

VOLUME II

VOLUME II: ANNUAL FINANCIAL STATEMENTS



Xhantip District Municipality
(Registration number DC16)
Annual Financial Statements
for the year ended 30 June 2024

Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended 30 June 2024

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998).
Nature of business and principal activities	<p>Xhariep District Municipality is a district municipality performing the function as set out in the constitution (Act no 105 of 1996).</p> <p>Xhariep District Municipality includes the municipal areas of Mohokare Local Municipality, Letsemeng Local Municipality and Kopanong Local Municipality.</p>
Mayoral committee	
Executive Mayor	Cllr IN Mehlomakulu
Speaker	Cllr AM Shasha
MMC: Corporate Services	Cllr NJ Garekoe -resigned in June 2024
MMC: Planning and Social Development	Cllr TD Mochechepa
MMC: Finance	Cllr MA Lebaka
Councillors	Cllr RW Van Wyk
	Cllr AJ Janse Van Rensburg
	Cllr IS Riddle
	Cllr MV Malgas
	Cllrs TI Phatsoane
	Cllr NA Adoons
	Cllr M Lekoene
	Cllr MG Mokheseng
	Cllr MA Molai
	Cllr MM Potgelter
	Cllr AN November
Grading of local authority	3
Municipal Manager	Ms LY Moletsane
Accounting officer details	
Chief Finance Officer (CFO)	Mr T.S Matsiliso (Acting)
	Mr PV Litabe (Contract ended 28 April 2024)
Registered office	20 Louw Street Trompsburg 9913
Business address	20 Louw Street Trompsburg 9913
Postal address	P.O Box 136 Trompsburg 9913
Bankers	ABSA Bank Limited
Auditors	Auditor-General of South Africa

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Abbreviations used:

DMRE	Department of Mineral Resources and Energy
GRAP	Generally Recognised Accounting Practice
MIG	Municipal Infrastructure Grant
INEP	Intergrated National Electrification Programme
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

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Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the Municipal Manager on 30 August 2024 and were signed on its behalf by:

LY Moletsane
Municipal Manager

Xhariep District Municipality

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Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Report

The municipal manager submits her report for the year ended 30 June 2024.

1. Review of activities

Main business and operations

The municipality is engaged in providing services and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached Annual Financial Statements and do not in our opinion require any further comments.

2. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated loss of (12 878 394) and that the municipality's total liabilities exceed its total assets by (12 878 394).

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

3. Subsequent events

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

4. Accounting policies

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

5. Accounting officer details

The municipal manager of the entity during the year and to the date of this report is as follows:

Name	Nationality
LY Moletsane	South Africa

6. Bankers

The operating account of the municipality remained held with ABSA.

7. Auditors

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

The annual financial statements set out on page 5-72, which have been prepared on the going concern basis, were approved by the Municipal Manager on 30 August 2024 and were signed on its behalf by:

LY Moletsane
Municipal Manager

Xhariep District Municipality

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Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
VAT receivable from exchange transactions- statutory receivable	3	3 297 211	2 473 328
Trade and Other receivables	4	7 084 772	3 501 043
Cash and cash equivalents	5	307 532	394 104
		10 689 515	6 368 475
Non-Current Assets			
Property, plant and equipment	6	8 455 935	9 459 080
Intangible assets	7	1 168	2 337
		8 457 103	9 461 417
Total Assets		19 146 618	15 829 892
Liabilities			
Current Liabilities			
Payables from exchange transaction	8	21 118 456	18 328 070
Payables from non-exchange transactions	9	7 909 264	835 186
Employee benefit obligation	10	492 309	180 162
Unspent conditional grants and receipts	11	1 136	41
		29 521 165	19 343 459
Non-Current Liabilities			
Employee benefit obligation	10	2 503 847	2 553 804
Total Liabilities		32 025 012	21 897 263
Net Assets		(12 878 394)	(6 067 371)
Accumulated surplus		(12 878 394)	(6 067 371)
Total Net Assets		(12 878 394)	(6 067 371)

* See Note 46

Xhariep District Municipality

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Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
REVENUE			
Revenue from exchange transactions			
Rental of facilities	12	695 911	614 570
Interest received (debtors)	13	1 084 629	760
Other income	14	123 918	189 677
Interest received (bank/ investments)	15	1 413 905	475 680
Actuarial gains	10	148 268	431 126
Total revenue from exchange transactions		3 466 631	1 711 813
Revenue from non-exchange transactions			
Contract revenue- INEP	16	23 972 003	-
Debt relief (Non exchange)	17	609 401	1 934 962
Transfer revenue			
Government grants & subsidies	18	60 190 905	64 701 960
COGTA assistance grant	19	4 300 000	-
Financial Assistance in kind	20	-	4 047 997
LG SETA Income		619 274	78 781
Total revenue from non-exchange transactions		89 691 583	70 763 700
Total revenue		93 158 214	72 475 513
EXPENDITURE			
Employee related costs	21	(47 477 566)	(46 409 661)
Remuneration of councillors	22	(5 666 247)	(4 786 525)
Construction costs	23	(16 456 815)	-
Depreciation and amortisation	24	(1 204 990)	(1 605 873)
Finance costs	25	(630 426)	(893 080)
Debt Impairment	27	(1 859 413)	347 053
Contracted services	28	(3 394 495)	(5 033 237)
Transfers and Subsidies	29	(11 691 304)	-
Loss on disposal of assets and liabilities		-	(49 701)
General Expenses	30	(11 587 983)	(10 507 753)
Total expenditure		(99 969 239)	(68 938 777)
(Deficit) surplus for the year		(6 811 025)	3 536 736

* See Note 46

Xhariep District Municipality

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Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2022	(9 604 107)	(9 604 107)
Changes in net assets		
Deficit for the year	3 536 736	3 536 736
Total changes	3 536 736	3 536 736
Opening balance as previously reported	(5 873 328)	(5 873 328)
Adjustments		
Prior year adjustments 46	(194 041)	(194 041)
Restated* Balance at 01 July 2023 as restated*	(6 067 369)	(6 067 369)
Changes in net assets		
Deficit for the year	(6 811 025)	(6 811 025)
Total changes	(6 811 025)	(6 811 025)
Balance at 30 June 2024	(12 878 394)	(12 878 394)
Note(s)		

* See Note 46

Xhariep District Municipality

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Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 429 230	7 547 010
Grants and subsidies		84 783 277	64 702 001
Interest income		2 646 802	476 440
		<u>88 859 309</u>	<u>72 725 451</u>
Payments			
Employee costs		(54 611 690)	(51 246 501)
Suppliers		(33 589 426)	(19 914 127)
Finance costs		(544 089)	(734 005)
		<u>(88 745 205)</u>	<u>(71 894 633)</u>
Net cash flows from operating activities	32	<u>114 104</u>	<u>830 818</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(200 676)	(860 267)
Proceeds from sale of property, plant and equipment	6	-	201 000
Purchase of other intangible assets	7	-	(3 506)
Net cash flows from investing activities		<u>(200 676)</u>	<u>(662 773)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(86 572)</u>	<u>168 045</u>
Cash and cash equivalents at the beginning of the year		394 104	226 059
Cash and cash equivalents at the end of the year	5	<u>307 532</u>	<u>394 104</u>

