Ehlanzeni District Municipality
Annual Financial Statements
for the year ended 30 June 2024

Audited
By
2024 -11- 29
Auditor General South Africa
Mpumalanga Business Unit

General Information

Mayoral committee

Executive Mayor	Sidell J	(Resigned 13/06/2024)
Acting Executive Mayor	Shongwe MR	(Appointed 26/06/2024)
Speaker	Khumalo RE	
Chief Whip	Siwela GS	
Mayoral committee	Shongwe MR	(Until 13/06/2024)
	Mabuza ET	(Until 13/06/2024)
	Mathe PA	(Until 13/06/2024)
	Shabangu EIT	(Until 13/06/2024)
	Selowe PT	(Until 13/06/2024)
	Shakwane LC	(Until 13/06/2024)
	Chembeni-Sahi M	(Resigned 29/09/2023)
	Mashigo-Sekgobela S	(Until 13/06/2024)
	Manana PM	(Appointed 29/11/2023 until 13/6/2024)
Councillors	Chuene KC	
	Couvaras S	
	Chauke SP	
	Chima PP	
	Mathobela NV	
	Gwebu VS	
	Khoza NC	
	Khoza TS	(Resigned 13/06/2024)
	Ligthelm JH	
	Mabunda EE	
	Maganga MN	
	Malomane HK	
	Makhubela SO	
	Morema MJ	
	Manana SJ	
	Masilela DC	
	Mathebula AM	
	Sibuyi TB	
	Mathebula E	
	Mashava IS	
	Mohlala CM	
	Mokoni CM	(Resigned 26/06/2024)
	Mbhandze F	
	Mgiba SB	(Resigned 19/06/2024)
	Mhlaba RB	
	Mdhluli ZA	
	Ngomane LP	
	Ngomane TE	
	Nkomo NR	
	Nkosi LF	
	Nkuna SB	
	Preddy MMS	
	Robertson KP	

General Information

Sebamba C
Sifunda HX
Sihlabela HE
Sithole SL
Minnaar PCW
Shabangu R
Schormann SR
Thobela SA
Tshabalala SB
Van Der Westhuizen M
Mahlalela TE
Ndlovu ND (Resigned 14/06/2024)
Mnisi MJ
Mphika RN
Nukeri K
Ngobeni-Khumalo B
Qhibi R (Resigned 11/06/2024)
Thobakgale HP
Monareng ML
Nxumalo CS
Nkadimeng F

Grading of local authority
5

Municipal demarcation code
DC32

Accounting Officer
Dr. NP Mahlalela

Chief Financial Officer
PO Mokoena

Registered office
8 Van Niekerk Street
Mbombela
Mpumalanga
1200

Postal address
P O Box 3333
Mbombela
Mpumalanga
1200

Bankers
First National Bank Limited
Standard Bank of South Africa

Auditors
Auditor General South Africa

Audit committee members
SV Mabilane (Chairperson)
S Lubisi
PN Makukule
JN Mpjane
R Maboe

Attorneys
Mahumani Incorporated Attorneys
Thenjiwe Nkosi Attorneys
Matsane Attorneys
VZLR Attorneys

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

Accounting Officer's Responsibilities and Approval

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

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (Act 56 of 2003) and Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

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

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

The annual financial statements set out on pages 6 to 74, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024

Dr. NP Mahlalela
Accounting Officer

Audited
By
2024 -11- 29
Auditor General South Africa
Mpumalanga Business Unit

Acronyms

CFO	Chief Financial Officer
CPI	Consumer Price Index
COVID-19	Coronavirus
DBSA	Development Bank of Southern Africa
DMC	Disaster Management Centre
EPWP	Expanded Public Works Programme
EDM	Ehlanzeni District Municipality
FNB	First National Bank
GIS	Geographical Information System
GRAP	General Recognised Accounting Practice
IDP	Integrated Development Plan
IGRAP	Interpretation of Generally Recognised Accounting Practice
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IPSASB	International Public Sector Accounting Standards
IT	Information Technology
i.t.o	In terms of
LED	Local Economic Development
MFMA	Municipal Finance Management Act, 56 of 2003
MPAC	Municipal Public Accounts Committee
mSCOA	Municipal Standard Chart of Accounts
MSTA	Municipal Structures Act, 117 of 1998
PAYE	Pay As You Earn
RBIG	Regional Bulk Infrastructure Grant
RRAMS	Rural Roads Assets Management System
SALGA	South African Local Government Association
SARS	South African Revenue Services
SCM	Supply Chain Management
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
WSIG	Water Services Infrastructure Grant

