services Administration, Municipal Buildings.

Local Economic Development - Economic & Land Development Administration.

Municipal Manager - Municipal Manager Administration.

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.

1.31 Budget information

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

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

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

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

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

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

For purposes of explaining the variances between the budget versus actual performance, variances below the *10% of budget* threshold are considered immaterial and are not reported.

1.32 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.

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.

Events after the 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 Conditional grants and receipts

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

Accounting Policies

1.34 Prior period errors

Errors are corrected retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed

2. New standards and interpretations

2.1 Standards and interpretations not yet effective or relevant

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Amendments to GRAP 1 (Presentation of financial statements)	01 November 2022	Unlikely there will be a material impact
• Amendments to GRAP 103 (Heritage assets)	01 June 2022	Unlikely there will be a material impact
• Updates to Financial Instruments (GRAP 104)	01 April 2019	Unlikely there will be a material impact
• Amendments to GRAP 105 (Transfer of Functions Between Entities Under Common Control)	01 February 2024	Unlikely there will be a material impact
• Amendments to Transfer of Functions Between Entities Not Under Common Control (GRAP 106)	01 February 2024	Unlikely there will be a material impact
• Amendments to Mergers (GRAP 107)	01 February 2024	Unlikely there will be a material impact
• Improvements to Standards of GRAP	01 April 2024	Unlikely there will be a material impact

3. Investment property

	2024			2023		
	Fair Value	Accumulated impairment	Fair Value less impairment	Fair Value	Accumulated impairment	Fair Value less impairment
Investment property	53 330 854	-	53 330 854	78 233 600	-	78 233 600

Reconciliation of investment property - 2024

	Opening balance	Transfers	Fair value adjustments	Total
Investment property	78 233 600	(26 500 000)	1 597 254	53 330 854

Reconciliation of investment property - 2023

	Opening balance	Additions	Prior Period Errors	Fair value adjustments	Total
Investment property	60 150 000	139 500	17 433 600	510 500	78 233 600

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.

The fair values of investment property as measured or disclosed in the financial statements are based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

The determination of fair values was supported by market evidence, the location, type and condition of the property (land. The type of property, the zoning of the property, the location of the property, the highest and best use of the property and the size of the property are some of the factors that were taken into consideration when deciding on a correct valuation method. The following valuation methods were used in the valuation:

3. Investment property (continued)

The comparative method – (Residential & Vacant Land / Agricultural Properties).

The principle of comparison is based on the economic concept of substitution that a knowledgeable and prudent person would not pay more for a property than the cost of acquiring an equally satisfactory substitute. This implies that, within a suitable time frame, the values of properties that are considered to be close substitutes in terms of location, utility and desirability will tend to be similar, and the lowest price of the best alternative tends to establish market value.

A property may be valued by comparing it to similar properties for which recent price information is available. Comparable properties are selected on the basis of their **elements of comparison** which include the key transaction information,

such as the date, price paid, market rent (MR) and yield, as well as the determinants of value such as size, location, use, age, condition, and tenure.

Investment method/income method (Business & Industrial / Agricultural Properties).

The income capitalisation method is a discounting method just as the DCF valuation method and takes into account the time value of money. It encompasses the following rationale:

The property is valued by discounting the expected future net income for a specific period at an appropriate capitalisation rate (Years Purchase) to give the present value (PV) of the expected net income cash flow.

Residual method (Vacant Land).

The actual value of a particular piece of land (or site) will depend on not only

on its current or existing use but also on its potential use and the anticipation

of development rights – often referred to as **hope value** or development value. Changes in supply and demand may influence the development value of a piece of land to an extent that competition may increase the value of the land for reasons that have little to do with its current use, and it is the valuation of these potential development rights.

This method is a project-based valuation approach, known as the **residual method of valuation**, is used. It is based on the assumption that an element of latent or residual value is released after development has taken place. The value of the site in its proposed state is estimated, as are all of the costs involved in the development, including a suitable level of return to the developer. If the value of the completed development is greater than its cost to build, the difference, known as the **residual value**, is the value of site.

Replacement Cost Method & Depreciated Replacement Cost Method (DCF) (Mining, Places of Worship/ Specialised properties).

3. Investment property (continued)

The replacement cost or contractor’s method also known as **Reinstatement Value,** is used to value specialist properties that are seldom sold because there is no clear market demand. Consequently, there is little or no comparable evidence. The method is employed when the existing uses of these sorts of properties need to be valued for corporate disclosure (reporting the value of property assets in company accounts), purposes for business rates for compulsory purchase and compensation. The method is also used to estimate the replacement cost for insurance valuations. The Depreciated Replacement Cost Method (DRC) is applied when the property is “fit for purpose built” or specialised and would therefore rarely come to the market for sale. The nature of design, location and its use mean that the property has limited marketability except for its current use.

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2024			2023		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	340 718 982	-	340 718 982	185 318 983	-	185 318 983
Buildings	186 973 930	(47 198 529)	139 775 401	186 973 930	(40 085 490)	146 888 440
Plant and machinery	67 002 089	(37 176 133)	29 825 956	51 436 563	(32 660 496)	18 776 067
Furniture and office equipment	28 591 434	(14 450 282)	14 141 152	21 260 496	(12 427 509)	8 832 987
Motor vehicles	30 375 358	(13 227 537)	17 147 821	26 216 909	(9 677 854)	16 539 055
IT equipment	29 082 032	(17 349 868)	11 732 164	25 148 014	(13 362 222)	11 785 792
Infrastructure assets	2 839 524 006	(1 005 991 989)	1 833 532 017	2 677 834 199	(931 160 633)	1 746 673 566
Community assets	235 852 411	(65 746 550)	170 105 861	235 308 621	(56 496 893)	178 811 728
Work in progress	169 034 156	(886 688)	168 147 468	116 129 991	(1 441 499)	114 688 492
Land - landfill site	4 176 950	(1 872 606)	2 304 344	4 691 638	(1 639 569)	3 052 069
Other assets	3 008 856	(2 012 605)	996 251	3 008 856	(1 834 224)	1 174 632
Total	**3 934 340 204**	**(1 205 912 787)**	**2 728 427 417**	**3 533 328 200**	**(1 100 786 389)**	**2 432 541 811**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Change in provision	Disposals	Transfer to Assets 2023-24	Donations	Depreciation	Impairment loss	Total
Land	185 318 983	155 399 999	-	-	-	-	-	-	340 718 982
Buildings	146 888 440	-	-	-	-	-	(7 113 039)	-	139 775 401
Plant and machinery	18 776 067	15 565 526	-	-	-	-	(4 515 637)	-	29 825 956
Furniture and office equipment	8 832 987	7 323 232	-	-	-	-	(2 015 067)	-	14 141 152
Motor vehicles	16 539 055	4 158 450	-	-	-	-	(3 549 684)	-	17 147 821
IT equipment	11 785 792	3 933 919	-	-	-	-	(3 987 547)	-	11 732 164
Infrastructure	1 746 673 566	1 733 068	-	(4 962 992)	149 888 152	17 391 303	(54 996 441)	(22 194 639)	1 833 532 017
Community assets	178 811 728	195 000	-	-	348 790	-	(9 249 657)	-	170 105 861
Work in progress	114 688 492	204 582 606	-	-	(150 236 942)	-	-	(886 688)	168 147 468
Land - Landfill site	3 052 069	-	(514 688)	-	-	-	(233 037)	-	2 304 344
Other assets	1 174 632	-	-	-	-	-	(178 381)	-	996 251
	2 432 541 811	**392 891 800**	**(514 688)**	**(4 962 992)**	**-**	**17 391 303**	**(85 838 490)**	**(23 081 327)**	**2 728 427 417**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Changes in landfill Provision	Disposals	Transfers	Prior Period Errors	Depreciation	Impairment loss	Total
Land	221 788 902	21 300 081	-	-	(57 830 000)	60 000	-	-	185 318 983
Buildings	150 849 061	2 639 719	-	-	-	113 567	(6 713 907)	-	146 888 440
Plant and machinery	22 525 171	-	-	-	-	-	(3 749 104)	-	18 776 067
Furniture and office equipment	8 182 464	2 293 623	-	-	31 428	152 503	(1 826 786)	(245)	8 832 987
Motor vehicles	5 048 324	13 223 889	-	-	-	59 252	(1 792 410)	-	16 539 055
IT equipment	12 217 064	2 930 838	-	-	-	10 295	(3 365 800)	(6 605)	11 785 792
Infrastructure	1 682 624 531	3 564 700	-	(6 275 667)	113 958 245	-	(47 198 243)	-	1 746 673 566
Community assets	180 831 438	801 806	-	-	7 756 506	-	(10 578 022)	-	178 811 728
Work in progress	113 245 582	124 560 485	(1 458 231)	-	(121 746 178)	86 834	-	-	114 688 492
Land - Landfill site	3 495 554	-	(249 287)	-	-	-	(194 198)	-	3 052 069
Other assets	1 365 040	-	-	-	-	24	(190 432)	-	1 174 632
	2 402 173 131	**171 315 141**	**(1 707 518)**	**(6 275 667)**	**(57 829 999)**	**482 475**	**(75 608 902)**	**(6 850)**	**2 432 541 811**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Included within IT Equipment	Total
Opening balance	95 530 321	18 099 667	1 058 503	114 688 491
Additions/capital expenditure	192 528 574	10 326 842	1 727 191	204 582 607
Transfer to PPE	(149 888 152)	(348 790)	-	(150 236 942)
Impairment	(886 688)	-	-	(886 688)
	137 284 055	**28 077 719**	**2 785 694**	**168 147 468**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Included within IT Equipment	Total
Opening balance	152 629 518	13 970 912	698 627	167 299 057
Additions	164 397 773	12 488 678	-	176 886 451
Transfer to PPE	(113 958 246)	(8 416 962)	-	(122 375 208)
Prior period adjustment	(54 053 501)	-	-	(54 053 501)
Transfer to Expenditure	(49 920 522)	-	-	(49 920 522)
Adjustments	(3 564 700)	57 039	359 876	(3 147 785)
	95 530 322	**18 099 667**	**1 058 503**	**114 688 492**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

4. Property, plant and equipment (continued)

WIP projects temporarily stopped or taking long to complete

Included in the Work in Progress are projects that are taking significantly longer period to complete than expected with a carrying value of R33,337,383 (2023: R16,619,166) The delays in completion were due to non-availability of adequate funding however these projects are not impaired.

Projects delayed in completion	**Carrying value at 30 June 2024**	**Carrying value at 30 June 2023**
Makua Library (Community Assets-Building) - The appointment of contractor was delayed until this year due to unavailability of funds. Construction is in progress and the project is not impaired	-	7 815 567
Praktiseer Library(Community Assets)- No movement in 2020/21 and delayed completion	-	7 671 552
Construction of Burgersfort Landfill Site- Project is at design stage	-	1 132 047
Refurbishment of Fetakgomo sport complex and other Dilapidated municipal sports complex within the municipality	1 480 501	-
Ga- Debeila to Mohlaletsi Internal Street Phase 1	515 090	-
Mashamotane access road to Moshate	260 321	-
Malogeng landfill site internal street	324 297	-
Strydkraal to Thobehlale internal street	260 138	-
Ohgristad road and stormwater	260 869	-
N1 Ga-Mohlopi to Holong Road	246 354	-
Highmast Phase 2	11 808 814	-
Construction of boreholes	232 000	-
Establishment of Bugersfort ring road	6 054 230	-
Computer Hardwares (LCS)	341 112	-
Computer Software (Development of Land development application_	717 391	-
	22 501 117	**16 619 166**

Projects temporarily halted	Carrying value as 30 June 2024	Carrying value at 30 June 2023
Makgakala Access Bridge and Access Road Phase 2 (Infrastructure) - Temporarily stopped as there is dispute between contractor and the municipality. The matter is under litigation. The project is not impaired.	-	5 302 553
Construction Mashung Internal Street (Infrastructure) - The project design is completed. No impairment is required as funds will be made available in the next financial year for construction	-	5 085 964
Highmast Phase 2 (Infrastructure) - Temporarily stopped as there is dispute between contractor and the municipality. The matter is under litigation. The project is not impaired.	-	15 745 086
OHRIGSTAD ROAD & STORMWATER - Ended at feasibility study, will commence in 2025/2026.	260 870	-
N1 GA-MOHLOPI TO HOLONG ROAD - Ended at feasibility study, will commence in 2025/2026.	246 353	-
PRAKTSEER ROADS AND STORMWATER - Budget constraints	206 623	-
	713 846	**26 133 603**

Impaired projects	**Impairment 2023-24**
RADINGWANA TO SEKHUKHUNE COLLEGE INTERNAL STREET	365 680
STRYDKRAAL TO THOBEHLALE INTERNAL STREETS	260 138
N1 ROAD FROM BOTHASHOEK TO RIVERCROSS	260 870
	886 688

4. Property, plant and equipment (continued)

Details of properties

Municipalities shared and continue to share responsibility with provinces for the release of land for housing development, land use planning, and land use and building control. In terms of this responsibility, the Department of Human Settlement identified and repatriated land owned by the municipality to fulfil its mandate with respect to the delivery of houses. Included in the register for the municipality, there is land located in Mecklenburg and Hoeraroep transferred by the Provincial Government of Limpopo and Department of Rural development with occupants for the purpose of town establishments. Whilst the municipality has legal title to the land, it does not recognise the land because from the date of repatriation, the Department of Human Settlements is responsible for the subdivision, planning and urban development and the subsequent allocation of the built houses to beneficiaries. The Municipality has no right to control the land and is not involved in key decision making with respect to the use of this land. Council took a resolution to derecognise these land and properties in the financial statements.