* See Note 46

Xhariep District Municipality

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Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rental of facilities	167 000	96 000	263 000	695 911	432 911	1
Interest received (debtors)	-	5 000	5 000	1 084 629	1 079 629	2
Other income	88 000	-	88 000	123 918	35 918	3
Interest received - (bank/investment)	1 115 000	435 000	1 550 000	1 413 905	(136 095)	4
Total revenue from exchange transactions	1 370 000	536 000	1 906 000	3 318 363	1 412 363	
Revenue from non-exchange transactions						
Construction revenue- INEP	23 969 000	-	23 969 000	23 972 003	3 003	
Debt relief	-	-	-	609 401	609 401	5
COGTA assistance grant	-	-	-	4 300 000	4 300 000	6
Transfer revenue						
Government grants & subsidies	63 743 000	1 000 000	64 743 000	60 190 905	(4 552 095)	7
Government grants - MIG and COGTA	-	43 702 000	43 702 000	-	(43 702 000)	8
LG SETA Income	-	-	-	619 274	619 274	9
Total revenue from non-exchange transactions	87 712 000	44 702 000	132 414 000	89 691 583	(42 722 417)	
Total revenue	89 082 000	45 238 000	134 320 000	93 009 946	(41 310 054)	
Expenditure						
Employee related costs	(48 165 000)	2 309 000	(45 856 000)	(47 477 566)	(1 621 566)	10
Remuneration of councillors	(4 808 000)	(601 000)	(5 409 000)	(5 666 247)	(257 247)	11
Construction cost	(17 469 000)	2 000 000	(15 469 000)	(16 456 815)	(987 815)	12
Depreciation and amortisation	(600 000)	-	(600 000)	(1 204 990)	(604 990)	13
Finance costs	-	(68 000)	(68 000)	(630 426)	(562 426)	14
Debt Impairment	-	-	-	(1 859 413)	(1 859 413)	15
Contracted services	(4 378 000)	(2 597 000)	(6 975 000)	(3 394 495)	3 580 505	16
Transfers and Subsidies	(8 661 000)	115 000	(8 546 000)	(11 691 304)	(3 145 304)	17
General Expenses	(6 931 000)	(2 094 000)	(9 025 000)	(11 587 983)	(2 562 983)	18
Total expenditure	(91 012 000)	(936 000)	(91 948 000)	(99 969 239)	(8 021 239)	
Operating deficit	(1 930 000)	44 302 000	42 372 000	(6 959 293)	(49 331 293)	
Actuarial gains/losses	-	-	-	148 268	148 268	19
(Deficit)/Surplus	(1 930 000)	44 302 000	42 372 000	(6 811 025)	(49 183 025)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(1 930 000)	44 302 000	42 372 000	(6 811 025)	(49 183 025)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Position

Assets

Current Assets

VAT receivable	5 153 000	1 254 000	6 407 000	3 297 211	(3 109 789)	20
Trade and other receivables	-	5 000	5 000	7 084 772	7 079 772	21
Cash and cash equivalents	(3 197 000)	(4 259 000)	(7 456 000)	307 532	7 763 532	22
	1 956 000	(3 000 000)	(1 044 000)	10 689 515	11 733 515	

Non-Current Assets

Property, plant and equipment	25 439 000	2 471 000	27 910 000	8 455 935	(19 454 065)	23
Intangible assets	-	-	-	1 168	1 168	24
	25 439 000	2 471 000	27 910 000	8 457 103	(19 452 897)	

Total Assets

	27 395 000	(529 000)	26 866 000	19 146 618	(7 719 382)	
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Liabilities

Current Liabilities

Payables from exchange transaction	3 318 000	-	3 318 000	21 322 457	18 004 457	25
Payable from non exchange	-	(39 528 000)	(39 528 000)	7 909 264	47 437 264	26
VAT payable	38 000	15 000	53 000	-	(53 000)	
Employee benefit obligation	-	-	-	492 309	492 309	27
Unspent conditional grants and receipts	-	-	-	1 136	1 136	
	3 356 000	(39 513 000)	(36 157 000)	29 725 166	65 882 166	

Non-Current Liabilities

Employee benefit obligation	-	-	-	2 503 847	2 503 847	28
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Total Liabilities

	3 356 000	(39 513 000)	(36 157 000)	32 229 013	68 386 013	
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Net Assets

	24 039 000	38 984 000	63 023 000	(13 082 395)	(76 105 395)	
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Net Assets

Reserves

Accumulated surplus	24 039 000	38 984 000	63 023 000	(13 082 395)	(76 105 395)	31
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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Cash Flow Statement

Cash flows from operating activities

Receipts

Transfers and subsidies capital	23 969 000	43 702 000	67 671 000	-	(67 671 000)	30
Transfers and subsidies - Operational	63 743 000	1 000 000	64 743 000	-	(64 743 000)	31
Other revenue	1 355 000	520 000	1 875 000	-	(1 875 000)	32
	89 067 000	45 222 000	134 289 000	-	(134 289 000)	

Payments

Employee costs and Suppliers	(65 806 000)	(3 590 000)	(69 396 000)	(88 201 116)	(18 805 116)	33
Transfers and subsidies	(161 000)	115 000	(46 000)	-	46 000	34
Finance costs	-	(68 000)	(68 000)	-	68 000	30
	(65 967 000)	(3 543 000)	(69 510 000)	(88 201 116)	(18 691 116)	

Net cash flows from operating activities	23 100 000	41 679 000	64 779 000	(88 201 116)	(152 980 116)	
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Cash flows from investing activities

Purchase of property, plant and equipment	(26 350 000)	(6 259 000)	(32 609 000)	-	32 609 000	35
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Cash flows from financing activities

Finance lease payments	-	-	-	-	-	
Net increase/(decrease) in cash and cash equivalents	(3 250 000)	35 420 000	32 170 000	(88 201 116)	(120 371 116)	
Cash and cash equivalents at the end of the year	(3 250 000)	35 420 000	32 170 000	(88 201 116)	(120 371 116)	

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Accounting Policies

Figures in Rand	Note(s)	2024	2023
<p>1. Presentation of Annual Financial Statements</p> <p>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).</p> <p>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.</p> <p>Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.</p> <p>A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.</p>			
<p>1.1 Presentation currency</p> <p>These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.</p>			
<p>1.2 Going concern assumption</p> <p>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.</p>			
<p>1.3 Materiality</p> <p>Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.</p> <p>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.</p>			

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1.4 Significant judgements and sources of estimation uncertainty

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

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

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

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

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

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 Provisions.

Effective interest rate

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

Useful lives and residual values

The municipality's management determine the useful lives and related depreciation changes for property, plant and equipment.

This estimate is based on industry norms. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Long Service Award

The present value of the long service bonus obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate, future inflation, salary inflation, net discount rate and assumed retirement age.

Any changes in these assumptions will impact on the carrying amount of long service bonus obligations

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

Leave and Bonus Accrual

The municipality used the leave and bonus paid date to estimate the provisions respectively

1.5 Property, plant and equipment

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

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Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality 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 a straight-line basis over their expected useful lives to their estimated residual value.

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	25-30 years
Security system	Straight-line	5-10 years
Plant and machinery	Straight-line	3-15 years
Furniture and fixtures	Straight-line	3-15 years
Motor vehicles	Straight-line	4-7 years
Office equipment	Straight-line	5-10 years
IT equipment	Straight-line	3-10 years
Finance leased assets	Straight-line	The shorter of asset's useful life or the lease term

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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 6).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 6).

No item of property, plant and equipment are pledged as security for liabilities.

1.6 Intangible assets

Intangible assets are non current asset that are held for use in the production or supply of goods or services, rental to other or for administrative purposes and are expected to be used during more than one period.

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.

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.

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

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1.6 Intangible assets (continued)

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 7).