Ehlanzeni District Municipality
Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated
Assets			
Current Assets			
Inventories	5	4,744,750	5,927,319
Investments	7	11,116,047	54,194,849
Receivables from exchange transactions	4	57,638,336	52,690,725
Statutory receivables	6	-	933,070
Cash and cash equivalents	3	4,196,823	794,316
		77,695,956	**114,540,279**
Non-Current Assets			
Property, plant and equipment	8	186,738,624	185,916,696
Intangible assets	9	3,477,716	4,060,966
Investments	7	1,350,740	1,196,241
		191,567,080	**191,173,903**
Total Assets		**269,263,036**	**305,714,182**
Liabilities			
Current Liabilities			
Current portion of borrowings	12	12,105,270	10,835,812
Finance lease obligation	13	489,377	543,432
Payables from exchange transactions	10	54,089,461	53,365,115
Statutory payables	6	330,551	-
Provisions	11	13,828,171	14,130,317
		80,842,830	**78,874,676**
Non-Current Liabilities			
Non-current portion of borrowings	12	74,038,747	86,144,324
Finance lease obligation	13	-	489,377
Provisions	11	32,677,911	32,287,572
		106,716,658	**118,921,273**
Total Liabilities		**187,559,488**	**197,795,949**
Net Assets		**81,703,548**	**107,918,233**
Accumulated surplus		81,703,548	107,918,233

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Mpumalanga Business Unit

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated
Revenue			
Revenue from exchange transactions			
Construction contracts	33	72,851,296	53,075,035
Operational income	33	1,278,205	802,945
Rental of facilities and equipment	33	198,000	202,970
Interest received	31	9,052,258	9,224,958
Dividends received	33	183,392	165,053
Revenue from non-exchange transactions			
Government grants & subsidies	14	311,530,826	291,204,865
Fines & penalties	33	661,432	418,849
Total revenue		**395,755,409**	**355,094,675**
Expenditure			
Employee related cost	15	(167,400,846)	(158,698,570)
Remuneration of councillors	16	(19,668,384)	(20,460,450)
Audit fees	22	(5,196,078)	(4,392,336)
Construction contract costs		(73,512,727)	(53,493,884)
Depreciation and amortisation	17	(12,090,026)	(9,497,883)
Provision for debt impairment	4	(1,716,374)	(573,093)
Finance costs	18	(15,153,310)	(16,084,765)
Bad debts written off		-	(70,830)
Repairs and maintenance	19	(5,540,409)	(6,426,172)
Contracted services	20	(40,103,362)	(32,976,685)
Operational expenses	23	(60,324,201)	(47,268,413)
Total expenditure		**(400,705,717)**	**(349,943,081)**
Operating (deficit) surplus		**(4,950,308)**	**5,151,594**
Grants and subsidies	21	(27,231,086)	(28,401,300)
Loss on disposal of assets		(52,281)	(210,087)
Gain on fair value adjustment	7	1,448,201	385,018
Actuarial gain	11	4,578,000	5,370,000
Deficit for the year		**(26,207,474)**	**(17,704,775)**

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	122,351,228	122,351,228
Adjustments		
Unknown Direct Bank Deposits Liability Written Off - note 39	121,956	121,956
Prior period adjustments - prior period	2,999,973	2,999,973
Balance at 01 July 2022 as restated	**125,473,157**	**125,473,157**
Changes in net assets		
Deficit for the year	(17,704,775)	(17,704,775)
Prior period adjustments - prior period	149,851	149,851
Total changes	(17,554,924)	(17,554,924)
Opening balance as previously reported	108,091,197	108,091,197
Adjustments		
Prior period adjustments - note 39	(172,964)	(172,964)
Balance at 01 July 2023 as restated	**107,918,233**	**107,918,233**
Changes in net assets		
Deficit for the year	(26,207,474)	(26,207,474)
Prior period adjustments - note 39	(7,211)	(7,211)
Total changes	(26,214,685)	(26,214,685)
Balance at 30 June 2024	**81,703,548**	**81,703,548**