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

Land which Municipality has no control
Land with the value of R26,485,460 at 30 June 2024 were not included in the Land Register since the Municipality has no control

Private residents have built their houses on the land and steps are being undertaken by the Municipality to alienate the land. Alienation in Fetakgomo will be undertaken once bulk services have been provided. Mecklenburg formalisation is yet to be undertaken.

Area	**Cost (R)**
Mecklenburg A	14,523,000
Mecklenburg B	10,390,000
Fetakgomo ext3	187,404
Fetakgomo ext4	102,596
Fetakgomo ext5	1,134,959
Fetakgomo ext7	147,501
TOTAL	**26,485,460**

Properties which Municipality has no Control

Burgersfort Properties	R14,735,261

Properties with the fair value of R14,735,261 at 30 June 2024 were not included in the register because the municipality has no control.

Land in transition R19,305,000.

Donated land

Erf 71 Burgersfort has been donated through a land swap with Erf 72 Burgersfort.

Notes to the Annual Financial Statements

Figures in Rand

5. Intangible assets

	2024			2023		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	759 392	(420 351)	339 041	759 392	(322 857)	436 535

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software	436 535	(97 494)	339 041

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Computer software	332 313	190 899	(86 677)	436 535

Notes to the Annual Financial Statements

Figures in Rand

6. Heritage assets

	2024			2023		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	1 068 300	-	1 068 300	1 068 300	-	1 068 300

Reconciliation of heritage assets 2024

	Opening balance	Total
Art Collections, antiquities and exhibits	1 068 300	1 068 300

Reconciliation of heritage assets 2023

	Opening balance	Total
Art Collections, antiquities and exhibits	1 068 300	1 068 300

Heritage assets consist of the mayoral chains from the former Fetakgomo and former Tubatse Local Municipalities, and are carried at deemed cost.

7. Long-term investment

At armotised cost		
STANDARD BANK - FIXED DEPOSIT - 038578492 007	50 000 000	-

Terms and conditions

Fixed deposit of R50 000 000 at 10,59%, from 06 November 2023 to 06 November 2026.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

7. Long-term investment (continued)

Non-current assets		
Residual interest at cost	50 000 000	-

8. Payables from exchange transactions

Trade payables	86 572 589	42 776 712
Payments received in advanced - contract in process	14 124 869	12 933 732
Unallocated receipts	1 560 284	-
Accrued bonus	5 222 178	4 511 024
Retention creditors	64 061 471	49 250 745
Other payables	55 203 919	20 095 998
Consumer debtors in credit	5 428 659	6 342 188
	232 173 969	**135 910 399**

9. Employee benefit obligations

Defined benefit plan

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

Carrying value		
Opening balance	(22 017 334)	(24 486 132)
Current service cost	(1 733 737)	(2 160 476)
Interest cost	(3 129 153)	(3 189 514)
Benefit paid	178 288	286 937
Actuarial gains	276 180	7 531 851
	(26 425 756)	**(22 017 334)**

Post retirement medical aid	-	-
Non-current liabilities	(25 980 782)	(21 839 046)
Current liabilities	(444 974)	(178 288)
	(26 425 756)	**(22 017 334)**

Net expense recognised in the statement of financial performance		
Current service cost	1 733 737	2 160 476
Interest cost	3 129 153	3 189 514
Actuarial gains	(276 180)	(7 531 851)
	4 586 710	**(2 181 861)**

Calculation of actuarial gains and losses		
Actuarial gains - Obligation	(276 180)	(7 531 851)

LONG SERVICE AWARDS

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

Opening balance	(11 670 093)	(12 044 266)
Current Service cost	(866 599)	(946 664)
Interest cost	(1 193 402)	(1 180 451)
Benefits paid	2 001 889	1 851 584
Actuarial losses	(1 388 400)	649 704
	(13 116 605)	**(11 670 093)**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

9. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	866 599	946 664
Interest cost	1 193 402	1 180 451
Actuarial (gains) losses	1 388 400	(649 704)
	3 448 401	**1 477 411**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	1 388 400	(649 704)

Long service awards		
Non-Current Liabilities	(11 956 472)	(10 574 126)
Current Liabilities	(1 160 133)	(1 095 967)
	(13 116 605)	**(11 670 093)**

Total employee benefit obligation		
Non-Current Liabilities	(37 937 254)	(32 413 172)
Current Liabilities	(1 605 107)	(1 274 255)
	(39 542 361)	**(33 687 427)**

9. Employee benefit obligations (continued)

Defined contribution plan

Post retirement medical aid plan

- The actuarial valuation determined that the retirement plan was in a sound financial position
  .
  The plan is a post employment medical benefit plan.

  Post retirement medical aid plan

  The employer's post-employment health care liability consists of a commitment to pay a portion of the pensioners' post-employment medical scheme contributions. This liability is also generated in respect of dependents who are offered continued membership of the medical scheme after the death of the primary member.

  Fetakgomo is committed to paying subsidies broadly as follows:

  • All new continuation pensioners (that are currently still in service) and their dependents will receive a 60% subsidy subject to the maximum (CAP) amount of R5,604.58 (per month per member) for the financial period from 1 July 2024.
  • All existing continuation pensioners and their dependents will continue to receive a 60% subsidy subject to the maximum (CAP) amount ofR5,604.58 (per month per member) from 1 July 2024.
  • We have assumed that the subsidy would increase by 50% of long-term CPI.

Valuation method
In accordance with the requirements of GRAP 25, the Projected Unit Credit method has been applied. The assumption underlying the funding method is that the employer's post-employment medical scheme costs in respect of an employee should be fully recognised by the time that the employee reaches fully accrued age. The valuation has been made with reference to the Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP 25.:

Assumption	2024	2023
Discount rate (D)	13,62 %	14,27 %
Consumer price inflation (C)	8,00 %	8,71 %
Health care cost inflation (H)	9,50 %	10,21 %
Net discount rate ((1+D)/(1+H)-1)	**3,77 %**	**3,68 %**

9. Employee benefit obligations (continued)

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

GRA P25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting financial assumptions has been updated to be more duration specific. The discount rate was set by taking the average yields from the zero-coupon SA Government bond curve with a duration of between 16.97 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2024 is 13.62% per annum, and the yield on the inflation-linked bonds of a similar term was about 5.21% per annum, implying an underlying expectation of inflation of 8.00% per annum ([1 + 13.62%] / [1 + 5.21%] - 1).

A healthcare cost inflation rate of 9.50% was assumed. This is 1.50% in excess of the expected inflation over the expected term of the liability,consistent with the previous actuary.

However, it is the relative levels of the discount rate and healthcare inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 3.77%% per annum ([1 + 13.62%] / [1 + 9.50%] - 1).This year's valuation basis is, therefore,stronger than the previous year's basis from a discount rate perspective.

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

Assumption	Active employees	Pensioners
Normal retirement age	65	
Fully accrued age (to take into account ill-health and early retirement decrements)	63	
Employment age used for past service period	Actual service entry ages	Actual service entry ages
Age difference between spouses	5 years	Actual ages used
Proportion married	90% assumed married at retirement	Actual marital status
Mortality	SA85-90 (Normal)	PA(90)

Withdrawal rates

We used the same withdrawal rates assumption used by the previous actuary to be consistent between valuations.

Age	Withdrawal rates
20	16 %
25	12 %
30	10 %
35	8 %
40	6 %
45	4 %
50	2 %
55+	- %
	- %

Continuation percentages

We have assumed a continuation of the post-employment health care subsidy would be at 100% of active employees, or their surviving dependants

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

9. Employee benefit obligations (continued)

Long service awards

FTLM offers bonuses for every 5 years of completed service from 10 years to 45 years. Below we outline the benefits awarded to qualifying employees.

	Completed Service (Years)	Long Service Awards(% of Annual Salary)
	10	4,0 %
	15	8,0 %
	20,25,30,35,40 ,45	12,0 %
		- %

A day of accumulated leave is worth 1/250 of the annual salary.

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

Valuation Method

In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in the future based on service accrued to the valuation date and awards projected to the retirement date. In determining these liabilities, due allowance has been made for future award increases.

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

Valuation Assumptions

Net Discount Rate

The key assumptions used in the valuation, with the prior years’ assumptions shown for comparison, are summarised below:

Assumption		
Discount rate	10,28 %	10,73 %
CPI	5,25 %	5,86 %
Salary increase rate	6,25 %	6,86 %
Net Discount Rate	**3,79 %**	**3,62 %**

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology for setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2022 the duration of liabilities was 5.93 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2023 is 10.73% per annum, and the yield on inflation-linked bonds of a similar term was about 4.60% per annum. This implies an underlying expectation of inflation of 5.86% per annum ([1 + 10.73%] / [1 + 4.60%] - 1).

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 6.86% per annum. However, it is the relative levels of the discount rate and salary inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 3.62% per annum ([1 + 10.73%] / [1 + 6.86%] - 1).

Figures in Rand	2024	2023

10. Prepayments

Advance payment was made to Lekonakonetsi Consulting for 3 years licenses relating to Antivirus licenses, Microsoft licenses and Email security and email archiving licenses, the licenses are expensed over a period of three years from 01 July 2021.

Prepayments	-	525 000
Prepayment comprises of the following		
LCS Technology software license	-	525 000

11. Inventories

Consumable stores	2 118 254	1 291 743
Municipal bins	1 885 600	1 885 600
Land inventory	71 407 140	129 817 140
	75 410 994	**132 994 483**

Inventories 2024	Opening balance	Land Inventory Write-downs	Purchases during the year	Transfers from Investment Property	Expensed during the year	Total
Consumables	1 291 743	-	6 803 231	-	(5 976 720)	2 118 254
Land inventory	129 817 140	(37 150 000)	-	26 500 000	(47 760 000)	71 407 140
Municipal bins	1 885 600	-	-	-	-	1 885 600
	-	(37 150 000)	-	-	-	-
	132 994 483	**(37 150 000)**	**6 803 231**	**26 500 000**	**(53 736 720)**	**75 410 994**

Inventories 2023	Opening Balance	Prior period error	Purchases during the year	Transfers from/(to) PPE:Land	Expensed during year	Total
Consumables	1 262 740	-	2 518 758	-	(2 489 755)	1 291 743
Land inventory	42 135 212	33 300 000	-	57 830 000	(3 448 072)	129 817 140
Municipal bins	1 885 600	-	-	-	-	1 885 600
	45 283 552	**33 300 000**	**2 518 758**	**57 830 000**	**(5 937 827)**	**132 994 483**

Land Inventory

1. Land Inventory sales
The municipality has recognised revenue to the value of R43 317 647, and has collected R 12 185 827 in deposits for sale of land recognised as a liability, and R47 580 000 has been expensed (Inventory consumed) for the 2024 financial year.

2. Investment Property transferred to Land Inventory
The Municipality through a Council resolution number SC 15 2023 approved the transfer of land from Investment Property to Inventories for resale. R26 500 000 was reclassified to Land inventory.

3. Land inventory written down
Praktisser 275KT portions 7, 8, 23, 24, 25, 28, 31, 32 and 33 were written down by R37 150 000 in the current year due to land invasions on the properties.

Inventory pledged as security

No balance of inventory was pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

12. Receivables from exchange transactions

Staff debtors and other debtors	16 818 262	489 924
Accrued interest on investment	4 186 190	31 644
	21 004 452	**521 568**

Trade and other receivables from exchange transactions impaired

As of 30 June 2024, trade and other receivables from exchange transactions of 85 246 056 (2023: -) were impaired and fully provided for.

Trade and other receivables from exchange transactions fully impaired at year-end	**2024**	**2023**
TT Properties - Gross	8 783 249	-
Mphaphuli Consulting - Gross	76 462 807	-
Undeserving recipients of Free Basic Electricity (Deceased)	852 052	-
Less contribution to allowance	(86 098 108)	-
	-	-

Reconciliation of debt impairment	**2024**	**2023**
Contributions to allowance 2024	86 098 108	-

1. Staff debtors

The balance is not impaired due to the nature of the amount and the acknowledgement of the debt by the affected Municipal officials.The staff debtor will be recovered through deduction from salary or from termination package.

Included in Other receivables from -exchange transactions is the following:

Amounts recoverable after favourable Court judgements

TT Properties and Mphaphuli Consulting were recognised as Other Receivables from exchange transactions to the amounts of R8 783 249 and R76 462 807, respectively after favourable Court judgements for the municipality. These amounts were fully impaired as the former is under liquidation and the latter was as a result of a default court judgement and the SIU is working to recover the amount. Recoverability is therefore uncertain.

2. Accrued Interest

Accrued interest is made up of the following:	**R**
Short-term deposits	
STANDARD BANK - CALL ACCOUNT - 38578492001 (R21 500 048 at 8,1%)	99 475
STANDARD BANK - CALL ACCOUNT - 38578492003 (R331 834 512) at 6,9%)	634 085
Long-term deposits	
STANDARD BANK - FIXED DEPOSIT - 038578492 007 (R50 000 000 at 10,59%,)	3 452 630

13. Receivables from non-exchange transactions

Fines	283 883	499 692
Other receivables	2 960 967	1 723 322
	3 244 850	**2 223 014**

Receivables from non-exchange transactions pledged as security

None of the Receivables from non-exchange transactions were pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

13. Receivables from non-exchange transactions (continued)

Statutory receivables non-exchange transactions (Traffic fines)

The two types of traffic fines that are issued are:
- Fines issued in terms of the Administrative Adjudication of Road Traffic Offences Act (AARTO Act).
- Fines issued in terms of the Criminal Procedures Act.