1.7 Financial instruments

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

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

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

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

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

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

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

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

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1.7 Financial instruments (continued)

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

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

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

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

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 a municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of a municipality 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 a municipality's net assets, either before the contribution occurs or at the time of the contribution; or

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1.7 Financial instruments (continued)

- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of a municipality.

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

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

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

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

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1.7 Financial instruments (continued)

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Trade and other receivables	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Finance lease liability	Financial liability measured at amortised cost

The municipality classifies financial assets and financial liabilities into the following categories:

- Held to maturity investments.
- Loans and receivables.
- Available for sale financial assets.
- Financial liabilities measured at amortised.

Classification depends on the purpose for which the financial instruments were obtained/ incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category:

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

The municipality classifies financial instruments or their component parts on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value except for equity investment for which a fair value is not determinable, which are measured at cost and are classified as available-for sale financial assets.

For financial instruments which are at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement of financial assets and financial liabilities

Loans and receivable are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost. Using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This equity investment for which a fair value is not determinable, which is measured at cost less accumulated impairment losses.

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1.7 Financial instruments (continued)

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets is calculated using the effective interest method is recognised as surplus or deficit as part of other income. Dividends or similar distribution received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Changes in fair value of available-for sale financial asset denominated in foreign currency are analysed between translation difference resulting from changes in amortised cost and other changes in carrying amount. Translation differences on monetary items are recognised in surplus or deficit while translation difference on non-monetary items are recognised in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value measurement considerations

The fair value of a quoted investment is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These includes the use of recent arm's length transaction, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models making maximum use of market inputs and relying as little as possible on municipality-specific inputs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

A gain or loss on a financial asset or financial liability classified as a fair value through surplus or deficit is recognised in surplus or deficit.

A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net asset, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net asset is recognised in surplus or deficit; and

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

Impairment of financial assets

At each of the reporting period the municipality assess all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial asset has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payment are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised as surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised as surplus or deficit except for equity investments classified as available-for-sale.

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1.7 Financial instruments (continued)

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Receivable from exchange transactions

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised as surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Payable from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Payables from non-exchange transactions

Payables from non-exchange are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible to a known amount of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loan and receivable.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

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Accounting Policies

1.7 Financial instruments (continued)

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

Financial liabilities

Financial liabilities are classified according to the substance of contractual agreements entered into.

Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method. Financial liabilities consist of trade payables and borrowings. They are categorized as financial liabilities held at amortised cost, and are subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

Statutory Receivables.

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

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

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

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

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

1.8 Leased assets

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.

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1.8 Leased assets (continued)

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

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.

Property, plant and equipment or intangible assets, subject to finance lease agreements, are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as finance lease liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

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1.9 Construction contracts

The municipality received a grant from National Treasury towards the Integrated National Electrification Programme for the 2023/24 financial year as publicized in the Division of Revenue Act. Xhariep District Municipality implemented infrastructure projects on behalf of the Mphahlele Local Municipality in line with the terms and conditions as outlined by the National Transferring Officer through Re-Gazetting of the allocation of the funds to the Xhariep District Municipality as outline in the suspensive condition of the agreement.

Grants received to implement the Intergrated National Electrification Programme are recognised as contract revenue.

Contract revenue comprises:

- a) the initial amount of revenue agreed in the contract; and
- b) variations in contract work, claims and incentive payments to the extent that:
- c) it is probable that they will result in revenue; and
- d) they are capable of being reliably measured.

Contract revenue is measured at the fair value of the consideration received or receivable

When the outcome of a construction contract can be estimated reliably, contract revenue is recognised as revenue by reference to the stage of completion of the contract activity at the reporting date. The stage of completion is assessed with reference to a review of work performed. Otherwise, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

The outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:

- a) total contract revenue, if any, can be measured reliably;
- b) it is probable that the economic benefits or service potential associated with the contract will flow to the entity
- c) such other costs as are specifically chargeable to the customer under the terms of the contract.

Contract costs include the costs attributable to a contract for the period from the date of securing the contract to the final completion of the contract. Costs that cannot be attributed to contract activity or cannot be allocated to a contract are excluded from the costs of a construction contract.

Construction costs include:

- a) general administration costs for which reimbursement is not specified in the contract;
- b) selling costs;
- c) research and development costs for which reimbursement is not specified in the contract; and
- d) depreciation of idle plant and equipment that is not used on a particular contract.

As with contract revenue, contract costs are recognised as expenses when the outcome of a construction contract can be estimated reliably, by reference to the stage of completion of the contract activity at the reporting date.

The cost basis will be utilised to compute the percentage of completion of the contract. The percentage of completion arises from the cost incurred in the current period over the estimated total cost.

1.10 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

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

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

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Accounting Policies

1.11 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

1.12 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.

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

Designation

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Xhariep District Municipality

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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.13 Employee benefits

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.13 Employee benefits (continued)

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 municipality provides post-employment benefits for one or more employees.

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

Post-employment benefits: Defined contribution plans

The municipality contribution to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit in the period in which the service is rendered by the relevant employees unless another standard requires or permits the inclusion of contribution in the cost of an asset. Prepaid contribution are recognised as an asset to the extent that a cash refund or a reduction in future payment is available. Payments to defined contribution retirement benefit plan are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

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 end of the reporting period where the interim valuations 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.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees.

Actuarial gains or losses within the corridor are not recognised.

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.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The 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, and reduces by the fair value of plan assets.

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.

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Accounting Policies

1.14 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 loss.

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

A constructive obligation to restructure arises only when an entity:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 33.

1.15 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

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Accounting Policies

1.16 Revenue from exchange transactions

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

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

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

Measurement

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

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

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

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

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

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Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.18 Investment income

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

1.19 Borrowing costs

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

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

1.20 Comparative figures

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

1.21 Unauthorised expenditure

Unauthorised expenditure means:

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in

the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. Detailed disclosure were in the notes to the financial statement as required by the MFMA.

1.22 Fruitless and wasteful expenditure

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. Detailed disclosure were in the notes to the financial statement as required by the MFMA. Additional text.

1.23 Irregular expenditure

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

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Accounting Policies

1.23 Irregular expenditure (continued)

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.

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

1.24 Segment information

A segment is an activity of an entity:

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

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

1.25 Budget information

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

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

The approved budget is prepared on a accrual basis and presented by functional 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.

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Accounting Policies

1.25 Budget information (continued)

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.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.26 Related parties

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

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

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

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

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

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

Only transaction with related parties not at arm's length or not in ordinary course of business are disclosed.

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

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

1.27 Events after reporting date

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

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

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

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

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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.28 Use of Estimates

The preparation of annual financial statement in conformity with Standards of GRAP required the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality the municipality's accounting policies. The areas involved a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statement are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and action they may undertake in the future, actual result ultimately may differ from those estimates.

1.29 Expenditure

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

An expense is recognised in the municipality's Statement of Financial Performance when, and only when, the following criteria are satisfied:

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

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

Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting expenses are recognised when incurred usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

Major expenses include:

Decreases in fair values of financial instruments classified as held at fair value.

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

Repairs and maintenance - inclusive of repairs and maintenance to buildings, motor vehicles;

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

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

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

Employee cost - relating to cost associated with employee contracts.

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

Remuneration of councillors- relating to cost associated with councillors.

Finance costs- relating to interest charged on overdue accounts

Debt impairment- relates to the writte offs of debtors.