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated
Cash flows from operating activities			
Receipts			
SARS VAT refunds		16,727,339	15,099,826
Grants and subsidies		312,285,826	290,449,865
Interest received		9,288,849	8,528,425
Construction contracts receipts		76,131,529	68,064,293
Other receipts		27,417,984	7,732,711
		441,851,527	389,875,120
Payments			
Employee costs		(194,862,842)	(179,459,034)
Suppliers		(170,917,635)	(144,038,970)
Finance costs		(10,529,351)	(11,795,764)
Construction contracts payments		(82,969,866)	(64,503,269)
		(459,279,694)	(399,797,037)
Net cash flows from operating activities	24	**(17,428,167)**	**(9,921,917)**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(12,127,695)	(5,747,840)
Proceeds from sale of property, plant and equipment		629,254	219,960
Purchase of intangible assets	9	(663,822)	(1,370,874)
Movement in investments		44,372,488	26,538,292
Net cash flows from investing activities		**32,210,225**	**19,639,538**
Cash flows from financing activities			
Repayment of long-term liabilities		(10,836,119)	(9,746,834)
Increase/(decrease) finance leases		(543,432)	(499,299)
Net cash flows from financing activities		**(11,379,551)**	**(10,246,133)**
Net increase/(decrease) in cash and cash equivalents		**3,402,507**	**(528,512)**
Cash and cash equivalents at the beginning of the year		794,316	1,322,828
Cash and cash equivalents at the end of the year	3	**4,196,823**	**794,316**

Audited By 2024 -11- 29 Auditor General South Africa Mpumalanga Business Unit

Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Construction contracts	-	86,918,236	**86,918,236**	72,851,296	**(14,066,940)**	Note 38 .1
Operational income	1,962,033	133,000	**2,095,033**	1,278,205	**(816,828)**	Note 38 .2
Rental of facilities and equipment	1,402,500	-	**1,402,500**	198,000	**(1,204,500)**	Note 38.3
Interest received	10,034,954	150,000	**10,184,954**	9,052,258	**(1,132,696)**	Note 38.4
Dividends received	161,248	-	**161,248**	183,392	**22,144**	Note 38.5
Total revenue from exchange transactions	**13,560,735**	**87,201,236**	**100,761,971**	**83,563,151**	**(17,198,820)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	301,951,000	11,614,000	**313,565,000**	311,530,826	**(2,034,174)**	
Transfer revenue						
Fines	-	-	-	661,432	**661,432**	Note 38.6
Total revenue from non-exchange transactions	**301,951,000**	**11,614,000**	**313,565,000**	**312,192,258**	**(1,372,742)**	
Total revenue	**315,511,735**	**98,815,236**	**414,326,971**	**395,755,409**	**(18,571,562)**	
Expenditure						
Employee related cost	(171,484,331)	3,932,733	**(167,551,598)**	(167,400,846)	**150,752**	
Remuneration of councillors	(21,628,496)	1,959,065	**(19,669,431)**	(19,668,384)	**1,047**	
Audit fees	(3,038,150)	(2,158,000)	**(5,196,150)**	(5,196,078)	**72**	
Construction contract costs	-	(87,171,352)	**(87,171,352)**	(73,512,727)	**13,658,625**	Note 38.1
Depreciation and amortisation	(12,698,000)	493,488	**(12,204,512)**	(12,090,026)	**114,486**	
Provision for bad debts	-	(1,720,000)	**(1,720,000)**	(1,716,374)	**3,626**	
Finance costs	(10,560,094)	(4,594,058)	**(15,154,152)**	(15,153,310)	**842**	
Repairs and maintenance	(5,244,805)	(296,622)	**(5,541,427)**	(5,540,409)	**1,018**	
Contracted services	(34,294,805)	(6,030,463)	**(40,325,268)**	(40,103,362)	**221,906**	
Operational expenses	(40,570,375)	(19,837,589)	**(60,407,964)**	(60,324,201)	**83,763**	
Total expenditure	**(299,519,056)**	**(115,422,798)**	**(414,941,854)**	**(400,705,717)**	**14,236,137**	
Operating surplus/(deficit)	**15,992,679**	**(16,607,562)**	**(614,883)**	**(4,950,308)**	**(4,335,425)**	Note 38.19
Grants and subsidies	-	-	-	(27,231,086)	**(27,231,086)**	Note 38.7
Loss on disposal of assets	-	-	-	(52,281)	**(52,281)**	Note 38.8
Gain on fair value adjustment	-	-	-	1,448,201	**1,448,201**	Note 38.9
Actuarial gain	-	4,578,000	**4,578,000**	4,578,000	-	
	-	**4,578,000**	**4,578,000**	**(21,257,166)**	**(25,835,166)**	
(Surplus/(deficit) for the year	**15,992,679**	**(12,029,562)**	**3,963,117**	**(26,207,474)**	**(30,170,591)**	Note 38.20