Traffic fines are issued in terms of the AARTO Act by way of notices to offenders which specify the value of the fine that must be paid, along with any discount that can be applied if the fine is paid within a specific period of time.

Fines issued in terms of the Criminal Procedures Act are usually issued by way of notice to offenders, and can (a) indicate the value of the fine to be paid, and that certain reductions could be made to the value of the fine payable and how, or the circumstances under which, such reductions can be applied, or
(b) indicate that the offender must appear in Court on a specified date (in these instances, the value of the fine may or may not be indicated but this is often only determined after a separate legal process).

Age Analysis (Traffic fines)		
Previous - 30 days	143 850	94 050
31 - 60 days	202 500	140 500
61 - 90 days	79 200	106 700
91 - 120 days	129 800	134 350
121 - 365 days	64 300	128 450
> 365 days	3 723 666	2 819 757
Less Allowance for impairment	(4 059 433)	(2 924 115)
	283 883	**499 692**

Credit quality of receivables from non-exchange transactions

Collectability of Traffic fines recognised at the reporting date.

Amounts past due	4 199 466	3 329 757
Amounts impaired	(4 059 433)	(2 924 115)
	140 033	**405 642**

13. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions impaired

As of 30 June 2024, other receivables from non-exchange transactions of 4 343 316 (2023: 3 423 807) were impaired and provided for.

The amount of the provision was 4 059 433 as of 30 June 2024 (2023: 2 924 115).

The ageing of these receivables is as follows:

	2024	2023
Opening balance - Gross	4 343 316	3 423 807
Less contribution to allowance	(4 059 433)	(2 924 115)
	283 883	**499 692**

Indicators and assumptions in assessment of Impairment of Traffic Fines Debtors
The municipality considers events and circumstances such as discounts, tickets withdrawn or cancelled and tickets paid to determine the impairment loss on traffic receivables at year end. Amounts that are past due after taking into account these events and circumstances are considered to be impaired.

Assessment of Impairment of Traffic Fines Debtors
In assessing and calculating whether traffic fines were impaired during the reporting period, the municipality considers any discounts, tickets withdrawn or cancelled and tickets paid to determine the amount outstanding at year-end. The impairment loss is based on the calculated recoverability rate at year end.

All traffic fines that were past due at year end were impaired.

	2024	2023
Impairment of Other receivables		
Opening Balance - Gross	1 064 001	1 064 001

	2024	2023
Reconciliation of allowance for impairment		
Opening Balance	(2 924 115)	(1 524 463)
Contributions to allowance - Traffic debtors	(1 135 318)	(1 399 652)
	(4 059 433)	**(2 924 115)**

14. VAT receivable

	2024	2023
VAT	48 361 891	31 117 583

15. Consumer debtors

	2024	2023
Gross balances		
Rates	368 641 251	227 437 057
Refuse	85 240 467	46 425 963
Other	12 378 036	111 176 045
	466 259 754	**385 039 065**

	2024	2023
Less: Allowance for impairment		
Rates	(303 104 127)	(199 763 167)
Refuse	(73 056 637)	(39 322 674)
Other	(10 096 043)	(99 704 320)
	(386 256 807)	**(338 790 161)**

Figures in Rand	2024	2023

15. Consumer debtors (continued)

Net balance		
Rates	65 537 123	27 673 889
Refuse	12 183 830	7 029 129
Other	2 281 992	11 545 885
	80 002 945	**46 248 903**

Included in above is receivables from exchange transactions		
Refuse	12 183 830	7 029 129

Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	65 537 123	27 673 889
Other	2 281 992	11 545 885
	67 819 115	**39 219 774**

Net balance	**80 002 945**	**46 248 903**

Rates		
Current (0 -30 days)	-	10 283 096
31 - 60 days	31 221 259	13 483 656
61 - 90 days	10 334 368	4 318 721
91 - 120 days	9 647 924	5 447 873
121 - 365 days	67 920 070	35 333 467
> 365 days	249 517 630	158 570 244
	368 641 251	**227 437 057**

Refuse		
Current (0 -30 days)	591 016	1 520 653
31 - 60 days	4 907 577	1 711 118
61 - 90 days	1 862 992	1 001 572
91 - 120 days	1 783 127	949 339
121 - 365 days	14 091 753	7 323 479
> 365 days	62 004 002	33 919 802
	85 240 467	**46 425 963**

Other		
Current (0 -30 days)	196 135	969 649
31 - 60 days	1 179 643	2 043 932
61 - 90 days	358 141	1 892 603
91 - 120 days	304 739	1 963 041
121 - 365 days	1 627 875	18 218 180
> 365 days	8 711 503	86 088 640
	12 378 036	**111 176 045**

Summary of debtors by customer classification

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

15. Consumer debtors (continued)

Consumers		
Consumer debtor- Agricultural	34 562 732	44 456 364
consumer debtor- Business and Commercial	57 448 227	54 508 783
Consumer Debtor- Industrial	20 925 428	16 422 841
Consumer debtors- Mines	12 559 255	29 463 881
Consumer debtors- Multi purpose	93 459 077	2 095 493
Consumer debtor-Municipal	2 131 880	2 768 215
Consumer debtor- Place of worship	221 105	185 011
Consumer debtor- Public service infrastructure	509 583	659 738
Consumer debtor-public service purpose	42 748 354	72 280 932
Consumer debtor- Residential	154 003 073	132 335 626
Consumer debtor-Vacant	41 724 560	24 879 880
Consumer debtor- sundry	5 966 478	4 982 300
	466 259 752	385 039 064
Less: Allowance for impairment	(386 256 807)	(338 790 161)
	80 002 945	**46 248 903**

Business/ commercial		
Current (0 -30 days)	591 014	4 091 842
31 - 60 days	6 578 823	2 353 348
61 - 90 days	1 915 975	1 189 456
91 - 120 days	1 908 951	1 162 485
121 - 365 days	10 114 922	10 647 427
> 365 days	36 338 542	35 064 225
	57 448 227	**54 508 783**

Industrial		
Current (0 -30 days)	128	673 616
31 - 60 days	1 661 125	617 560
61 - 90 days	697 692	430 489
91 - 120 days	684 228	419 512
121 - 365 days	4 492 215	3 140 252
> 365 days	13 390 041	11 141 412
	20 925 429	**16 422 841**

Mines		
Current (0 -30 days)	-	2 349 594
31 - 60 days	6 171 046	7 272 014
61 - 90 days	812 538	509 163
91 - 120 days	736 325	507 168
121 - 365 days	3 243 628	4 181 119
> 365 days	1 595 718	14 644 824
	12 559 255	**29 463 882**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

15. Consumer debtors (continued)

Municipal		
Current (0 -30 days)	-	71 116
31 - 60 days	336 767	70 686
61 - 90 days	13 706	70 521
91 - 120 days	13 123	69 824
121 - 365 days	146 687	657 605
	1 621 597	1 828 463
	2 131 880	**2 768 215**

Multi purpose		
Current (0 -30 days)	-	96 235
31 - 60 days	7 452 416	291 390
61 - 90 days	3 551 202	258
91 - 120 days	2 444 229	258
121 - 365 days	20 944 147	27 539
> 365 days	59 067 083	1 679 812
	93 459 077	**2 095 492**

Agricultural		
Current (0 -30 days)	-	499 719
31 - 60 days	436 498	508 031
61 - 90 days	180 238	416 679
91 - 120 days	180 857	743 909
121 - 365 days	5 347 482	5 455 433
> 365 days	28 417 658	36 832 593
Subtotal	34 562 733	44 456 364
	34 562 733	**44 456 364**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

15. Consumer debtors (continued)

Place of worship		
Current (0-30 days)	-	3 940
31 - 60 days	8 614	3 147
61 - 90 days	3 527	3 139
91 - 120 days	3 510	2 172
121 - 365 days	27 307	16 854
>365 days	178 148	155 758
	221 106	**185 010**

Public service infrastructure		
Current (0-30 days)	-	27 285
31 - 60 days	8 908	30 324
61 - 90 days	4 453	23 692
91 - 120 days	4 452	23 540
121 - 365 days	38 404	186 873
>365 days	453 365	368 023
	509 582	**659 737**

Public service purpose		
Current (0 - 30 days)	-	1 049 759
31 - 60 days	596 478	816 510
61 - 90 days	261 179	812 121
91 - 120 days	229 873	1 821 480
121 - 365 days	1 761 032	6 457 133
> 365 days	39 899 793	61 323 929
	42 748 355	**72 280 932**

Residential		
Current (0-30 days)	195 728	3 864 709
31-60 days	9 116 282	3 413 342
61-90 days	3 238 142	2 756 378
91- 120 days	3 112 384	2 569 827
121-365 days	23 890 762	20 340 654
>365 days	114 449 775	99 390 716
	154 003 073	**132 335 626**

Sundries		
Current (0-30 days)	-	200 610
31- 60 days	540 477	121 067
61-90 days	185 875	167 027
91-120 days	156 818	217 237
121-365 days	1 226 854	3 646 260
>365 days	3 856 453	630 099
	5 966 477	**4 982 300**

Vacant		
Current (0-30 days)	281	1 110 932
31-60 days	4 401 046	1 741 287
61-90 days	1 690 973	833 974
91-120 days	2 261 040	822 840
121-365 days	12 406 255	6 117 974
>365 days	20 964 965	14 252 873

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

15. Consumer debtors (continued)

	41 724 560	**24 879 880**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(338 790 161)	(357 225 320)
Contributions to allowance	(51 118 621)	(60 581 648)
Debt impairment written off against allowance	3 651 975	79 016 807
	(386 256 807)	**(338 790 161)**

16. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	63 000 174	69 158 004
Short-term investments (Call accounts)	36 298 915	148 905 407
	99 299 089	**218 063 411**

Cash and cash equivalents pledged as collateral

FNB Main Bank Account #565-500-22466
1. Details of Pledged/Ceded balances are as follows:
PLEDGES/NOTICES/AUTHS R749 641

2**. FNB call Account #61655000887:**
Cession of First Rand Deposit/ Credit Balances - Amount: R59 400 in favour of ESKOM.

3. Details of the total facility:
CONTINGENT BALANCE R760 000.-

16. 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 2024	30 June 2023
FNB BANK - CHEQUE ACCOUNT - 565-500-22466	3 655 509	7 075 057	3 655 509	7 075 057
FNB BANK - CALL ACCOUNT - 616-55000887	90 265	85 815	90 265	85 818
STANDARD BANK - CALL ACCOUNT - 38578492001	5 849 498	106 804 552	5 750 023	106 804 552
STANDARD BANK - CURRENT ACCOUNT - 330062891000	47 811 549	27 325 671	47 811 549	27 325 671
STANDARD BANK - CURRENT ACCOUNT - 30144841000	11 533 115	34 757 277	11 533 115	34 757 277
STANDARD BANK - CALL ACCOUNT - 38578492003	31 092 712	42 015 042	30 458 627	42 015 042
Total	**100 032 648**	**218 063 414**	**99 299 088**	**218 063 417**

Accrued interest at year-end

The difference of R733 560 between the bank statement balance and the cashbook balance as at 30 June is the accrued interest on investments. (See Note 12).

	R
STANDARD BANK - CALL ACCOUNT - 38578492001	99 475
STANDARD BANK - CALL ACCOUNT - 38578492003	634 085
	733 560

VBS Investments

	2024	2023
Balance of VBS Investment	227 156 998	227 156 998
Less impairment of investments	(227 156 998)	(227 156 998)
	-	-

Reconciliation	Opening balance	Amount recoverable - Transferred to Other Debtors	Amount recoverable - Provision utilised	Closing balance
Balance of VBS Investment	227 156 998	-	-	227 156 998
Impairment of VBS Investment	(227 156 998)	-	-	(227 156 998)
	-	-	-	-

Impairment of VBS Investments

Full provision was made for the investments in VBS due to the bank being put under curatorship on 11 March 2018 and the subsequent liquidation of the bank, which made the recoverability of the amounts invested highly unlikely at the time. The municipality appointed Verveen Attorneys to recover the VBS investments from the Liquidator.

The municipality assessed at the reporting date whether there is any indication that the impairment loss may no longer exist or may have decreased. In the 2020/21 financial year the municipality was allocated R16,100,000 by the Liquidator in the First Liquidation and Distribution Account which is a portion of R 158 563 496, which is the free residue the of the total Estate which the liquidator has been able to recover from the liquidated VBS Bank to date. This amount was recognised as a receivable and the provision for Impairment of VBS investments was reduced with the recoverable amount of R16,100,000.

Should the municipality recover additional amounts of the investments from the legal action, the impairment loss recognised will be reversed with the value of the amount recovered.

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	-	30 000 004
Integrated National Electrification Programme	-	32 911 227
Distressed Mining Town Grant	8 404 838	8 404 838
	8 404 838	**71 316 069**

Movement during the year

Balance at the beginning of the year	71 316 069	14 819 947
Received during the year	171 077 000	208 423 000
Income recognition during the the year	(233 988 231)	(151 926 878)
	8 404 838	**71 316 069**

See note 37 for reconciliation of grants from National/Provincial Government.