Notes to the Annual Financial Statements

Figures in Rand

2024

2023

Xhariep District Municipality

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 1 Presentation of Financial Statement	30 June 2025	Unlikely there will be a material impact
• GRAP 103 Heritage Assets	30 June 2025	Unlikely there will be a material impact
• Amendments : Improvements to Standards of GRAP	30 June 2025	Unlikely there will be a material impact
• GRAP 106 Transfer of functions Between Entities Not Under Common Control	30 June 2025	Unlikely there will be a material impact
• GRAP 107 Mergers	30 June 2025	Unlikely there will be a material impact
• GRAP105 Transfer of Functions Between Entities Under Common Control	30 June 2025	Unlikely there will be a material impact
• Other 7	30 June 2025	Unlikely there will be a material impact
• GRAP 104 Financial Instruments	01 April 2025	Unlikely there will be a material impact

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
3. VAT receivable from exchange transactions		
VAT	3 297 211	2 473 328
VAT is a statutory receivable arising from exchange transactions. The municipality pays Value Added Tax (VAT) to South African Revenue Service on a payment basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991), however the municipality accounts for VAT on an accrual basis.		
4. Trade and Other receivables		
Gross balances		
Trade Debtors	9 312 161	7 216 229
Prepaid expenses	2 047 944	3 115 813
Other debtors	5 292 417	877 338
	16 652 522	11 209 380
Less: Allowance for impairment		
Trade Debtors	(8 727 830)	(6 868 417)
Other debtors	(839 920)	(839 920)
	(9 567 750)	(7 708 337)
Net balance		
Trade Debtors	584 331	347 812
Prepaid expenses	2 047 944	3 115 813
Other debtors	4 452 497	37 418
	7 084 772	3 501 043
Trade debtors ageing		
Current (0 -30 days)	1 723 222	2 935 630
61 - 90 days	40 946	300
> 365 days	7 547 993	4 256 299
	9 312 161	7 192 229

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
4. Trade and Other receivables (continued)		
Summary of debtors by customer classification		
Industrial/ commercial		
Current (0 -30 days)	-	-
31 - 60 days	-	-
61 - 90 days	-	300
121 - 365 days	-	-
> 365 days	240 000	240 000
	240 000	240 300
Less: Allowance for impairment	(240 000)	(240 000)
	-	300
National and provincial government		
Current (0 -30 days)	1 723 222	2 935 630
31 - 60 days	40 946	-
91 - 120 days	40 946	-
> 365 days	7 267 047	4 016 299
	9 072 161	6 951 929
Less: Allowance for impairment	(6 628 417)	(6 628 417)
	2 443 744	323 512
Total		
Current (0 -30 days)	1 723 222	2 935 630
31 - 60 days	40 946	-
61 - 90 days	-	300
91 - 120 days	40 946	-
> 365 days	7 507 047	4 256 299
	9 312 161	7 192 229
Less: Allowance for impairment	(6 868 417)	(6 868 417)
	2 443 744	323 812
Total debtor past due but not impaired		
31 - 60 days	-	-
61 - 90 days	-	300
121 - 365 days	-	-
	-	300

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
4. Trade and Other receivables (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(7 708 337)	(8 055 390)
Contributions to allowance	(1 859 413)	347 053
	(9 567 750)	(7 708 337)

Other Receivables

Other receivables has the following balances:

COGTA receivable- R4 300 000

It relates to salaries paid on behalf of Kopanong Local Municipality and the amount will be refunded.

Legacy debt R857 633

This relates to a court case with was awarded in favor or Xhariep District Municipality.

Investment accrued interest R36 659

This is interest accrued from investments not yet received.

Creditors with Debit balances R95 121

These relate to reclassified creditors with debit balances.

Prepaid expenses

Finance lease prepayment R441 061.

RRAMS expenditure R1 559 721

Prepayments for Mayor's fule and car rental R47 162.

Trade debtors pledged as security

None of the debtors were pledged as security during the current year.

Xhariep District Municipality

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	44	44
Bank balances	(33 030)	155 490
Short-term deposits	340 518	238 570
	307 532	394 104

Cash and cash equivalents pledged as collateral

None of the cash has been pledged as security.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
ABSA - Cheque Account - 4053628182	(32 977)	155 489	116 689	(33 030)	155 489	116 689
ABSA - Call Account - 9309672913	13 162	6 594	6 352	13 162	6 594	6 352
ABSA - Invest Tracker - 9358190966	212 500	125 998	3 427	212 500	125 998	3 427
Nedbank - Call Deposit - 03/7662022528/000016	114 856	105 978	99 548	114 856	105 978	99 548
ABSA Call account - 9384564278	-	-	-	-	-	-
Total	307 541	394 059	226 016	307 488	394 059	226 016

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6. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	16 788 895	(10 429 084)	6 359 811	16 788 895	(9 815 759)	6 973 136
Plant and machinery	2 732 528	(2 732 508)	20	2 732 528	(2 732 508)	20
Furniture and Office Equipment	5 120 388	(4 952 964)	167 424	5 120 388	(4 762 389)	357 999
Motor vehicles	1 986 687	(1 057 259)	929 428	1 986 687	(818 604)	1 168 083
IT equipment	3 195 978	(2 196 726)	999 252	2 995 301	(2 035 459)	959 842
Total	29 824 476	(21 368 541)	8 455 935	29 623 799	(20 164 719)	9 459 080

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Depreciation	Total
Buildings	6 973 136	-	(613 325)	6 359 811
Plant and machinery	20	-	-	20
Furniture and Office Equipment	357 999	-	(190 575)	167 424
Motor vehicles	1 168 083	-	(238 655)	929 428
IT equipment	959 842	200 676	(161 266)	999 252
Total	9 459 080	200 676	(1 203 821)	8 455 935

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6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Reclassification n	Depreciation	Impairment loss	Total
Buildings	7 532 766	-	-	-	(559 630)	-	6 973 136
Plant and machinery	43 719	-	-	-	(43 699)	-	20
Furniture and Office Equipment	465 484	18 012	-	(4 259)	(107 346)	(13 892)	357 999
Motor vehicles	1 040 028	638 171	(250 791)	-	(259 325)	-	1 168 083
IT equipment	964 028	204 084	-	4 259	(201 354)	(11 175)	959 842
	10 046 025	860 267	(250 791)	-	(1 171 354)	(25 067)	9 459 080

Assets subject to finance lease (Net carrying amount)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

General expenses

633 069 147 245

Change in estimate

There is no change in the current year

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.

Xhariep District Municipality

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7. Intangible assets

	2024		2023			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
	2 440 568	(2 439 400)	1 168	2 440 568	(2 438 231)	2 337

Reconciliation of intangible assets - 2024

Computer Software	Opening balance	Amortisation	Total
	2 337	(1 169)	1 168

Reconciliation of intangible assets - 2023

Computer software	Opening balance	Additions	Amortisation	Total
	408 195	3 506	(409 364)	2 337

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8. Payables from exchange transaction		
Trade payables	10 857 262	6 666 208
COIDA	4 291 655	3 973 306
Auditor General South Africa	100 000	437 480
Sundry Creditors	340 943	340 943
Bonus Accrual	1 052 058	995 283
Leave pay Accrual	4 036 132	4 036 754
Third party payables	440 406	1 878 096
	21 118 456	18 328 070

9. Payables from non-exchange transactions

Payables from non-exchange transactions	7 909 264	835 186
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Below is the details of the unspent grants payable: which is payable:
MIG Grant received on behalf of Kopanong and Mohokare R7 074 078.

Mangaung Metro Motheo grant of R 711 416

COGTA - Provincial Infrastructure Grant (PIG) of R87 689.80

Thetha Grant of R 36 080

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2024

2023

10. Employee benefit obligations

Defined benefit plan

The long service award liability arises from Xhariep District Municipality being a party to the collective agreement on condition of service for the Free State Division of SALGA. This agreement is effective from 1 July 2010.