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	12,339,287	-	**12,339,287**	4,744,750	**(7,594,537)**	Note 38.10
Investments	-	-	**-**	11,116,047	**11,116,047**	Note 38.11
Receivables from exchange transactions	43,270,346	-	**43,270,346**	57,638,336	**14,367,990**	Note 38.12
Statutory receivables	6,451,013	-	**6,451,013**	-	**(6,451,013)**	Note 38.13
Cash and cash equivalents	78,235,133	(12,636,884)	**65,598,249**	4,196,823	**(61,401,426)**	Note 38.11
	140,295,779	**(12,636,884)**	**127,658,895**	**77,695,956**	**(49,962,939)**	
Non-Current Assets						
Property, plant and equipment	219,153,638	98,423,642	**317,577,280**	186,738,624	**(130,838,656)**	Note 38.14
Intangible assets	14,542,940	2,197,498	**16,740,438**	3,477,716	**(13,262,722)**	Note 38.14
Investments	4,155,462	-	**4,155,462**	1,350,740	**(2,804,722)**	Note 38.11
	237,852,040	**100,621,140**	**338,473,180**	**191,567,080**	**(146,906,100)**	
Total Assets	**378,147,819**	**87,984,256**	**466,132,075**	**269,263,036**	**(196,869,039)**	
Liabilities						
Current Liabilities						
Short-term portion of non-current borrowings	10,835,811	-	**10,835,811**	12,105,270	**1,269,459**	Note 38.15
Finance lease obligation	-	-	**-**	489,377	**489,377**	Note 38.17
Payables from exchange transactions	62,103,782	-	**62,103,782**	54,089,461	**(8,014,321)**	Note 38.16
VAT payable	-	-	**-**	330,551	**330,551**	Note 38.13
Provisions	13,960,837	-	**13,960,837**	13,828,171	**(132,666)**	
	86,900,430	**-**	**86,900,430**	**80,842,830**	**(6,057,600)**	
Non-Current Liabilities						
Non-current portion of borrowings	64,470,058	-	**64,470,058**	74,038,747	**9,568,689**	Note 38.15
Provisions	32,169,891	-	**32,169,891**	32,677,911	**508,020**	
	96,639,949	**-**	**96,639,949**	**106,716,658**	**10,076,709**	
Total Liabilities	**183,540,379**	**-**	**183,540,379**	**187,559,488**	**4,019,109**	
Net Assets	**194,607,440**	**87,984,256**	**282,591,696**	**81,703,548**	**(200,888,148)**	Note 38.21
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	194,607,440	87,984,256	**282,591,696**	81,703,548	**(200,888,148)**	Note 38.21