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

18. Borrowings

At amortised cost		
Standard Bank of South Africa Limited - Fixed Rate Enterprise Loan Facility	100 404 647	-

Terms

R100 000 000 loan facility amount at variable interest rates for 36 months.

Pledge and Cession

Pledge and cession in security in favour of the Bank by the Borrower of an amount of R50,000,000 (fifty million Rand) held in the Borrower's Investment Account.

This loan facility is for medium-term financing of land acquisition and infrastructure development as contemplated in Section 46(1)(a) of the MFMA, and was taken in terms of Council resolution OC44/2023, taken on 31 October 2023.

As at 30 June 2024 the full R100 000 000 had been drawn by the municipality. The first drawdown of R60 000 000 was at 10.68% and the second drawdown of R40 000 000 was at 11.24%.

Terms and conditions

1. That the Borrower has provided the Bank with written confirmation (in a form and substance acceptable to the Bank) from the Accounting Officer or any other duly authorised representative of the Borrower confirming:

2. That the Borrower is not in breach of any material contracts to which the Borrower is a party; and

3. The absence of any material pending (which has a reasonable prospect of occurring) industrial action; litigation, investigation or proceeding against the Borrower.

4. That there has been no material deterioration in the financial position of the Borrower between the date of acceptance of this Agreement and the date of the first drawdown under the Loan Facility;

5. That the Bank has been provided with written confirmation signed by the accounting officer of the Borrower, in a form and substance acceptable to the Bank, confirming that the Borrower has, in relation to the Loan Facility:

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

18. Borrowings (continued)

6. Obtained all authorisations (including exemptions, approvals, consents) and no steps have been taken to revoke, adversely modify or cancel any such authorisations and the authorisations are not subject to any conditions which Fetakgomo Tubatse Local Municipality does not expect to be satisfied; and

7. Complied with all laws or regulations applicable to it, including but not limited to the provisions of the Municipal Finance Management Act No. 56 of 2003; the Preferential Procurement Policy Framework Act 5 of 2000, including all schedules and regulations thereto, as amended from time to time.

As at June 2024 the municipality fully satisfied the noted terms and conditions/ covenants.

Long-term loan repayment commitments	**Capital Amount**	**Interest**	**Total**
Within one year	35 901 148	9 198 241	45 099 389
Over one year	64 503 499	6 238 916	70 742 415
	100 404 647	**15 437 157**	**115 841 804**

	2024	2023
Non-current liabilities		
At amortised cost	64 503 499	-
Current liabilities		
At amortised cost	35 901 148	-

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

19. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions	Reversals - Adjustment for change in discount rate	Increases (Passage of Time/Discount ed Rate)	Total
Landfill site rehabilitation	28 004 699	-	(960 130)	3 038 119	30 082 688
Leave accrual	20 196 601	(380 647)	-	-	19 815 954
	48 201 300	**(380 647)**	**(960 130)**	**3 038 119**	**49 898 642**

Reconciliation of provisions - 2023

	Opening Balance	Utilised during the year	Prior period error adjustments	Total
Landfill site rehabilitation	10 175 595	(1 049 702)	18 878 806	28 004 699
Leave accrual	19 987 169	(57 755)	267 187	20 196 601
	30 162 764	**(1 107 457)**	**19 145 993**	**48 201 300**

	2024	2023
Non-current liabilities	30 082 688	28 004 699
Current liabilities	19 815 954	20 196 601
	49 898 642	**48 201 300**

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Notes to the Annual Financial Statements

19. Provisions (continued)

Environmental rehabilitation provision

The landfill rehabilitation provision is intended for the rehabilitation of the current operational sites which are evaluated at each year-end to reflect the best estimate at reporting date. The sites under consideration are the Burgersfort Landfill Site and Malogeng landfill site. The estimated value of the rehabilitation cost of landfill sites has been determined as at 30 June 2024 by Mr Seakle Godschalk Pr Sci Nat, GIMFO. Mr Godschalk is a registered professional environmental scientist with the South African Council for Natural Scientific Professions (SACNASP) as well as the Southern African Institute of Ecologists and Environmental Scientists (SAIE&ES).

Key Financial Assumptions used in this calculation are as follows:

	Burgersfort Landfill Site	**Malogeng Landfill Site**
CPI	5.1704%	5.1704%
Discount Rate	10.1704%	10.1704%
Net Effective Rate	5%	5.5%

The amount of the discounted landfill closure provision of R30,082,687 in 2024 represents an increase of R2,077,989 over the provision of R28,004,698 in the previous financial statements.The changes are due to changes in provision by R960 131 as a result of change in CPI, Change in discount rate and; interest charge due to passage of time(R3 038 120).The 2024 amount is a discounted amount based on the expected remaining life of the landfill site and based on the size of the area that had been used for waste disposal as at 30 June 2024. The size of the landfill sites used up until now and estimated remaining useful lives are as follows:

	Burgersfort Landfill Site	**Malogeng Landfill Site**
Total landfill area	49,167 m2	104,908 m2
Approximate size used until 30 June 2024	49,167 m2	11,858 m2
Remaining useful lives	0 years	15 years

The municipality has an obligation to rehabilitate its Burgersfort and Malogeng landfill sites in terms of the closure license referenced 12/4/10/8-A/14/S10 issued by the provincial Department of Economic Development, Environment & Tourism on 26 June 2019, and the permit referenced 12/9/11/P67 issued by the national Department of Environmental Affairs & Tourism on 14 January 2009, respectively.

Burgersfort Landfill Site

The Burgersfort Landfill Site Municipality landfill site was closed in 2019 as it was full. There is no rehabilitation expenditure incurred towards the landfill rehabilitation and closure of the landfill site. The current expected remaining life of the landfill is estimated at zero(0) years. The landfill rehabilitation and closure cost provision for this landfill site was determined by the actuaries to be R21 395 341(Restated) for 30 June 2023 and R23 233 124 as at 30 June 2024.

Malogeng Landfill Site

The Malogeng landfill site was donated by the Sekhukhune District Municipality to Fetakgomo Tubatse Municipality with the effective transfer date being 01 July 2018. The current expected remaining life of the landfill is estimated at 15 years. The landfill rehabilitation and closure cost provision for this landfill site was determined by the actuaries to be R6 609 357 for 30 June 2023 and R6 849 563 as at 30 June 2024.

Leave Accrual

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

19. Provisions (continued)

This is in respect of leave days for employees that accrues at a rate of 2 days per month. At year-end any days accrued but not yet taken are provided for, as the municipality has an obligation to pay the value of the leave days should an employee leave the municipality.

While the value of the leave days due at year-end can be calculated, the timing of any outflows is uncertain as it is impossible to ascertain when an employee will leave the municipality in future.

There is no expected reimbursement, or any amount of any asset that has been recognised for any expected reimbursement in respect of the leave provision.

20. Revenue

Service charges	26 100 304	22 760 952
Rental of community facilities and equipment	420 962	420 322
Interest received (trading)	6 068 964	4 799 464
Agency services	8 372 821	7 228 803
Licences and permits	6 394 676	5 787 104
Fees earned	1 121 567	918 006
Other income	138 080 847	10 760 597
Interest received - investment	19 650 733	13 932 328
Property rates	191 050 398	122 770 396
Property rates - interest on outstanding debtors	24 547 312	14 482 295
Government grants & subsidies	818 694 231	688 926 004
Public contributions and donations	17 391 303	-
Traffic fines	1 363 200	1 574 400
	1 259 257 318	**894 360 671**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	26 100 304	22 760 952
Rental of community facilities and equipment	420 962	420 322
Interest received (trading)	6 068 964	4 799 464
Agency services	8 372 821	7 228 803
Licences and permits	6 394 676	5 787 104
Fees earned	1 121 567	918 006
Other income	138 080 847	10 760 597
Interest received - investment	19 650 733	13 932 328
	206 210 874	**66 607 576**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	191 050 398	122 770 396
Property rates - interest on outstanding debtors	24 547 312	14 482 295
Transfer revenue		
Government grants & subsidies	818 694 231	688 926 004
Public contributions and donations	17 391 303	-
Traffic fines	1 363 200	1 574 400
	1 053 046 444	**827 753 095**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

21. Inventory consumed

Sale of goods		
Consumables	5 976 720	2 489 755
Land	47 580 000	3 448 072
	53 556 720	**5 937 827**

22. Service charges

Refuse removal - Own Collection	23 934 218	19 856 781
Refuse removal - Private refuse removal	3 348 109	2 904 171
	27 282 327	**22 760 952**

23. Rental of community facilities and equipment

Premises		
Premises	420 962	420 322

24. Traffic fines

Municipal Traffic Fines	1 363 200	1 574 400

25. Agency services

Department of Roads and Transport	8 372 821	7 228 803

Accounting by principals and agents

The municipality is a party to an agreement between the municipality and the Department of Roads and Transport to collect revenue licensing and permits. The municipality is entitled to 20% of the revenue collected.

The municipality is the agent.

Municipality as agent

Revenue recognised
The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R8 372 821 (2023: R7 228 803).

Asset at year-end
The balance owing by the Department of Roads and Transport in respect of the principal-agent relationship as at 30 June 2024 was R265 487 (2023: R465 157 owed to the Department of Roads and Transport).

26. Licences and permits

Road and Transport	6 394 676	5 787 104

27. Public contributions and donations

Public contributions and donations	17 391 303	-

Fetakgomo Tubatse Local Municipality received road infrastructure with a fair value of R17391303 from Road Agency Limpopo. The roads have been taken to the municipality records at fair value valued by the professional valuers. The road is in Burgersfort R37.with the following gps coordinates, -24674740 and 30329570.

Figures in Rand	2024	2023

28. Lease rentals on operating lease

Lease rentals on operating lease		
Contractual amounts	10 752 645	26 037 176

Included in the lease expenses are costs arising from lease agreements for:

1. Office equipment leased from 1 May 2023 for a period of 3 years at R480 443.87 (incl VAT) per month plus additional costs that vary upon usage of the equipment.

2. Leasing of yellow machines on an ad-hoc basis.

29. Interest charged (Trading)

Interest charged on overdue accounts	6 068 964	4 799 464

Interest from service charges is calculated as a fixed interest rate based on annual prime plus 1%.

30. Fees earned

Fees earned	1 121 567	918 006

Included in fees earned are fees from valuation services, issuing of clearance certificates, cemetery and burial and plan printing.

31. Other income

Sundry Income	934 422	2 769 886
Recoveries	93 646 169	4 195 494
Sale of land inventory	43 500 256	3 795 217
	138 080 847	**10 760 597**

Included in Other Income are the following:

1. Recoveries

a. Amounts recoverable after favourable Court judgements

TT Properties and Mphaphuli Consulting were recognised as Other Receivables to the amounts of R8 783 249 and R76 462 807, respectively after favourable Court judgements for the municipality.

b. Recovery of unauthorised debit orders
The recovery of unauthorised debit orders that were debited against the municipal bank account. As at 30 June 2024 the bank deposited recoveries of R208 029 (2023: R4 174 861) into the Municipal bank account, R688 297 remains outstanding as year end.

2. Sale of land inventory

The municipality through a council resolution, approved the sale of stands.

3. LG SETA Reimbursive Subsidy
The municipality received funding from the LG Seta reimbursive subsidy to the amount of R207 484.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

32. Interest received - investment

Interest revenue		
Bank	19 650 733	13 932 328

The amount included in Investment revenue arising from exchange transactions amounted to 19 650 733 (2023: R13,932,328).

33. Property rates

Rates received

Residential	33 555 457	34 410 785
Business and commercial	46 809 598	38 067 828
Agricultural	8 568 587	4 671 434
Vacant stands	20 343 852	-
Public service purpose	-	2 103 023
Municipal	17 313 153	1 283 888
Industrial	9 479 964	6 761 620
Mining	60 555 968	39 486 184
Less: Income forgone	(5 576 181)	(4 014 366)
	191 050 398	122 770 396
Property rates - penalties imposed	24 547 312	14 482 295
	215 597 710	**137 252 691**

Valuations

Agricultural	2 768 340 000	1 797 642 000
Business and Commercial	2 085 562 000	1 772 155 000
Industrial	396 485 000	286 305 000
Public Service Purpose	1 161 771 000	249 349 000
Residential	3 272 248 000	3 923 690 000
Mining	1 259 990 000	1 013 110 000
Vacant	903 115 000	371 133 000
Place of Worship	23 260 000	19 330 000
Public Service Infrastructure	38 655 000	68 958 500
Municipal	444 747 000	433 360 000
Public/private open space	700 000	-
Public Benefit Organisation	-	10 553 100
	12 354 873 000	**9 945 585 600**

The 2023-2028 General Valuation Roll was implemented on the 1 July 2023..

The Municipality ensures the maintenance of supplementary valuation on ongoing basis in compliance with sect 78 Municipal Property Rates Act, 2004.

34. Transfer and subsidies

Other subsidies		
Indigent Relief	5 870 918	5 571 864

The municipality supports the registered indigents through the Equitable Share and is paid directly to Eskom or Solar Vision.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

35. Inventory writedowns

Inventory writedowns	(37 150 000)	-

Praktisser 275KT portions 7, 8, 23, 24, 25, 28, 31, 32 and 33 were written down by R37 150 000 in the current year due to land invasions on the properties.