Xhariep District Municipality has a policy to provide long service awards to employees who have been in service of the municipality for a certain period of time. The municipality offers bonuses for every 5 years of completed service from 5 years to 45 years.

The long service awards plan is a defined benefit plan. At period end 59 employees were eligible for the long service bonuses.

The Long Service Award valuation was conducted as at 30 June 2024.

The current service cost for the year is estimated to be R252 248 (30 June 2023: R267 415) whereas the interest cost for the ensuring year is estimated to be R377 041 (30 June 2023: R332 808).

Reconciliation of unfunded obligation

Carrying value

Present value of the defined benefit obligation-wholly unfunded	2 733 966	2 695 035
Present value of the defined benefit obligation-partly or wholly funded	252 248	267 415
Fair value of plan assets	(218 831)	(140 415)
Fair value of reimbursement rights	377 041	332 808
Actuarial gains	(148 268)	(420 877)
	2 996 156	2 733 966
Non-current liabilities	(2 503 847)	(2 553 804)
Current liabilities	(492 309)	(180 162)
	(2 996 156)	(2 733 966)

The expected value of each employee's long service awards is projected to the next interval by allowing for future salary growth.

Long service benefits are awarded in the form of leave days and a percentage of salary. The average leave has been converted into a percentage of the employee's annual salary. The conversion is based on a 250 working days year per year and therefore the benefits awarded can be expressed as follows:

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

Opening balance	1 309 946	1 281 264
Net expense recognised in the statement of financial performance	262 190	28 682
	1 572 136	1 309 946

Net expense recognised in the statement of financial performance

Current service cost	252 248	267 415
Interest cost	377 041	332 808
Actuarial (gains) losses	(148 268)	(431 126)
Settlement	(218 831)	(140 415)
	262 190	28 682

Key assumptions used

Assumptions used at the reporting date:

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Figures in Rand	2024	2023
10. Employee benefit obligations (continued)		
Discount rates used	13,00 %	13,20 %
Medical cost trend rates	7,49 %	7,73 %
Expected increase in salaries	8,49 %	8,73 %
Expected pension increases	4,17 %	4,11 %

Discount rate assumption

The discount rate reflects the estimated timing of benefit payments.

The discount rate reflects the estimated timing of benefit payments. In practice, an Entity often achieves this by applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments and the currency in which the benefits are to be paid.

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. We have used the nominal yield curve for zero-coupon SA Government bonds with an average duration between 10 and 15 years as at 30 June 2024. The resultant discount rate was 13.00%. The source is the Johannesburg Stock Exchange through IRESS data services.

Future inflation assumption

The general inflation assumption is used to estimate the base rate for determining the rate at which the future subsidies will increase.

We have estimated the market's pricing of inflation by comparing the yields on zero-coupon index linked government bonds and zero-coupon government bonds both of an average of 10 to 15 year duration consistent with the duration of the liabilities. The implied inflation assumption is therefore 7.49% per annum for future inflation. The source of the data is the Johannesburg Stock Exchange through IRESS data service.

Future salary inflation assumption

The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase.

We assumed that salary inflation will exceed general inflation by 1.0% per annum. Therefore, we have used a salary inflation assumption of 8.49% per annum.

Even though the actual values used for the discount rate and the expected increase in salary inflation are important, the "gap" between the two assumptions is more important. This "gap" is referred to as the net discount rate. The net discount rate is 4.17% per annum (derived from a discount rate of 13.00% and the expected salary inflation rate of 8.49%).

The implied net discount rate was 4.11% at the previous valuation.

Net discount rate

4.17% for 2024

Demographic valuation assumptions

We have retained the demographic assumptions used in the previous year's valuation.

Pre-retirement mortality

We have assumed that the pre-retirement mortality will be in line with the SA85-90 table, which is a table reflecting mortality experience in South Africa. This assumption is consistent with that of the previous valuation.

Withdrawal rates

Xhariep District Municipality

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

The table below used reflect the rates of withdrawal used to value the liabilities for both males and females:

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	-	3 145 190
Effect on defined benefit obligation	-	2 403 271

Amounts for the current and previous four years are as follows:

	2024	2023	2022	2021	2020
Defined benefit obligation	2 966 156	2 733 966	2 695 035	2 656 923	2 076 529

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Rural Roads Asset Management Systems	1 136	41
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Movement during the year

Balance at the beginning of the year	41	-
Additions during the year	26 277 000	6 284 960
Income recognition during the year	(26 275 905)	(6 284 919)
	1 136	41

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

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 18 for reconciliation of grants from National/Provincial Government.

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

12. Rental of facilities

Premises

Rental income	695 911	614 570
	695 911	614 570

The amounts emanates from the rental of a section of the building to Kopanong Local Municipality and the Free State Gambling Board and National Youth Development Agency (NYDA).

The increase in revenue is due to a new contract entered into with NYDA in the current financial year. The rentals increase by the 10% every year as per the lease agreement.

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13. Interest received (debtors)

Interest received receivables	1 084 629	760
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The interest on debtors is mainly from Kopanong Local Municipality debt. The local municipality has not been paying for rental and their portion for service charges for the past years.

14. Other income

Bylaw certificates Income	44 452	21 531
Parking fee income	78 509	167 146
Tender documents	957	1 000
	123 918	189 677

15. Interest received (bank/ investments)

Interest revenue		
Bank	48 217	12 099
Interest received (Investments)	1 365 688	463 581
	1 413 905	475 680

16. Contract revenue

Contract revenue - INEP	23 972 003	-
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This revenue arise from the electrification project being implemented by Xhariep District Municipality on behalf of Mohokare Local Municipality.

17. Debt relief (Non exchange)

Debt relief (Non Exchange)	609 401	1 934 962
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The Debt Relief is as a result of a credit note that was issued by the Auditor General to reduce the account balance with the Municipality.

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Figures in Rand	2024	2023
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18. Government grants & subsidies

Operating grants

Equitable share	50 851 000	49 161 000
Provincial Financial Assistance Grant	4 392 000	9 256 000
Expanded Public Works Programme	921 000	1 120 000
Rural Roads Asset Management Systems	2 306 905	3 444 960
Financial Management Grant	1 720 000	1 720 000
	60 190 905	64 701 960

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	4 947 905	6 284 960
Unconditional grants received	55 243 000	58 417 000
	60 190 905	64 701 960

Equitable Share

The grant is intended to subsidise the municipality while excluding both strategic and operational responsibilities.

Financial Management Grant

Current-year receipts	1 720 000	1 720 000
Conditions met - transferred to revenue	(1 720 000)	(1 720 000)
	-	-

Conditions have been met - no liabilities recognised (see note 11).

The purpose of the grant is to assist municipalities in building in house capacity, promote and support reform to financial management and implementation of the Municipal Financial Management Act (MFMA) 56 of 2003.

Expanded Public Works Programme

Current-year receipts	921 000	1 120 000
Conditions met - transferred to revenue	(921 000)	(1 120 000)
	-	-

Conditions have been met - no liabilities recognised (see note 11).

The purpose of the grant is to expand job creation programs in the district.

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Figures in Rand	2024	2023
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18. Government grants & subsidies (continued)

Rural Road Asset Management

Current-year receipts	2 308 000	3 445 000
Conditions met - transferred to revenue	(2 306 865)	(3 445 000)
	<u>1 135</u>	<u>-</u>

Partial conditions have been met - liabilities recognised (see note 11).