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Grants	301,951,000	(177,000)	**301,774,000**	312,285,826	**10,511,826**	
Interest income	10,034,954	150,000	**10,184,954**	9,288,849	**(896,105)**	
Dividends received	161,248	-	**161,248**	-	**(161,248)**	Note 38.5
Other receipts	14,459,684	13,611,048	**28,070,732**	44,145,323	**16,074,591**	Note 38.18
Construction contract receipts	-	86,918,236	**86,918,236**	76,131,529	**(10,786,707)**	Note 38.1
	326,606,886	**100,502,284**	**427,109,170**	**441,851,527**	**14,742,357**	
Payments						
Employee related costs	(190,165,676)	8,531,593	**(181,634,083)**	(194,862,842)	**(13,228,759)**	
Suppliers	(87,063,884)	(55,038,458)	**(142,102,342)**	(170,917,635)	**(28,815,293)**	Note 38.22
Finance costs	(10,034,954)	(494,208)	**(10,529,162)**	(10,529,351)	**(189)**	
Construction contract payments	-	(87,171,352)	**(87,171,352)**	(82,969,866)	**4,201,486**	Note 38.1
	(287,264,514)	**(134,172,425)**	**(421,436,939)**	**(459,279,694)**	**(37,842,755)**	
Net cash flows from operating activities	**39,342,372**	**(33,670,141)**	**5,672,231**	**(17,428,167)**	**(23,100,398)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(34,613,750)	17,321,252	**(17,292,498)**	(12,791,517)	**4,500,981**	Note 38.14
Movement in investments	443,457	3,712,005	**4,155,462**	44,372,488	**40,217,026**	Note 38.11
Proceeds from sale of assets	-	-	**-**	629,254	**629,254**	Note 38.8
Net cash flows from investing activities	**(34,170,293)**	**21,033,257**	**(13,137,036)**	**32,210,225**	**45,347,261**	
Cash flows from financing activities						
Repayment of borrowings	(10,835,811)	-	**(10,835,811)**	(10,836,119)	**(308)**	
Increase/(decrease) in finance leases	-	-	**-**	(543,432)	**(543,432)**	Note 38.17
Net cash flows from financing activities	**(10,835,811)**	**-**	**(10,835,811)**	**(11,379,551)**	**(543,740)**	
Net increase/(decrease) in cash and cash equivalents	(5,663,732)	(12,636,884)	**(18,300,616)**	3,402,507	**21,703,123**	
Cash and cash equivalents at the beginning of the year	83,898,864	-	**83,898,864**	794,316	**(83,104,548)**	Note 38.11
Cash and cash equivalents at the end of the year	**78,235,132**	**(12,636,884)**	**65,598,248**	**4,196,823**	**(61,401,425)**	

The original budget was mainly adjusted during the year to appropriate unforeseen and unavoidable expenditure, roll-over of unspent funds from prior financial year, in addition to re-allocate and shift savings between line items and votes. Furthermore, the budget was adjusted to align certain line items and transactions to the reporting requirements of GRAP standards.

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board as well as the Municipal Finance Management Act 56 of 2003. The annual financial statements meets the requirements of the Municipal Regulations on a Standard Chart of Accounts (mSCOA).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand. All values have been rounded to the nearest Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.1 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:

Trade receivables /Investments and/or other financial assets

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

Impairment testing

Value in use of cash-generating assets

The municipality reviews and tests the carrying value of cash-generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value in use calculations and fair values less costs to sell.

These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of assets.

Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors together with economic factors such as exchange rates, inflation and interest.

Value in use of non-cash-generating assets

The municipality reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. The recoverable service amounts of non-cash-generating assets have been determined based on the higher of value in use calculations and fair values less costs to sell.

In determining the value in use of assets, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

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 11 - Provisions.

Useful lives

The municipality's management determines the estimated useful lives and related depreciation / amortisation charges. This estimate is based on the pattern in which an asset's future economic benefits or service potential is expected to be consumed by the municipality.

Effective interest rate

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

Allowance for doubtful debts

The computation of the amount to be provided for the debtors or receivable impairment will be performed on the basis of the individual or category of customers credit risk profile in addition, also taking into account any payments arrangement or confirmation made by the customers or debtors as at authorisation date. A credit risk assessment and profiling will be conducted on the basis of the service and other charges billed during the financial year and prior financial years. The payment history and the previous amounts billed of the customer or debtors during the financial year and also prior financial years since inception of the service agreement shall be taken into consideration in line with the collection rate formula recommended on MFMA Circular 71.