36. Loss on disposal of assets

Loss on disposal of assets	4 962 992	6 275 666

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

37. Government grants & subsidies

Operating grants - Monetary		
Equitable share	584 706 000	536 999 122
Expanded Public Works Program Grant	1 463 000	1 285 000
Finance Management Grant	2 550 000	2 550 000
	588 719 000	**540 834 122**
Capital grants - Monetary		
Municipal Infrastructure Grant	124 208 004	96 588 000
Integrated National Electrification Programme	85 264 227	49 597 331
Distressed Mining Town Grant	-	1 906 551
Neighbourhood Development Partnership Grant	20 503 000	-
	229 975 231	**148 091 882**
	818 694 231	**688 926 004**

Conditional and unconditional

Included in above are the following grants and subsidies received and recognised as revenue:

Conditional grants recognised as revenue	233 988 231	151 926 882
Unconditional grants received and recognised as revenue	584 706 000	536 999 122
	818 694 231	**688 926 004**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of 100% which is funded from the grant.

Neighbourhood Development Partnership Grant

Current-year receipts	20 503 000	-
Conditions met - transferred to revenue	(20 503 000)	-
	-	-

Financial Management Grant

Current-year receipts	2 550 000	2 550 000
Conditions met - transferred to revenue	(2 550 000)	(2 550 000)
	-	-

Expanded Public Works Program Grant

Current-year receipts	1 463 000	1 285 000
Conditions met - transferred to revenue	(1 463 000)	(1 285 000)
	-	-

Municipal Infrastructure Grant

Balance unspent at beginning of year	30 000 000	-
Current-year receipts	94 208 000	126 588 000
Conditions met - transferred to revenue	(124 208 000)	(96 588 000)

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

37. Government grants & subsidies (continued)

	-	**30 000 000**

Conditions still to be met - remain liabilities (see note 17).

Integrated National Electrification Programme

	2024	2023
Balance unspent at beginning of year	32 911 227	4 508 558
Current-year receipts	52 353 000	78 000 000
Conditions met - transferred to revenue	(85 264 227)	(49 597 331)
	-	**32 911 227**

Conditions still to be met - remain liabilities (see note 17).

Distressed Mining Town Grant

	2024	2023
Balance unspent at beginning of year	8 404 838	10 311 389
Conditions met - transferred to revenue	-	(1 906 551)
	8 404 838	**8 404 838**

Conditions still to be met - remain liabilities (see note 17).

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

38. Employee related costs

Basic	142 998 299	127 045 196
Medical aid - company contributions	10 759 751	9 841 413
UIF	720 204	601 137
South African Local Bargaining Council	46 575	39 003
Skills development levy	5 523 480	3 388 763
Leave pay provision charge	361 416	1 308 510
Defined contribution plans	24 341 220	22 534 453
Travel, motor car, accommodation, subsistence and other allowances	1 680 414	1 529 129
Overtime payments	11 046 166	9 191 896
Long-service awards	1 807 125	1 998 642
13th Cheques	9 122 079	8 376 080
Acting allowances	640 743	799 374
Car allowance	34 816 538	32 086 993
Housing benefits and allowances	2 826 531	2 176 842
Telephone allowance	2 653 548	2 383 117
Standby allowance	770 921	917 676
Post Employment Health Care Benefit Current Cost	4 684 602	5 063 053
	254 799 612	**229 281 277**

Remuneration of Municipal Manager

Annual basic salary	982 409	950 879
Car Allowance	229 493	211 300
Sec 57 leave	-	213 789
Other Allowance	9 500	-
Telephone Allowance	32 880	32 885
Remote Allowance	51 792	47 808
Back pay	71 438	31 446
Cash gratuity	20 340	40 680
Travel claim	-	10 285
	1 397 852	**1 539 072**

Remuneration of Chief Financial Officer

Annual basic salary	731 136	697 711
Car Allowance	234 942	230 259
Performance Bonuses	59 496	561
Telephone allowance	29 400	29 400
Remote allowance	43 396	40 073
Housing allowance	12 323	8 125
Travel claim	47 502	23 582
Back pay	70 098	25 709
Subsistence allowance	3 992	1 976
Sec 57 leave	-	179 140
Cash gratuity	20 340	40 680
Other allowances	10 000	-
	1 262 625	**1 277 216**

Remuneration of Director Regional Office

Annual basic salary	-	559 214
Car Allowance	-	150 000
Performance Bonuses	-	57 928
Housing allowance	-	53 144
Travel claim	-	49 737

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

38. Employee related costs (continued)

Remote allowance	1 474	33 492
Telephone allowance	-	24 500
Leave	-	181 760
Back pay	24 675	24 084
Sub allowance	-	483
Cash gratuity	-	37 290
	26 149	**1 171 632**

Remuneration of Director Community Services

Annual basic salary	270 180	263 153
Car Allowance	106 409	94 398
Telephone	12 250	12 250
Performance Bonuses	-	52 630
Housing allowance	27 084	25 000
Travel claim	29 881	22 256
Subsistence allowance	-	760
Remote allowance	18 290	16 210
Acting allowance	11 487	19 471
Leave	-	179 140
Cash Gratuity	8 475	-
Back pay	29 193	-
	513 249	**685 268**

Remuneration of Director Technical Services

Annual basic salary	716 566	393 588
Car Allowance	231 476	135 028
Performance Bonuses	-	467
Housing allowance	12 141	7 082
Acting allowance	-	70 581
Telephone allowance	29 400	17 150
Back pay	162 264	5 611
Remote allowance	42 708	23 036
Cash gratuity	20 340	11 865
Travel claim	45 649	-
Refund	6 447	-
	1 266 991	**664 408**

Remuneration of Director Local Economic Development (Acting)

Annual basic salary	-	437 691
Car Allowance	-	182 372
Performance Bonuses	-	50 548
Telephone allowance	-	22 050
Travel claim	-	47 597
Housing allowance	-	71 526
Back pay	24 675	22 989
Remote allowance	1 474	30 201
Subsistence allowance	-	2 888
Refund	-	70
Leave	-	181 760
Cash Gratuity	-	35 595
Acting allowance	147 063	-
	173 212	**1 085 287**

Figures in Rand	2024	2023

38. Employee related costs (continued)

Remuneration of Director Development and Planning (Acting)

Annual basic salary	-	661 095
Car Allowance	-	83 302
Telephone allowance	-	26 950
Travel claim	-	44 972
Performance bonus	-	63 102
Remote allowance	1 474	36 782
Subsistence allowance	-	2 021
Housing allowance	-	91 792
Back pay	24 681	24 084
Leave	-	181 760
Acting allowance	192 731	43 826
Cash gratuity	-	38 985
	218 886	**1 298 671**

Remuneration of Director Corporate and Human Resources

Annual basic salary	354 497	352 253
Acting allowance	23 083	84 646
Performance Bonus	1 589	1 589
Car Allowance	148 972	148 972
Housing Allowance	37 917	37 917
Travel Claim	58 125	52 903
Back pay	19 071	19 071
Refund	414	413
Subsistence Allowance	483	483
Telephone Allowance	17 150	17 150
Remote Allowance	23 716	23 619
Cash Gratuity	35 595	32 205
Sec 57 Leave	78 005	-
Other allowance	10 000	-
	808 617	**771 221**

Remuneration of S 56 and 57 Managers

Municipal Manager	1 397 852	1 539 072
Chief financial officer	1 262 625	1 277 216
Director Reginal office	26 149	1 171 632
Director community services	513 249	685 268
Director economic development and planning	173 211	1 085 287
Director development and planning	218 885	1 298 671
Director technical services	1 266 990	664 408
Director corporate and human resources	808 618	771 221
	5 667 579	**8 492 775**

39. Remuneration of councillors

Executive Mayor	1 040 254	998 021
Chief Whip	924 794	848 949
Mayoral Committee Members	7 468 992	7 516 231
Speaker	799 285	794 290
Councillors	33 264 462	29 241 643
	43 497 787	**39 399 134**

Figures in Rand	2024	2023

39. Remuneration of councillors (continued)

In-kind benefits

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

The Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Mayor has use of a Council owned vehicle for official duties.

The Mayor has the right of use of a municipal vehicle including a driver.

The Mayor has two full-time bodyguards.

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.

Remuneration of Mayor		
Salary	742 985	716 148
Car Allowance	247 662	238 713
Cellphone Allowance	45 600	40 800
Data Allowance	4 008	2 360
	1 040 255	**998 021**

Remuneration of Speaker		
Salary	564 118	562 508
Car Allowance	188 039	187 383
Cellphone Allowance	43 320	42 040
Data Allowance	3 807	2 360
Travel claim	-	-
	799 284	**794 291**

Remuneration of Chief Whip		
Salary	557 001	518 106
Car Allowance	182 507	173 362
Cellphone Allowance	45 600	40 800
Data Allowance	4 008	3 600
Travel Claim	135 678	113 081
	924 794	**848 949**

Remuneration of councillors Including EXCO members		
Salaries and other allowances	19 960 514	18 514 701
Car Allowance	6 652 104	6 364 701
Cellphone allowance	3 359 760	3 017 960
Data Allowance	292 657	211 800
Travel claim	10 468 419	8 648 712
	40 733 454	**36 757 874**

40. Depreciation and amortisation

Property, plant and equipment	85 838 489	75 608 904
Intangible assets	97 494	86 677
	85 935 983	**75 695 581**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

41. Impairment loss

Impairments		
Property, plant and equipment	23 081 327	6 850
Moveable assets in poor and very poor physical condition were impaired due to recoverable service amount being less than the carrying value.		

42. Finance costs

Non-current borrowings	4 284 559	-
Finance leases	-	3 464 091
	4 284 559	**3 464 091**

Borrowings
R100 000 000 loan facility amount at interest rate of 10.27% for 36 months.

43. Auditors' remuneration

Fees	8 058 618	7 552 495

44. Debt impairment

Debt impairment - Consumer debtors	51 118 475	59 701 153
Debt impairment - Other receivables from exchange transactions	86 098 106	-
Debt impairment - Traffic fines debtors	1 135 318	1 399 652
	138 351 899	**61 100 805**

45. General expenses

Advertising	7 811 447	6 487 801
Auditors remuneration	8 058 618	7 552 495
Bank charges	1 070 947	990 377
Consulting and professional fees	717 801	826 914
Entertainment	74 851	129 996
Hire	5 636 068	2 938 304
Insurance	8 123 686	5 783 822
IT expenses	9 038 310	9 027 879
Promotions and sponsorships	53 200	31 974
Magazines, books and periodicals	827 694	1 057 676
Fuel and oil	5 485 193	6 983 337
Printing and stationery	139 000	-
Protective clothing	3 924 311	1 342 302
Royalties and license fees	1 310 526	320 486
Subscriptions and membership fees	3 246 506	2 699 288
Telephone and fax	1 371 954	292 498
Training	4 663 745	2 761 723
Travel - local	17 865 341	11 459 297
Special programs	333 201	257 149
Ward committees	7 442 249	8 306 645
Other expenses	15 910 793	5 321 819
	103 105 441	**74 571 782**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

46. Bad debts written off

Consumer debtors	501 439	2 946 904

Consumer debtors amounts of R501 439 were written off in 2024. The write-offs were in respect of debtors without title deeds, those duplicated on the general valuation roll and indigents.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

47. Contracted services

Contracted Services		
Consultants and professionals	135 711 270	141 290 001
Contractors	131 245 241	57 142 740
Outsourced Services	152 675 580	109 001 267
	419 632 091	**307 434 008**

Consultants and Professionals Services- Business Advisory Services		
Business and Advisory : Project Management	370 000	1 883 579
Business and Advisory : Accounting and Auditing	37 201 063	32 042 557
Business and Advisory : Board Member	1 788 136	1 795 817
Business and Advisory : Business and Financial Management	2 986 933	3 670 343
Business and Advisory : Commissions and Committees	190 675	170 599
Business and Advisory : Forensic Investigators	-	670 542
Business and Advisory : Valuer and Assessors	1 706 750	-
Business and Advisory : Human resources Occupational Health and Safety	579 209	1 424 356
Business and Advisory : Research and Advisory	47 821 666	4 675 662
Communications	3 222 787	1 089 647
Organisational	2 549 100	7 147 103
	98 416 319	**54 570 205**

Consultants and Professional Services- Infrastructure and Planning		
Engineering: Electrical	10 396 236	66 333 271
Infrastructure and Planning: Agriculture	1 510 029	827 678
Engineering: Civil	-	99 280
Infrastructure and Planning: Land and Quantity Surveyors	2 524 423	-
Ecological	-	223
Infrastructure and Planning: Town Planner	182 694	4 061 785
	14 613 382	**71 322 237**

Consultant and Professional Services- Legal Services		
Legal Cost: Collection	1 697 255	2 205 924
Legal Cost: Legal Advice and Litigation	20 984 313	13 191 639
	22 681 568	**15 397 563**

Contractors- General Services		
Contractors: Electrical	74 142 805	1 158 396
Contractors: Event Promoters	905 306	421 340
Contractors: Forestry	95 000	294 430
Contractors: Graphic Designers	2 568 126	1 870 386
Contractors: Transportation	159 170	-
Contractors: Inspection Fees	13 989	480
Contractors: Pest Control and Fumigation	1 185 274	965 843
Contractors: Preservation/Restoration/Dismantling/Cleaning Services	309 670	-
Contractors: Traffic and Street Lights	1 821 641	3 066 720
Contractors: Catering Services	1 484 267	152 348
	82 685 248	**7 929 943**