The purpose of this grant is to assist the municipality monitor the conditions of the municipal roads.

Provincial Financial Assistance Grant

Current-year receipts	4 392 000	9 256 000
Conditions met - transferred to revenue	(4 392 000)	(9 256 000)
	<u>-</u>	<u>-</u>

The grant is not a conditional grant and the funds are to assist the municipality with operational expenditure.

Provincial Financial Assistance Grant

Balance unspent at beginning of year	-	-
Current-year receipts	4 392 000	-
Conditions met - transferred to revenue	(4 392 000)	-
	<u>-</u>	<u>-</u>

Conditions have been met - no liabilities recognised (see note 11).

The grant is intended to assist the municipality with electrification projects.

19. COGTA assistance grant

COGTA assistance grant- Kopanong	4 300 000	-
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This grant is to be received from COGTA in relation to the funds paid by Xhariep to Kopanong Local Municipality to assist the local municipality with its financial needs.

20. Financial Assistance in kind

Financial Assistance	-	4 047 997
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The Financial Assistance relates to the direct payment of audit fees to the Auditor General by Provincial Government on behalf of Xhariep District Municipality.

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21. Employee related costs		
Basic	32 010 036	30 950 902
Bonus	2 144 103	2 084 914
Medical aid - company contributions	2 396 979	2 394 700
UIF	165 091	168 175
SDL	383 917	380 054
SALGBC	10 277	9 839
Leave pay	575 068	661 704
Long-service awards	91 614	267 451
Acting allowances	296 687	345 253
Car allowance	3 410 345	3 415 177
Housing benefits and allowances	334 393	338 760
Cellular and Telephone	250 702	253 792
Pension	5 408 354	5 138 940
	47 477 566	46 409 661

Remuneration of Municipal Manager (Ms.L.Y Moletsane)

Annual Remuneration	900 242	633 490
Car Allowance	180 000	105 000
Bonus	70 060	97 011
Contributions to UIF, Medical and Pension Funds	183 175	102 217
Home Owners Allowance	-	8 000
Non Pensionable Allowance and Leave Pay	13 560	466 813
	1 347 037	1 412 531

Remuneration of Chief Finance Officer (Mr. P.V. Litabe)

Annual Remuneration	849 519	1 024 150
Car Allowance	100 000	120 000
Termination benefits	236 492	-
Contributions to UIF, Medical and Pension Funds	221 138	258 145
Non Pensionable Allowance and leave pay	20 340	20 340
Cellphone Allowance	8 000	9 600
Acting allowance	-	61 876
	1 435 489	1 494 111

The Chief Financial Officer's contract expired on 28 April 2024 and was not renewed.

Remuneration of Acting Chief Finance Officer: (Mr T. S. Matsiliso)

Acting allowance	131 636	-
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Acting period - 1 March 2024 to 30 June 2024

In April it was from 1 April to 15 April then resumed from 1 May to 30 June 2024.

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Figures in Rand	2024	2023
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21. Employee related costs (continued)

Remuneration of Director: Corporate Services (Mr M. A. Jafta)

Annual Remuneration	859 857	810 787
Car Allowance	120 000	30 000
Contributions to UIF, Medical and Pension Funds	157 815	46 322
	1 137 672	887 109

Remuneration of Director: Planning and Development Services (Mr. O. A. Kale)

Annual Remuneration	211 292	-
Telephone allowance	2 750	-
Travel allowance	12 000	-
Contributions to UIF, Medical and Pension Funds	27 982	-
	254 024	-

Appointed 28 March 2024 and started on 8 April 2024.

Remuneration of Acting Director: Planning and Social Development (Mrs.M. Kheswa)

Acting allowance	-	100 814
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Acting period - 1 August 2022 to 31 October 2022.

Remuneration of Acting Chief Financial Officer (Mr. S.J. Matobako)

Acting allowance	-	64 171
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Acting period - 1 August 2022 to 31 October 2022

Remuneration of Executive Director: Planning and Development Services (Mr. M.S. Mohale)

Annual Remuneration	-	95 511
Car Allowance	-	9 243
Performance Bonuses	-	87 591
Contributions to UIF, Medical and Pension Funds	-	9 383
Leave pay	-	349 148
	-	550 876

Contract ended 31 July 2022.

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Figures in Rand	2024	2023
22. Remuneration of councillors		
Executive Mayor	1 018 182	952 092
Speaker	825 460	769 372
Mayoral Committee Members	1 664 975	1 477 525
Councillors	2 157 630	1 587 536
	5 666 247	4 786 525
23. Construction contracts- INEP		
At 30 June 2024, there is not retention of contracts in progress.		
Agreements that meet all the criteria as per GRAP 11		
The entity determines which agreements meet all the criteria of the Standard of GRAP on Revenue as construction revenue progresses in the following manner:		
The total amount of revenue received from DMRE 2024	R23 969 000	
Debt payment for the amount owed to the supplier (VAT exclusive)	R 7 391 304	
Total construction costs in the period (VAT exclusive)	R16 456 815	
VAT	R 3 577 218	
The amount overspent on the project	R 3 456 335	
The cost basis was utilised to compute the percentage of completion of the contract. The percentage of completion arises from the cost incurred in the current period over the estimated total cost. Contract Revenue is measured at the fair value of the contract revenue received. The revenue measurement is affected by uncertainties that depend on outcomes of future events.		
24. Depreciation and amortisation		
Property, plant and equipment	1 203 821	1 196 509
Intangible assets	1 169	409 364
	1 204 990	1 605 873
25. Finance costs		
Interest charges	166 786	349 061
Bank	463 640	544 019
	630 426	893 080
26. Auditors' remuneration		
Fees	3 295 162	4 086 373
27. Debt impairment		
Debt impairment	1 859 413	(347 053)
28. Contracted services		
Specialist Services - RRAMS, IT Services	2 924 933	4 087 694
Other Contractors - Mscoa, Water Testing	469 562	945 543
	3 394 495	5 033 237

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Figures in Rand	2024	2023
29. Transfers and subsidies		
Transfers and Subsidies - INEP	11 691 304	-
The expense arose as a result of payments made to Centlec on behalf of Mohokare Municipality out of the INEP Grant as per the DMRE Directive total amount paid R7 391 304. Total amount paid to Kopanong for assistance R4 300 000.		
30. General expenses		
Advertising	131 140	23 400
Auditors remuneration	3 295 162	4 086 373
Bank charges	57 961	55 794
Consulting and professional fees	1 199 224	928 150
Consumables	-	159 109
Entertainment	519	48 373
Conferences and seminars	8 825	58 260
Motor vehicle expenses	10 234	2 000
Fuel and oil	615 114	583 692
Printing and stationery	160 851	75 064
Protective clothing and uniform	56 104	-
Repairs and maintenance	633 069	147 245
Telephone, data and fax	450 553	593 473
Training and staff bursaries	1 332 615	265 575
Travel - local	721 934	935 610
Accommodation	665 561	404 858
SALGA	546 600	555 172
COIDA	290 373	500 003
Other expenses	1 412 144	1 085 602
	11 587 983	10 507 753
31. (Losses) on disposal of assets		
Gains on disposal of property, plant and equipment	-	(49 701)
32. Cash generated from operations		
(Deficit) surplus	(6 811 025)	3 536 736
Adjustments for:		
Depreciation and amortisation	1 204 990	1 605 873
Profit on sale of assets and liabilities	-	49 701
Debt impairment & bad debts write off	1 859 413	(347 053)
Movements in retirement benefit assets and liabilities	262 188	38 936
Changes in working capital:		
Receivables	(5 443 142)	281 228
Payables from exchange transaction	2 790 390	(4 544 105)
VAT	(823 883)	209 461
Taxes and transfers payable (non-exchange)	7 074 078	-
Unspent conditional grants and receipts	1 095	41
	114 104	830 818

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Figures in Rand	2024	2023
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33. Contingencies

Contingent liabilities

30 June 2024

Lobamba Enterprise (PTY) LTD// Xhariep District Municipality- The municipality has been taken to court by Lobamba Enterprise who are claiming R415 575 for breach of contract.