This credit risk assessment determines the ability of the customer to pay for the future amount due as at the reporting date and it is expressed as a percentage of the aggregate amount payment versus the aggregate amount billed by the customer and also into account any bad debts written off.

In case of a debtor being a councillor or employee who is still in the employment of the municipality, no provision for debtors or receivable impairment will be made as the conduct of code in terms of Municipal Systems Act, 32 of 2000 will be applied in collecting the undisputed debt owed by either the councillor or employee in the employment of the municipality. Furthermore, in case of a Councillor or Employee no longer in the employment of the municipality a full provision of the debt owed will be made.

1.2 Property, plant and equipment

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

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

Initial recognition

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.

1.2 Property, plant and equipment (continued)

The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent measurement - cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Derecognition

Property, plant and equipment is 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 on the disposal or retirement of Property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Depreciation and impairment

The residual value, and the useful life and depreciation method of each asset is reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

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 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 tests property, plant and equipment with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Item	**Average useful life**
Land	Indefinite

Accounting Policies

1.2 Property, plant and equipment (continued)

Buildings	50 years
Plant and machinery	5 - 10 years
Furniture and fixtures	5 - 10 years
Motor vehicles	5 - 20 years
Office equipment	3 - 10 years
Air conditioners	15 - 30 years

1.3 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset is identified as an intangible asset when it:
- 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, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate 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.

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Accounting Policies

1.3 Intangible assets (continued)

Initial recognition

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:
- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset 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.

Subsequent measurement - cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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

Item	Useful life
Computer software	3- 10 years

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1.4 Statutory receivables

Identification

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate. Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

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

Impairment losses

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

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

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

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

1.4 Statutory receivables (continued)

recognised in surplus or deficit.

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

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

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

Derecognition

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

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

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

1.5 Financial instruments

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

A financial asset is:

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

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

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

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Accounting Policies

1.5 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability other than those subsequently measured at fair value initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

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1.5 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

Accounting Policies

1.5 Financial instruments (continued)

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

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

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

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

Financial liabilities

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

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

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

1.6 Leases

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

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

Accounting Policies

1.6 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

Operating leases - lessee

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

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

1.7 Inventories

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

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

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

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

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

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

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

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

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1.7 Inventories (continued)

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

Work in progress is recognised at cost and not depreciated. It includes all costs incurred in bringing the ultimate assets to their condition and location as intended by management.

Work in progress will be transferred to property, plant and equipment when the assets are available for use.

Work in progress relating to projects on behalf of other entities will be transferred to the specific entity when the assets are available for use.

1.8 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is a municipality that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The municipality assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by .

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.9 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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).

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

Accounting Policies

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

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.

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.

1.9 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.

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.

1.10 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;
- 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 municipality during a reporting period, the municipality recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

The municipality recognise 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 municipality has no realistic alternative but to make the payments.

Accounting Policies

1.10 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 entity provides post-employment benefits for one or more employees.

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

Accounting Policies

1.10 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.10 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.10 Employee benefits (continued)

Other post retirement obligations

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

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

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

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

1.11 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 deficits.

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

Accounting Policies

1.11 Provisions and contingencies (continued)

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

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

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Contingencies are disclosed in note 27.

1.12 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, commission and volume rebates.

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.

Accounting Policies

1.12 Revenue from exchange transactions (continued)

Interest and dividends

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

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

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

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

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

1.13 Revenue from non-exchange transactions

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

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

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

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

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

Recognition

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

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

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

Measurement

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

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

1.13 Revenue from non-exchange transactions (continued)

Transfers

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

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

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

Fines & penalties

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

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

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

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

Services in-kind

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

1.14 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, other than those relating to distributions to owners.

The definition of expense encompasses all cost that arise from the ordinary activities of the municipality, recognised, and classified by type on the statement of financial performance.

Losses also are regarded as expense as long the nature and extent of the losses meet definition of expenses even if may, may not, arise in the course of the ordinary activities of the municipality. When losses are recognised in the statement of financial performance, they would be displayed separately because knowledge of them is useful for the purpose of making economic decisions.