Contractors- Maintenance		
Contractors: General services	11 842 941	-
Contractors: Maintenance of Building and Facilities	14 274 463	8 175 681
Contractors: Maintenance of Equipment	5 233 870	13 001 150
Contractors: Maintenance of Unspecified Assets	17 208 720	28 035 963
	48 559 994	**49 212 794**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

47. Contracted services (continued)

Outsourced services- general services		
Outsourced services: Transport services	148 850	-
Outsourced Services: Cleaning Services	14 148 477	4 630 572
Outsourced Services: Security Services	64 787 382	56 213 821
Outsourced Services: Personnel and Labour	2 231 116	-
Outsourced Services: Clearing and Grass Cutting Services	4 101 100	1 101 200
Outsourced Services: Professional Staff	141 000	183 150
Outsourced Services: Catering Services	2 034 007	2 231 846
Outsourced Services: Internal Auditors	1 217 374	3 384 553
Outsourced Services: Connection/Disconnection Electricity	1 594 672	-
	90 403 978	**67 745 142**

Outsourced Services- Business and Advisory Services		
Valuer	6 770 470	5 717 507
Business and Financial Management	792 890	391 757
Communications	114 750	193 600
Human Resources	99 531	24 739
Project Management	33 825 913	14 901 619
Research and Advisory	1 578 037	1 618 808
Accounting and auditing	4 410 951	-
	47 592 542	**22 848 030**

Outsourced Services: Trading Services		
Outsourced Services: Refuse Removal	14 679 062	18 408 095

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

48. Cash generated from operations

Surplus	75 206 371	57 148 206
Adjustments for:		
Depreciation and amortisation	85 935 983	75 695 581
Landfill site provision	-	(1 049 702)
Loss on disposal of assets	-	-
Fair value adjustments-investment property	(1 597 254)	(510 500)
Loss on disposal of assets	4 962 992	6 275 666
Prepaid expenses	525 000	-
Interest income - investing activities	(20 352 649)	13 932 328
Donations in kind	(17 391 303)	-
Impairment deficit	23 081 327	6 850
Debt impairment	138 351 899	61 100 805
Bad debts written off	501 439	2 946 904
Leave provision	(380 647)	57 754
Bonus Accrual	680 349	(220 088)
Employee benefits obligation movements	5 854 934	704 451
Accrued Interest	-	(31 644)
Recoveries-court cases	(93 400 952)	-
Inventory losses or write-downs	37 150 000	-
Unclaimed unallocated deposits	-	(2 204 252)
Inventory consumed	53 721 506	-
Interest charge on landfill site provision	2 592 677	657 815
Changes in working capital:		
Inventories	(6 788 019)	(21 597 850)
Receivables from exchange transactions	(19 580 038)	273 268
Consumer debtors	(84 454 626)	6 255 526
Other receivables from non-exchange transactions	(2 157 154)	(408 125)
Unspent conditional Grants	(62 911 231)	56 496 122
Prepayments	-	525 000
Payables from exchange transactions	5 782 708	(24 677 950)
VAT Receivable	(17 244 308)	14 099 543
Provisions	(514 688)	-
Employee benefits obligation	-	(3 329 697)
	107 574 316	**242 146 011**

49. Fair value adjustments

Investment Property (Fair Value model)	1 597 254	510 500

Investment property (Fair value model)
These are fair value adjustments (gains) from the fair valuation of the municipality’s Investment Property in line with the municipality’s accounting policy and GRAP 16 paragraphs 46 to 70.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

50. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	713 983 348	214 336 413

Total capital commitments		
Already contracted for but not provided for	713 983 348	214 336 413

Authorised operational expenditure

Total commitments

Total commitments		
Authorised capital expenditure	713 983 348	214 336 413

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

50. Commitments (continued)

Capital commitment prior period Adjustment	Previously reported in 2023	Prior period adjustment	2023 restated
Akha Architects & Marumo Consulting Engineering JV-Planning, Design and Professional management & supervision of Praktiseer Library (Variation order previously not accounted for.)	381 350	585 081	966 431
Akha Architects - Construction of Praktiseer Library (Variation order not previously accounted for.)	9 481 261	3 176 507	12 657 768
SLM Engineering Projects-Professional engineering services for Tubatse A Extension (Shushumela) integrated roads (Project erroneously omitted in prior year).	-	24 239 568	24 239 568
Ntiyiso-Planning, design, project management commissioning of eastern and western ring road. (Project erroneously not disclosed as commitments of which two invoice payments were not previously recognised.)	-	40 446 711	40 446 711
KIPP Consulting Engineers - Ga-Debeila to Mohlaletse Internal street 2.5km (Commitment incorrectly recognised as saving)	-	1 348 250	1 348 250
Inhlakanipho Consultants - Upgrading of Mareseleng access bridge and road 4.1 km (Amount incorrectly recorded as savings in prior year and not commitments)	-	2 611 253	2 611 253
Inhlakanipho Consultants - Upgrading of Mareseleng access bridge and road: Contract A (Adjustment for payment erroneously accounted for. (Retention amount of R1 912 022,37 not recognised; Reversal of the amount of R1 134 802,10 for savings incorrectly recognised and Expenditure amount of R1 740 004,74 recorded twice))	170 017	962 785	1 132 802
Prior year Casting error	-	140 238	140 238
Uranus Consulting Engineers - Electrification for Mandela Park East & West, Praktiseer Ext 11&3, Kutullo, Taung, Barcelona And Maphutle Villages (Accrual invoice incorrectly recognised).	938 212	247 462	1 185 674
	10 970 840	**73 757 855**	**84 728 695**

This committed expenditure relates to plant and equipment budgeted for in the Medium Term Revenue and Expenditure Framework and it will be financed out of existing cash as well as future anticipated revenue to be collected as per Section 18 of the MFMA.

All commitments are inclusive of VAT.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

51. Contingencies

Contingent assets

Description		
1. SIU vs.Mphaphuli Consulting//GTM The municipality has taken legal action and is in the process of seeking to recover money that was paid to Mphaphuli Consulting (Pty) Ltd regarding the electrification of villages. Per the SIU proclamation number R52 of 2014 SIU has taken over the case and summons were issued to Mphaphuli Consulting (Pty) Ltd. The respondent's application for leave to appeal with the Constitutional Court was refused in a judgement dated 03 June 2024 and a debtor raised accordingly.	-	76 462 807
2. FTM/TT Property consultants TT Property Consultants was appointed in 2014 for the compilation of valuation and supplementary rolls for the former GTM for a period of 4 years (July 2015 to June 2019) for a total cost of R2 960 000. They received payments from the year 2015 to date on the contract amounting to R11 743 248, 54 whereas the contract amount was R2 960 000 with the overpayment amount being R8 783 248, 54. A default judgement by the High Court dated 23 September 2023 was granted in favour of the municipality and a debtor raised accordingly.	-	8 783 249
3. FTM/Murathi Inc Murathi Inc was erroneously paid twice by FTM. Our instruction entails to recover the payment.	453 720	453 720
4. FTM/Mapale Distributors CC The municipality brought an application to rescind and set aside the taxed bill of cost in the amount of R271 962.43 and R1 417 829.44 respectively in favour of Mapale Distributors. Judgement was granted in favour of Mapale by the Magistrate and a garnish order issued against the municipality, but the municipality successfully appealed the ruling with the High Court, the garnish interdicted by the High Court. Garnish order was nevertheless effected by the bank, and per the Legal opinion from Mmakola Matsimela Inc the bank and Mahowa Attorneys, who were formerly handling the case are jointly liable for the loss. The municipality has since issued a notice of appeal against the judgement.	1 689 792	-
	2 143 512	**85 699 776**

Contingent liabilities

The following are the Contingent liabilities assumed:

Description		
1. Bernard Nchabeleng vs FTLM. The plaintiff was evicted from the municipality land. The plaintiff alleges that he was allocated the land by the traditional authority. He further alleges that he suffered damages in the amount of R590 000, 00 as result of their eviction. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	590 000	590 000
2. FM Maluleke Inc// FTLM. The plaintiff launched an action against the municipality for defamation of character and claims for reputational damages. The potential financial exposure is R 4 000 0000. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	4 000 000	4 000 000

Figures in Rand	2024	2023
51. Contingencies (continued)		
3.The plaintiff was appointed as a social facilitator for electrification of riverside phase 2 village at ward 20 for an amount of R120 000.00. The plaintiff failed to be on site and he was never paid and he issued summons against the municipality. The Municipality is opposing the matter. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	120 000	-
4. MI Phasha. Review of the CCMA award in progress. Applicant sought an application for unfair dismissal and reinstatement as a relief. An award from the CCMA ruled in favour of the applicant and the municipality review application of the award at the High court was dismissed with costs in April 2024. The potential financial exposure cannot be ascertained at this stage. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	-	-
5. NA Koko Following on from the Reinstatement order Mr Koko brought an application in the Labour Court for payment of wages between the 7th March 2014 to the 31st December 2020. The Municipality defended the matter and filed its answering affidavit. A subpoena requesting Mr Koko’s bank statements and tax records for the period was issued. Mr Koko's application was dismissed by the Labour Court.	-	3 040 766
6. SAGIS data CSI Project CC vs FTLM. The Municipality was served with summons for payment of the outstanding invoices and therefore the Plaintiff is suing the Municipality for the breach of contract. The Municipality is disputing the claim and has appointed a service provider on the 26 July 2022 to defend the matter. The municipality has filed a Plea to the claim. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	1 950 000	1 950 000
7. FTLM Vs Mapale Mapale Distributors (Case 1465/2018) Praktiseer Court. The municipality brought an application to rescind and set aside the taxed bill of cost in the amount of R271 962.43 and R1 417 829.44 respectively in favour of Mapale Distributors. Judgement was granted in favour of Mapale by the Magistrate and a garnish order issued against the municipality, but the municipality successfully appealed the ruling with the High Court, the garnish interdicted by the High Court.	-	1 689 792
8. Telkom SA SOC Limited VS FTLM The municipality was served with summons on 1 August 2023 for payment in the sum of R1 945 605.15 for outstanding invoices and therefore the plaintiff is suing the municipality for breach of contract. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	1 945 605	-
	8 605 605	**11 270 558**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

52. Related parties

Relationships	
Accounting Officer	Refer to Accounting Officer's report and note 37
Councillors	Refer to note 39
Members of Key management	Refer to note 38

Related party balances

Payments received in advanced - contract in process		
Chief Financial officer	(210 000)	(80 000)
Director Corporate Services	(65 000)	(52 000)
Close family member of key management personnel	(50 000)	(26 000)
Mayoral Committee Member	(250 000)	(110 000)
Councillors	-	(194 000)

Included in the Payables from exchange transactions - Other payables (Payments received in advanced - contract in process) is the liability balances with related parties and close family members of related parties.

The above mentioned related parties entered into sale agreements for the purchase of stands in Extension 93, the transactions were at fair value as per the approved council resolution for the sale of stands.

53. Awards to persons or close family members of persons in the service of the state

The Chief Audit Executive declared interest in Bauba Marumo, one of the municipality's service providers for refuse collection, which is owned by her mother. During the period under review payments amounting to R14 609 715 (2023: R 14 516 40) were paid to the company.

54. Prior period errors

During the 2024 financial year the following prior period errors were noted and corrected:

1.2023 supplier invoices amounting to R1,343,494 were not accrued for in the 2022-23 financial year, resulting in understatement of 2023 Payables, VAT receivable by R127,404 and Operational Expenditure by an amount of R1,216,090.

2. The 2023 staff debtor balance in respect of R Maphanga (secondment allowance) was overstated by R36,726 and accumulated surplus overstated by the same amount.

3. An employee, NA Koko was overpaid the long service award in 2023 resulting in understatement of Staff debtors by R36,947 and overstatement of employee related costs (long service awards) by the same amount.

4. An employee, PC Manyaka was overpaid the telephone allowance in 2023 resulting in understatement of Staff debtors by R4,829 and overstatement of employee related costs (telephone allowance) by the same amount.

5. A correction was made to Property, Plant and Equipment to correct misstatements of account balances in the general Ledger. Depreciation was understated by R115 623in 2023 and R141,993 relate to understatement of accumulated surplus prior to 2022/ 2023 financial year. This resulted in the net adjustment to Property, Plant and Equipment balances of R26 370.

6. A consumer debtor, Bokoni Mine, was overbilled by R11,158,903 in prior years resulting in overstatement of consumer debtors by R11,158,903, understatement of VAT receivable by R9,663 and overstatement of accumulated surplus by R11,149,239.

7. A 2023 cash sale of stand of R300,000 was cancelled by a customer who subsequently requested a refund, which was paid in the 2024 financial year. The 2023 Sale of Stands Revenue was therefore overstated by R260,870, Output VAT overstated by R30,130 and Other Payables understated by R300,000.

8. 2023 Ditlotlo invoices for advertising were not accrued for resulting in understatement of trade payables by R63,193, VAT receivable by R13,035 and accumulated surplus by R86,900.

9. 2023 allowances of R1,659,010 were not accrued for resulting in understatement of Other payables by R16,59,010, Employee related costs by R834,047 and Remuneration of Councillors by R824,964.