Tefo Lebaka // Xhariep District Municipality, Employment Equity Act claim. The municipality is being sued for salary parity. The municipality is now waiting for the union to arrange the hearing date. The estimated liability is R150 000.

Contingent asset

30 June 2024

Xhariep District Municipality// Khumo Solutions relates to a warrant of Execution stage cost to the approximate value of R839 920.

30 June 2023

Xhariep District Municipality// Khumo Solutions relates to a warrant of Execution stage cost to the approximate value of R839 920.

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34. Related parties (continued)

Management class: Councillors

2024

Name	Basic salary	Medical Aid	Pension	Termination benefits	Telephone Allowance	Other benefits received	Total
Executive Mayor	850 179	103 894	-	-	45 600	18 509	1 018 182
Speaker	763 259	-	-	-	45 600	16 601	825 460
Mayoral committee members	1 470 166	-	-	-	151 708	43 101	1 664 975
Other Councillors	1 387 938	33 712	46 057	-	573 973	115 950	2 157 630
	4 471 542	137 606	46 057	-	816 881	194 161	5 666 247

2023

Name	Basic salary	Medical	Pension	Telephone Allowance	Other benefits received	Total
Executive Mayor	793 711	106 654	-	40 800	10 927	952 092
Speaker	719 454	-	-	40 800	9 118	769 372
Mayoral Committee Members	1 417 869	-	-	40 800	18 856	1 477 525
Other Councillors	1 367 715	-	43 299	122 400	54 122	1 587 536
	4 298 749	106 654	43 299	244 800	93 023	4 786 525

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Figures in Rand	2024	2023
37. Unauthorised expenditure		
Opening balance as previously reported	35 072 743	30 851 530
Add: Unauthorised expenditure - current	12 670 102	6 724 033
Less: Amount authorised - current	(6 329 095)	(2 502 820)
Closing balance	41 413 750	35 072 743
The over expenditure incurred by municipal departments during the year is attributable to the following categories:		
Non-cash	2 464 403	-
Cash	10 205 699	6 724 033
	12 670 102	6 724 033
Analysed as follows: non-cash		
Depreciation and amortisation	604 990	-
Debt impairment	1 859 413	-
	2 464 403	-
Analysed as follows: cash		
Financial assistance to Kopanong (COGTA receivable)	4 300 000	-
General expenditure	2 827 944	3 216 046
Employee related costs	1 878 813	3 044 017
Finance cost	476 088	463 970
Contracted services	722 854	-
	10 205 699	6 724 033
38. Fruitless and wasteful expenditure		
Opening balance as previously reported	2 392 329	2 119 761
Add: Fruitless and wasteful expenditure identified - current	255 704	398 286
Less: Amount written off - current	(325 689)	(125 718)
Closing balance	2 322 344	2 392 329
Fruitless and wasteful expenditure is presented inclusive of VAT		
Attributable to:		
Cash	136 783	398 286
Analysed as follows: Cash		
Interest-Audit fees	60 056	176 186
Accommodation	2 580	1 530
Interest ABSA overdraft	4 607	149 466
Penalty SARS	160 485	71 104
COIDA penalty	27 976	-
	255 704	398 286
39. Irregular expenditure		
Opening balance as previously reported	52 763 861	51 468 167
Add: Irregular expenditure - (Non-compliance with laws and regulations) - current	4 168 088	1 295 694
Closing balance	56 931 949	52 763 861

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39. Irregular expenditure (continued)

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

<p>The criteria changed from the original bid document.</p> <p>Overpayment of Section 56/57 Managers (Salaries above the municipality regulated threshold)</p> <p>Non-application of the 80/20 Preference Points System</p>	<p>Disciplinary steps taken/criminal proceedings</p> <p>The expenditure was identified during the current financial year and still need to be investigated.</p> <p>The expenditure was identified in the prior years and is being assessed on how to regularise the expenditure as it is ongoing.</p> <p>The expenditure was identified during the current financial year and still need to be investigated.</p>		
		3 988 337	648 516
		179 751	412 019
		-	235 158
		4 168 088	1 295 693

40. 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 council and includes a note to the annual financial statements.

For the financial year there were instances where goods and services were procured and deviated from the normal supply chain management policy, of which amounted to R1 960 240 - 30 June 2024 (30 June 2023: R 532 892).

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

Reasons for deviation

Sole Provider 8 incident (2023: 9 incidents)

Impractical 57 incidents (2023: 23 incidents)

152 847	175 656
1 807 393	357 236
1 960 240	532 892

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41. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At amortised cost	Total
Trade and other receivables	7 084 772	7 084 772
Cash and cash equivalents	307 532	307 532
	7 392 304	7 392 304

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	21 118 456	21 118 456
Payable from non-exchange	7 909 264	7 909 264
Bank overdraft	33 077	33 077
	-	-
	29 060 797	29 060 797

2023

Financial assets

	At amortised cost	Total
Trade and other receivables	3 501 043	3 501 043
Cash and cash equivalents	394 104	394 104
	3 895 147	3 895 147

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	18 328 070	18 328 070
Payable from non-exchange	835 186	835 186
	19 163 256	19 163 256

42. Risk management

Financial risk management

Liquidity risk

The entity'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.

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42. Risk management (continued)

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.

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

Financial instrument	2024	2023
Nedbank - Call Deposit	114 856	105 978
ABSA - Cheque Account	-	155 489
ABSA - Invest Tracker	212 500	125 998
ABSA - Call Account	13 162	6 594
Receivables	7 084 772	3 501 043

Market risk

Interest rate risk

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

The municipality's interest rate risk arises from short term loans and investment. These are issued at variable rate and expose the Municipality to cash flow interest rate risk.

Financial instruments that are issued at fixed rate expose the municipality to fair value interest rate risk.

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43. Budget differences

Material differences between budget and actual amounts

The excess of actual over the final budget of 5% is deemed to be material. Reasons are provided on the differences belows.

Generally, the actual has been higher than the budgeted amounts for the year.

Statement of Financial Performance

1. Rental of Facilities

The difference between the budget and the actual was as a result of the rentals from Kopanong billings which were not budgeted for and the municipality billed Kopanong.

2. Interest Received from debtors.

The difference was as a result of the interest charged to Kopanong for the outstanding rental balance which was not budgeted for.

3. Other Income

The difference was as a result of the municipality collecting more on licenses and permits.

4. Interest received -(bank/investments)

The difference was as a result of receiving less interest from the banks, Investment accounts accrued less interest due to less funds invested.

5. Debt Relief (Non-Exchange)

The difference was as a result of a debt waiver which was given by the Auditor General of South Africa to the municipality in its efforts to help the municipality clear its audit fees arrears.

6. COGTA assistance.

The difference is as a result of the funds which were paid to Kopanong not being budgeted for.

7. Government grants & subsidies

The variance was as a result of the LGSETA grant which was classified as a government grant on the budget the full amount was not received.

8. Government grants-MIG and COGTA

The variance is as a result of the MIG funds received on behalf of Kopanong and Mohokare and the funds were recognised as payables from non exchange and not revenue.

9. LG SETA Income

LGSETA Agreements signed in September 2023 but trenches only started coming in on the last quarter of the financial year.

10. Employee related costs

Upper limits for senior managers, appointments of staff in MM, PSD and BTO and spending on EPWP wages

11. Remuneration of councillors

The variance was as a result of upper limits for councillors being implemented.

12. Construction costs

Contract costs for Integrated National Electrification Programme in Mohokare Local Municipality.

13. Depreciation and amortisation

Municipality under-budgeted for depreciation and amortisation

14. Finance costs

The variance is a result of the year end employee benefits obligations.

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43. Budget differences (continued)

15. Debt Impairment

The municipality did not budget for debt impairment

16. Contracted services

Municipality over budgeted contracted services.

17. Transfers and subsidies

The variance is as a result of over budgeting on transfers and subsidies.

18. General Expenses

Municipality under budgeted general expenses.

19. Acturial gains

The municipality did not budget for Actuarial gain.

Statement of Financial Position

20. VAT receivables

The variance was as a result of not budgeting for VAT.

21. Trade and other receivables

The variance was as a result of not budgeting for receivables.

22. Cash and cash equivalents

Municipal Infrastructer Grant was budgeted as Current Assets

23. Property, plant and equipment

Municipality over budgeted for assets.

24. Intangible assets

Microsoft licence for a laptop that was purchased and was not budged for.

25. Payables from exchange transaction

Major creditors not provided for.

26. Payables from non exchange transactions

Municipal Infrastructer Grant was not budgetted as a liability

27. Employee benefit obligation

Municipality did not budget for employee benefit obligations.

28. Employee benefit obligation

Municipality did not budget for employee benefit obligations.

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44. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGBC)

Opening balance as previously reported	3 184	1 607
Add: Charge for the year	23 256	19 678
Less: Amounts paid - current	(22 583)	(18 101)
	3 857	3 184

VAT

Opening balance as previously reported	2 392 080	2 682 789
Add: Charge for the year	4 575 207	1 035 468
Less: Amounts paid - current	(3 632 206)	(1 326 177)
	3 335 081	2 392 080

Audit fees

Opening balance	437 481	1 302 159
Current year subscription / fee	3 295 162	4 371 177
Amount paid - current year	(3 632 643)	(5 235 855)
	100 000	437 481

PAYE UIF and SDL

Opening balance	823 445	737 831
Current year subscription / fee	9 319 771	9 440 104
Amount paid - current year	(9 393 917)	(9 354 490)
Amount paid - previous years	(749 299)	-
	-	823 445

Pension and Medical Aid Deductions

Opening balance	912 141	911 150
Current year subscription / fee	7 810 677	11 675 106
Amount paid - current year	(7 793 791)	(11 674 115)
Amount paid - previous years	(937 661)	-
	(8 634)	912 141

45. Segment information

General information

Identification of segments

The municipality does not have any reportable segments which generates economic benefits. The financial information is already disclosed in the Annual Financial Statements.

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46. Prior-year adjustments

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

The prior period adjustments relate to:

VAT Receivable

The VAT receivables restatement was as a result of adjustments for other income, rental facilities, financial assistance in kind, finance costs, contracted services and general expenses.

Cash and cash equivalents

The adjustment relates to a mispost in the cashbook.

Trade and other receivables

The adjustment related to a contract renewal and the billing was done in the 2023/2024 instead of the 2022/2023 financial year.

Payables from exchange transactions

The adjustment related to adjustment of mistatements of the payables as a result of misposting of invoices of suppliers.

Accumulated deficit

The adjustment is as a result of the adjustments done in the statement of financial performance.

Rental facilities

The adjustment related to a contract renewal and the billing was done in the 2023/2024 instead of the 2022/2023 financial year.

Other income

The adjustment relates to an invoice for disaster management which was omitted.

Financial assistance in kind

The adjustment relates to the errors identified for the transactions posted.

Finance costs

The adjustment relates statement of account received from the Department of Labour as at 31 July 2023 included the interest of R158 467.96, however, management erroneously included the interest as part of the COIDA expenditure instead of separately recognising it under Finance Costs.

Contracted services

Adjustment relates to the misclassification and omission of invoices in the system.

General expenses

Adjustment relates to the misclassification and omission of invoices in the system. COIDA expense amounting to R417 195 which was posted in 2023 in error was reversed. Centlec invoices for October and September, the February invoices was duplicated twice.

Statement of financial position

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46. Prior-year adjustments (continued)

2023

	Note	As previously reported	Correction of error	Restated
VAT receivable	3	2 392 080	81 248	2 473 328
Cash and cash equivalents	5	394 184	(80)	394 104
Trade and other receivables	4	3 477 042	24 001	3 501 043
Payables from exchange transactions	9	18 281 330	46 740	18 328 070
Accumulated deficit		(6 125 800)	58 431	(6 067 369)
		18 418 836	210 340	18 629 176

2024

Statement of financial performance

2023

	Note	As previously reported	Correction of error	Restated
Other income	14	80 198	109 479	189 677
Rental of facilities	12	593 702	20 868	614 570
Financial assistance in Kind	20	4 263 429	(215 432)	4 047 997
Finance cost	25	(734 005)	(159 075)	(893 080)
Contracted services	28	(4 684 561)	(348 676)	(5 033 237)
General expenditure	30	(11 159 018)	651 265	(10 507 753)
Surplus for the year		(11 640 255)	58 429	(11 581 826)

Cash flow statement

2023

Cash flow from operating activities

Other 2

Errors

Fruitless and wasteful expenditure

Opening balance	2 392 329	-
Adjustments made	158 468	-
Restated opening balance	2 550 797	-

Adjustment made to opening balance of fruitless and wasteful expenditure is as a result of the COIDA interest which was misclassified as a COIDA expense and not finance cost.

Unauthorised expenditure

47. Accounting by principals and agents

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

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47. Accounting by principals and agents (continued)

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

Xhariep District Municipality entered into an agreement with Kopanong Local Municipality where Xhariep District Municipality received funds for the Municipal Infrastructure Grant (MIG). The agreement gave Xhariep the mandate to disburse the MIG grant by paying Kopanong's suppliers directly then provide the proof of payment to Kopanong Municipality.

Xhariep District Municipality is the agent in this arrangement and Kopanong Local Municipality is the principal.

Terms of the agreement

The Xhariep District Municipality shall not be invoiced in its name for services rendered by contracted services providers as such invoices shall be submitted directly to and in the name of the Kopanong Local Municipality by service providers.

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 behalf, and for the benefit, of another entity (the principal)

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).

Based on the above it was confirmed that Xhariep District Municipality (agent) is paying suppliers on behalf of Kopanong Local Municipality (the principal) for MIG Projects, therefore acting an agent of Kopanong Local Municipality and there should further be disclosure of the above relationship between the 2 parties in the financial statements of Xhariep district Municipality.

Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

The remittance of resources during the period are:

Amount received from National Treasury for Kopanong MIG - R18 377 000.

Amount paid to third parties was R10 258 410.

Amount remaining R8 078 590.

The overall remaining balance for both Kopanong and Mohokare with respect to the MIG grant amounts to R7 074 078.

There was an overpayment which was done to Mohokare amounting to R1 004 512.

Revenue recognised

Xhariep District Municipality did not gain an additional benefits from the payments it made on behalf of Kopanong.

Additional information

Revenue and expenses that relate to transactions with third parties undertaken in terms of the principal-agent arrangement

Amount of revenue received on behalf of the principal during the reporting period

Municipal Infrastructure Grant- MIG

18 377 000

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