10. Since the closure of Burgersfort Landfill site in 2019, the municipality has decreased the liability with utilisation costs which is expenditure incurred on Burgersfort Landfill Site. No adjustments for interest and changes in provision were made subsequent to 2019. The municipality valuers indicate that no utilisation costs were incurred on the Burgersfort Landfill site. The costs incurred were for general upkeep and maintenance of the Burgersfort Landfill site and should have been expensed hence were erroneoulsy recorded against the provision. An adjustment of R16 466 166 was made against accumulated surplus of 2021/22 for movements in provision before 30 June 2022, and an adjustment of changes in interest (R1 912 965) and change in provision (-R958 557) was processed to recognise the movements of the 2022/23 financial year. A further adjustment was made in 2022/23 to reverse R1458 230 incorrectly recorded as utilisation in prior year financial statements. This has resulted in the net adjustment of R18 878 805 to the Landfill Provision balance and the opening accumulated surplus of 2023/24 financial year. The municipality has previously recognised changes in provision as expenditure in the income statement and the landfill site has zero useful life hence no adjustments have been made to recognise the landfill asset as per IGRAP 2.

11. 2023 travel claims amounting to R898,102 were not accrued for, resulting in the understatement of Payables and Employee related costs by R898,102.

12.The prior year leave provision was incorrectly calculated resulting in understatement of the 2023 leave provision and the leave charge expense by R267 187.

13. Prior years' Input VAT and accumulated were understated by R22,214.

14. The 2023 MIG unspent balance not approved for roll-over was misallocated to Grant Income, resulting in overstatement of grant income by R162,876 and understatement of Othe payables by the same amount.

15. Some moveable assets were previously not accounted for, resulting in understatement of Property, Plant and Equipment by 35,718 (Computer Equipment by R14 013 and Furniture and Office Equipment by R21 705). Accumulated surplus was

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

54. Prior period errors (continued)
understated by the same amount.

16. Some municipal land was not accounted for in prior years resulting in understatement of Property, Plant and Equipment (Land) by R60 000. Accumulated surplus was understated by the same amount.

17. The Output VAT on the amount owed to the municipality as at 30 June 2023 by the Road Traffic Management Corporation (RTMC) was not accounted for, resulting in understatement of the Other Debtors by R23 582, and overstatement of the VAT receivable by the same amount.

18. Some assets were previously not accounted for, resulting in understatement of Property, Plant and Equipment by 272 000 (Furniture and Office Equipment by R132 500 and Buildings by R139 500), Accumulated depreciation by R27 235, and Accumulated surplus by R244 765.

19. Investment Property in respect of was previously not accounted for, resulting in understatement of Investment Property and Accumulated surplus by R17 433 600.

20. An adjustment of R41 850 000 of land inventory was recognised for Prakteseer 275KT which was omitted in previous years.

21. An adjustment of R8 550 000 for Ohrigstad 443 KT, an investment property, was processed to reverse the duplication of the property from land inventory, where it had been erroneously recorded.

Statement of financial position

	-	-
Inventory	-	33 300 000
Receivables from exchange transactions	-	28 631
Receivables from non-exchange transactions	-	(36 743)
VAT Receivable	-	187 865
Consumer Debtors	-	(11 158 903)
Investment property	-	17 433 600
Property, Plant and Equipment	-	366 854
Payables from exchange transactions	-	(3 920 422)
Leave provision	-	(267 187)
Landfill site rehabilitation provision	-	(18 878 806)
Accumulated surplus	-	(24 005 510)

Statement of financial performance

Other Income	-	260 869
Capital grant income (MIG)	-	162 876
Employee related costs	-	1 957 560
Remuneration of Councillors	-	824 963
Depreciation and amortisation	-	115 622
Contracted services	-	2 384 080
General Expenses	-	1 244 648

55. Prior-year adjustments

Statement of financial position

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

55. Prior-year adjustments (continued)

2024

	Note	As previously reported	Correction of error	Restated
Inventories	11	99 694 482	33 300 000	132 994 482
Receivable from exchange transactions	12	516 519	5 049	521 568
Receivables from non- exchange transactions	13	2 236 174	(13 160)	2 223 013
Vat Receivable	14	30 929 720	187 865	31 117 585
Consumer Debtors	15	57 407 798	(11 158 902)	46 248 896
Investment property	16	60 800 000	17 433 600	78 233 600
Property, Plant and Equipment	4	2 432 174 958	366 854	2 432 541 812
Payables from exchange transactions	8	(131 989 980)	(3 920 422)	(135 910 402)
Leave provision	19	(19 929 414)	(267 187)	(20 196 601)
Landfill site rehabilitation provision	19	(9 125 893)	(18 878 806)	(28 004 699)
Accumulated Surplus		(2 573 705 294)	(24 005 510)	(2 597 710 804)
		(50 990 930)	**(6 950 619)**	**(57 941 550)**

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Restated
Other Income	31	(11 021 466)	260 870	(10 760 596)
Capital grants	37	(148 254 758)	162 876	(148 091 882)
Employee related costs		227 323 719	1 957 562	229 281 279
Remuneration of councillors	39	38 574 170	824 963	39 399 133
Depreciation and armotisation	40	75 579 958	115 622	75 695 581
Contracted services	47	305 049 927	2 384 080	307 434 007
General expenses	45	73 327 136	1 244 648	74 571 784
Surplus for the year		**560 578 686**	**6 950 621**	**567 529 306**

Reclassifications

The following reclassifications adjustment occurred:

Reclassification 1

1. Property, Plant and Equipment (Office Equipment and Furniture and fittings)

During the current year, Office Equipment and Furniture and fittings were combined into one asset category called Furniture and Office Equipment. This resulted in the prior year balances for Office Equipment and Furniture and fittings (R3 529 784 and R5 172 005, respectively) being combined and disclosed as R8 701 789 in the 2023 comparative figures.

56. Risk management

Financial risk management

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

The accounting policy for financial instruments was applied to the following statement of financial position items:

Amortised cost - Financial Assets	2024	2023
Receivables from exchange transactions	21 004 452	521 568
Receivables from exchange transactions	3 244 850	2 223 014
Consumer Debtors	80 002 945	46 248 903
Cash and cash equivalents	99 299 089	218 063 411
Long-term investment	50 000 000	-
	253 551 336	**267 056 896**

Amortised cost - Non-Derivative Financial Liabilities	2024	2023
Borrowings	(100 404 647)	-
Payables	(232 383 968)	(136 416 651)
	(332 788 615)	**(136 416 651)**

Fair Values

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

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

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

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

2024 **Financial Assets**	Level 1	Total
Cash and cash equivalents	99 299 089	99 299 089
Long-term investment	50 000 000	50 000 000
Borrowings	(100 404 647)	(100 404 647)
	48 894 442	**48 894 442**

56. Risk management (continued)

2023	**Level 1**	**Total**
Financial Assets		
Cash and cash equivalents	218 063 411	218 063 411

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.

The following are contractual liabilities of which interest is included in borrowings:

2024	**Up to 1 year**	**1-5 years**	**Total**
Non-derivative financial liabilities			
Borrowings	(45 099 389)	(70 742 415)	(115 841 804)
Capital repayments	(35 901 148)	(64 503 499)	(100 404 647)
Interest	(9 198 241)	(6 238 916)	(15 437 157)
Payables	(232 383 968)	-	(232 383 968)
	(277 483 357)	**(70 742 415)**	**(348 225 772)**

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 are assessed for recoverability in line with the municipality debt impairment policy which is aligned to the GRAP 104 paragraph 61 (Financial Instruments).

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

Financial instrument	2024	2023
Receivables from exchange transactions	21 004 452	521 568
Receivables from non-exchange transactions	3 244 850	2 223 014
Consumer debtors	80 002 945	46 248 903
Cash and cash equivalents	99 299 089	218 063 411
Long-term investment	50 000 000	-

Market risk

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

56. Risk management (continued)

Market risk of the Municipality

Market risk is the risk to the municipality 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.

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. The municipality is not exposed to currency risk as its operations are only in South Africa, and its financial transactions are primarily denominated in the South African Rand.

Interest rate risk is the is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Consumer debtors are exposed to interest rate risk as the municipality levies interest at prime plus 1%. The municipality's investments are also affected by fluctuations in the market interest rates.

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). Changes in the CPI and the PPI could have an impact on the pricing of goods and services procured by the municipality. Similarly, the volatility in international markets and the seasonal fluctuations in fuel price and supply also present a price risk to the municipality.

57. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.
The municipality is constitutionally mandated to impose Rates and Taxes in terms of Section 229 of the Constitution and that ensures that it will continue to fund its operations.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continues to procure funding for the ongoing operations for the municipality. This was made possible due to the following:
1. Grants have been appropriated in the DORA in favour of the municipality, which will ensure operational sustainability of the municipality. Both the operational and capital grants have been appropriated in the DORA in favour of the municipality as part of the Multi-Year Revenue and Expenditure Framework,which will ensure operational sustainability of the the municipality.
2. Funds have been ring-fenced for the unspent conditional grant liabilities and retention liability thus therefore the municipality will be able to discharge its financial obligations relating to these liabilities.

58. Events after the reporting date

There were no events after the reporting date.

59. Unauthorised, Irregular and Fruitless and Wasteful Expenditure

Unauthorised expenditure	275 655 848	463 418 696
Irregular expenditure	144 281 391	181 937 130
Fruitless and wasteful expenditure	1 362 501	1 362 501
Closing balance	**421 299 740**	**646 718 327**

***Refer to reconciling notes in the annual report**

Figures in Rand	2024	2023

60. Unauthorised expenditure

Opening balance as previously reported	463 418 696	238 514 187
Less: Amount written off - prior period	(463 418 696)	-
Add: Administration and Corporate services (Operational)	23 523 115	220 936 655
Add: Administration and Corporate services (Capital)	-	2 450 284
Add: Development and planning (Capital)	-	78 840
Add: Local economic development and tourism (Operational)	-	1 438 730
Add: Finance and administration (Operational)	127 502 213	-
Add: Roads (Operational)	36 599 433	-
Add: Solid waste landfill site (Operational)	984 590	-
Add: Finance and administration (Capital)	47 062 587	-
Add: Waste Management (Capital)	13 214 927	-
Add: Development and planning (Operational)	26 768 983	-
Closing balance	**275 655 848**	**463 418 696**

The 2024 unauthorised expenditure consists of:

1. Finance and administration (Capital)
Land acquisition and reclassification of land bought at various townships earmarked for development.

2. Waste Management (Capital)
Reclassification of machinery and equipment previous budgeted under Technical services.

3. Administration and Corporate services (Operational)
Reclassification of Depreciation of roads which were processed under Corporate.

4. Finance and administration (Operational)
Inventory consumed for sale of land which were not budgeted for and debt writeoff on the Mphaphudi and TT properties cases as the they were both liquidated.

5. Roads (Operational)
INEP projects expensed , wherein the initial budget was budgeted under capital projects.

6. Solid waste landfill site (Operational)
Interest on provision made on rehabilitation of landfill site was not budgeted for during the current year.

7. Development and planning (Operational)
Variance is due to the R37 150 000 fair value adjustment to land inventory.

61. Fruitless and wasteful expenditure

Opening balance as previously reported	1 362 501	9 980 640
Add: Fruitless and wasteful expenditure identified - current	-	505 230
Less: Amount recovered - current	-	(4 184 445)
Less: Amount written off - current	-	(4 938 924)
Closing balance	**1 362 501**	**1 362 501**

Fruitless and wasteful expenditure is presented inclusive of VAT.

Amount recovered during the current year
During the 2022/23 financial year the Standard bank deposited back into the municipality's main account R4 184 445 in respect of the unauthorised debit orders disputed by the Municipality.

Figures in Rand		2024	2023

61. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Mammule Chidi Attorney	Payment in favour of Mmamule Chidi Attorneys in a case of Wonder Kgole and Lelo - Under investigation	6 509	6 509
Albert Hibbert Attorneys	Interest on the Payment in favour of Mammule Chidi Attorney in a case of Wonder Kgole and Lelo - Under investigation	132 850	132 850
Sekhukhune Times	Re-Advertisement - Under investigation	17 312	17 312
Sheriff Praktiseer H&L	Storage claim that accumulated due delay in removal of a car - Under investigation	26 557	26 557
Bathane Rasemana Attorney	Legal costs relating to dispute between (Kgaogelo Kae-Kae) (Pty) Ltd and FTLM	134 218	134 218
Standard Bank	Unauthorised bank withdrawals - Under investigation	896 593	896 593
FNB Bank	Unauthorised bank withdrawals - Under investigation	9 584	9 584
Eskom	Interest on overdue account	689	689
Department of Labour	Penalty on assessment	40 970	40 970
Municipal Gratuity Fund	Interest on overdue account	2 339	2 339
AGSA	Interest on overdue account	385	385
SARS	Interest and penalty on overdue account	26 644	26 644
Mapale	Lost legal case (interest) on judgement against the municipality - Under investigation	67 847	67 847
Sekhukhune District	Interest on overdue account	4	4
		1 362 501	**1 362 501**

Amount recovered

During the 2022/23 financial year the Standard bank deposited R4 184 445 in respect of the unauthorised debit orders disputed by the Municipality.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

62. Irregular expenditure

Opening balance as previously reported	181 937 131	246 687 998
Add: Irregular expenditure - (Non-compliance with laws and regulations) - current	46 851 432	26 089 492
Less: Amount written off - current	(10 777 684)	(90 840 359)
Less: Amount written off - prior period	(48 466 975)	-
Closing balance	**169 543 904**	**181 937 131**

Refer to **Final Annexure 1-Irregular Expenditure breakdown as at 30 June 2024** for a detailed breakdown of the irregular expenditure identified in the 2024 financial year and disclosure in terms of Section 125 (2)(d) of the MFMA.

2024 irregular appointments of service providers on capital projects

Included in the 2024 Irregular expenditure is an amount of R2 186 853 in respect of appointments of service providers by municipal officials with no authority as per the delegation of authority of the municipality. Furthermore, Supply Chain Management processes were not followed in the appointment of the service providers.

63. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	3 049 140	-
Amount paid - current year	(3 049 140)	-
	-	-

Audit fees

Current year fee	9 267 411	8 694 953
Amount paid - current year	(9 260 442)	(8 694 953)
	6 969	-

PAYE and UIF

Current year amount	48 017 767	44 924 407
Amount paid - current year	(48 017 767)	(44 924 407)
	-	-

Pension and Medical Aid Deductions

Current year amount	35 100 971	33 449 654
Amount paid - current year	(35 100 971)	(33 449 654)
	-	-

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

VAT

	2024	2023
VAT receivable	375 098 771	253 698 236
VAT payable	(326 736 880)	(222 580 653)
	48 361 891	**31 117 583**

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
Makofane I.T	5 813	96 390	102 203
Maila EE	2 965	-	2 965
	8 778	**96 390**	**105 168**

30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
Maila EE	27 086	-	27 086

During the year the following Councillors’ had arrear accounts outstanding for more than 90 days.

64. Deviation from supply chain management regulations

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

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

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Class	**2024**	**2023**
Emergency	56 481 820	-

65. Segment information

General information

Notes to the Annual Financial Statements

65. Segment information (continued)

Identification of segments

The municipality is organised and reports to council on the basis of eight (8) major functional areas: community services, corporate services, executive council, finance, technical service administration, local economic development, development planning and municipal manager. The segments are organised around the departments which assist the municipality in service delivery. Council uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Aggregated segments

The municipality operates in the Sekhukhune District area of the Limpopo province. Since all the segments are located in one geographical area, segment results were aggregated on the basis of services departments..

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Community service	Removal and disposal of waste, traffic safety, municipal bylaws and security. Provision of libraries,pounds,public parks and cemeteries.
Finance	Ensure proper management of municipal finances to improve financial viability, revenue, budget control, expenditure and free basic services. It also administers supply chain, fleet and asset management services.
Technical services	Technical Services Administration, Roads, Storm Water.
Corporate services	Corporate Services Administration, Executive Support.
Waste Management	Waste disposal.
Development Planning	Development Planning Services Administration, Municipal Buildings.
Local Economic Development	Economic & Land Development Administration.
Municipal Manager	Municipal Manager Administration.

65. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Community services	Finance	Corporate services	Waste Management	Development Planning	Local Economic Development	Municipal Manager	Technical services	Total
Revenue									
Revenue from exchange transactions	8 319 267	8 355 128	2 728 400	27 980 738	753 120	-	-	-	48 136 653
Revenue from non-exchange transactions	1 574 400	677 312 312	(883 695)	-	-	1 285 000	-	149 138 453	828 426 470
Interest charged (trading)	4 799 464	-	-	-	-	-	-	-	4 799 464
Interest revenue	-	13 932 328	-	-	-	-	-	-	13 932 328
Total segment revenue	**14 693 131**	**699 599 768**	**1 844 705**	**27 980 738**	**753 120**	**1 285 000**	**-**	**149 138 453**	**895 294 915**
Entity's revenue									**895 294 915**
Expenditure									
Employee related cost	80 033 583	33 933 610	56 092 209	46 819	7 057 193	4 051 614	20 321 214	25 787 478	227 323 720
Remuneration of councillors	-	-	38 574 170	-	-	-	-	-	38 574 170
Inventory consumed	-	4 658 128	1 122 899	156 800	-	-	-	-	5 937 827
Depreciation and amortisation	-	194 197	75 385 761	-	-	-	-	-	75 579 958
Finance cost	-	-	3 464 091	-	-	-	-	-	3 464 091
Impairment losses	-	6 850	-	-	-	-	-	-	6 850
Lease rentals on operating lease	-	-	26 037 176	-	-	-	-	-	26 037 176
Debt Impairment	-	61 100 805	-	-	-	-	-	-	61 100 805
Bad debts written off	-	2 946 904	-	-	-	-	-	-	2 946 904
Contracted services	1 085 269	48 277 110	28 741 883	32 069 242	7 115 813	5 975 460	79 963 886	101 821 264	305 049 927
Transfers and subsidies	-	-	5 571 864	-	-	-	-	-	5 571 864
General expenses	3 379 280	19 798 262	48 663 602	516 749	(93 892)	1 841 366	(1 778 541)	1 000 310	73 327 136
Loss on disposal	-	-	-	-	-	-	-	6 275 666	6 275 666
Total segment expenditure	**84 498 132**	**170 915 866**	**283 653 655**	**32 789 610**	**14 079 114**	**11 868 440**	**98 506 559**	**134 884 718**	**831 196 094**
Total segmental surplus/(deficit)	**(69 805 001)**	**528 683 902**	**(281 808 950)**	**(4 808 872)**	**(13 325 994)**	**(10 583 440)**	**(98 506 559)**	**14 253 735**	**64 098 821**

Notes to the Annual Financial Statements

Figures in Rand

65. Segment information (continued)

	Community services	Finance	Corporate services	Waste Management	Development Planning	Local Economic Development	Municipal Manager	Technical services	Total
Assets									
Inventories	-	96 689 923	2 034 289	970 270	-	-	-	-	99 694 482
Receivables from exchange transactions	-	516 519	-	-	-	-	-	-	516 519
Receivables from non-exchange transactions	417 138	1 477 230	203 284	-	-	-	138 522	-	2 236 174
VAT receivable	1 686 936	(64 516 831)	22 068 581	1 087 839	864 684	670 970	18 893 882	50 173 659	30 929 720
Prepayments	-	525 000	-	-	-	-	-	-	525 000
Consumer debtors from exchange transactions	-	(19 768 346)	-	77 533 932	(357 788)	-	-	-	57 407 798
Cash and cash equivalents	(20 597 531)	1 039 279 405	(340 310 363)	(43 576 477)	(20 042 481)	(7 469 998)	(165 207 831)	(224 011 311)	218 063 413
Investment property	-	(5 784 000)	66 584 000	-	-	-	-	-	60 800 000
Property, Plant and Equipment	8 797 095	(49 321 743)	2 366 248 230	195 869	412 829	-	224 000	105 618 678	2 432 174 958
Intangible assets	503 399	(225 251)	158 287	-	-	-	-	-	436 435
Heritage Assets	-	-	1 068 300	-	-	-	-	-	1 068 300
Total segment assets	**(9 192 963)**	**998 871 906**	**2 118 054 608**	**36 211 433**	**(19 122 756)**	**(6 799 028)**	**(145 951 427)**	**(68 218 974)**	**2 903 852 799**
Total assets as per Statement of financial Position									**2 903 852 799**
Liabilities									
Payables from exchange transactions	(1 029 709)	143 404 318	(466 544 322)	10 294 174	14 789	(32 083)	(397 391)	182 806 497	(131 483 727)
Employee benefit obligation	-	(37 226 783)	3 539 357	-	-	-	-	-	(33 687 426)
Unspent conditional grant and receipts	-	(7 891 734)	(58 765 847)	-	-	1 688 000	-	(6 346 490)	(71 316 071)
Provision (Leave accrual)	-	(19 933 100)	3 686	-	-	-	-	-	(19 929 414)
Provision (Landfill site rehabilitation)	-	-	-	(9 125 893)	-	-	-	-	(9 125 893)
Total segment liabilities	**(1 029 709)**	**78 352 701**	**(521 767 126)**	**1 168 281**	**14 789**	**1 655 917**	**(397 391)**	**176 460 007**	**(265 542 531)**
Total liabilities as per Statement of financial Position									**(265 542 531)**

65. Segment information (continued)

2024

	Community Services	Finance	Corporate services	Waste management	Development Planning	Local Economic Development	Municipal Manager	Technical Services	Total
Revenue									
Revenue from non-exchange transactions	1 363 200	809 216 494	17 391 303	-	-	1 463 000	-	223 612 448	1 053 046 445
Revenue from exchange transactions	41 279 970	137 381 489	911 641	-	-	823 165	94 912	-	180 491 177
Interest charged (Trading)	6 068 964	-	-	-	-	-	-	-	6 068 964
Interest revenue	-	19 650 733	-	-	-	-	-	-	19 650 733
Total segment revenue	**48 712 134**	**966 248 716**	**18 302 944**	**-**	**-**	**2 286 165**	**94 912**	**223 612 448**	**1 259 257 319**
Entity's revenue									**1 259 257 319**
Expenditure									
Employee related costs	83 720 888	38 549 178	68 425 826	-	-	11 326 709	24 288 832	28 488 183	254 799 616
Remuneration to Councillors	-	-	43 497 786	-	-	-	-	-	43 497 786
Inventory consumed	972 499	51 304 644	1 429 948	-	-	-	-	14 417	53 721 508
Depreciation and amortisation	4 863 112	7 185 069	46 569 519	-	-	-	-	27 318 283	85 935 983
Impairment loss/reversal of impairment	-	-	-	-	-	-	-	23 081 327	23 081 327
Finance costs	-	4 284 558	-	-	-	-	-	-	4 284 558
Lease rentals on operating lease	-	-	10 752 645	-	-	-	-	-	10 752 645
Debt imparment/reversal of impairment	-	138 351 899	-	-	-	-	-	-	138 351 899
Bad debts written off	290 244	211 195	-	-	-	-	-	-	501 439
Contracted services	47 101 596	56 983 882	38 277 606	-	-	14 717 604	124 873 852	137 677 550	419 632 090
Transfer and subsidies	-	-	-	-	-	-	-	5 870 918	5 870 918
Fair value adjustment	-	(1 597 254)	-	-	37 150 000	-	-	-	35 552 746
General expenses	8 716 526	26 066 672	57 537 354	-	-	1 761 308	7 564 665	1 458 916	103 105 441
Loss on non current assets held for sale or disposal groups	-	-	-	-	-	-	-	4 962 992	4 962 992
Total segment expenditure	**145 664 865**	**321 339 843**	**266 490 684**	**-**	**37 150 000**	**27 805 621**	**156 727 349**	**228 872 586**	**1 184 050 948**
Total segmental surplus/(deficit)	**(96 952 731)**	**644 908 873**	**(248 187 740)**	**-**	**(37 150 000)**	**(25 519 456)**	**(156 632 437)**	**(5 260 138)**	**75 206 371**

Notes to the Annual Financial Statements

Figures in Rand

65. Segment information (continued)

	Community Services	Finance	Corporate services	Waste management	Development Planning	Local Economic Development	Municipal Manager	Technical Services	Total
Assets									
Inventories	1 920 326	71 055 410	2 464 174	-	-	-	(14 950)	166 033	75 590 993
Receivables from exchange transactions	-	21 004 451	-	-	-	-	-	-	21 004 451
Receivables from non-exchange transactions	415 138	2 759 760	88 844	-	-	(157 415)	138 522	-	3 244 849
Vat Receivable	7 568 474	(125 909 704)	26 368 055	-	521 739	3 589 945	36 753 838	99 496 937	48 389 284
Consumer Debtors	68 842 184	9 733 765	-	-	-	(230 878)	-	1 657 870	80 002 941
Cash and cash equivalents	(119 354 857)	1 526 063 912	(568 403 637)	-	(12 000 000)	24 950 745	(309 816 179)	(442 140 896)	99 299 088
Property, Plant and Equipment	(56 440 130)	(67 492 399)	2 641 226 696	5 442 125	3 538 261	412 829	6 115 269	195 624 769	2 728 427 420
Investment property	-	(5 784 000)	59 114 854	-	-	-	-	-	53 330 854
Intangible Assets	503 399	(225 251)	60 893	-	-	-	-	-	339 041
Heritage Assets	-	-	1 068 300	-	-	-	-	-	1 068 300
Long-term investment	-	50 000 000	-	-	-	-	-	-	50 000 000
Total segment assets	**(96 545 466)**	**1 481 205 944**	**2 161 988 179**	**5 442 125**	**(7 940 000)**	**28 565 226**	**(266 823 500)**	**(145 195 287)**	**3 160 697 221**
Total assets as per Statement of financial Position									**3 160 697 221**
Liabilities									
Payables from exchange transactions	7 274 892	41 729 292	(438 123 929)	-	-	(3 437 468)	(13 403 288)	173 576 532	(232 383 969)
Employee benefit obligation	-	(45 083 606)	5 541 246	-	-	-	-	-	(39 542 360)
Unspent conditional grants and receipts	-	(1 528 950)	(58 765 847)	-	-	1 688 000	-	50 201 958	(8 404 839)
Provisions (leave accrual)	-	(20 200 287)	384 333	-	-	-	-	-	(19 815 954)
Provisions (landfill site rehabilitation)	(30 082 688)	-	-	-	-	-	-	-	(30 082 688)
Standard bank Loan	-	(100 404 647)	-	-	-	-	-	-	(100 404 647)
Accumulated surplus	113 234 277	(4 027 079 395)	593 421 103	-	-	64 244 544	423 908 914	177 411 552	(2 654 859 005)
Total segment liabilities	**90 426 481**	**(4 152 567 593)**	**102 456 906**	**-**	**-**	**62 495 076**	**410 505 626**	**401 190 042**	**(3 085 493 462)**
Total liabilities as per Statement of financial Position									**(3 085 493 462)**

* See Note 54