Expense is classified based on either their nature or their function as per the provisions in GRAP 1. 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.

1.15 Accounting for adjustment to revenue

Accounting for adjustment to revenue that correct an error or a prior period error

Accounting Policies

1.15 Accounting for adjustment to revenue (continued)

Where an evidence exists during a reporting period that the municipality did not follow proper due processes in terms of the applicable legislative and regulatory, and/or its policies and by-laws framework on the revenue charged and recognised in the current of prior period, the correction of such an error shall be made once all internal due processes have been complied with, including where applicable Council approval of such a correction of the error.

The error discovered within the reporting period which relates to that period shall be corrected before the financial statements are authorised for issue and the principles in GRAP3 shall be applied to account for the adjustment to revenue already recognised as a result of the correction of a prior period error.

Accounting for the adjustment to revenue as a change in accounting estimate

Where an evidence exists during a reporting period that new information becomes known and it can be proven that the municipality would not reasonably have prior knowledge of this new information when the revenue was charged, the adjustment to revenue is treated as a change in an accounting estimate in line with the principles in GRAP3.

1.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

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

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

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

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number and 1.9. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

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

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

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

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

1.17 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 adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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

1.18 Comparative information

Whenever it is appropriate, the GRAP 1 provision would be applied to reclassify comparative information to enhance inter-period comparability of financial information. This reclassification is done to assist users in making and evaluating decisions, especially to allow the performance of financial trends analysis and assessment for predictable purposes.

The rational and details for this additional comparative information reclassification other than what is a requirement of GRAP 3 provisions would be separately stated on a disclosure note to the annual financial statements.

1.19 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.

1.20 Fruitless and wasteful expenditure

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

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

1.21 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 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.

1.22 Presentation of currency

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

Accounting Policies

1.23 Segment Information

A segment is an activity of the municipality:
- 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.

Measurement

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

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

1.24 Changes in accounting policy, accounting estimates and correction of error

Changes in accounting policies are applied retrospecitvely in accordance with the requirements of Generally Recognised Accounting Practise (GRAP) 3, except to the extent that it is impractical to detertmine the period specific of the cumulative effect of the change in accounting policy. In such instances the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which the restrospective restatement is practical.

Changes in accounting estimates are applied prospectively in accordance with the requirements of Generally Recognised Accounting Practise (GRAP) 3. The detailed information of the change in accounting estimates is disclosed in the notes to the annual financial statements.

Correction of errors is applied retrospecitvely in the period to which the error has occurred in accordance with the requirements of Generally Recognised Accounting Practise (GRAP) 3, except to the extent that it is impractical to detertmine the period specific of the cumulative effect of the change in accounting policy. In such instances the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which the restrospective restatement is practical.

1.25 Value Added Tax

The municipality accounts for VAT on the payment basis.

1.26 Budget information

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

The approved budget covers the fiscal period from 1 July 2023 to 30 June 2024.

Management will provide explanations of variances between actual and budgeted amounts of more than 10% based on material significant judgment assertion, refer to note 38..

Accounting Policies

1.27 Related parties

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

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

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

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

1.28 Going concern assumption

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

1.29 Commitments

Items are classified as commitments where the municipality commits itself to non-routine and non-executory future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

GRAP 1 (amended): Presentation of Financial Statements

Guidance included in GRAP 1 to explain the application of going concern by public sector entities. The guidance also clarifies that the going concern basis remains appropriate even if some, or all of an entity's functions are transferred to another entity, or when the entity is involved in a merger.

Disclosures on management's assessment of the entity's ability to continue as a going concern expanded. This is in response to the diversity in practice about the information presented in the financial statements on going concern, material uncertainties relating to going concern and actions taken by management to mitigate these.

The effective date of the amendment is not yet set by the Minister of Finance.

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

The impact of this standard is currently being assessed.

GRAP 103 (amended): Heritage Assets

The key changes proposed to the Standard are as follows:

Definition of a heritage asset – The definition has been amended to align it more closely with the definition of a heritage asset in legislation. The definition focuses on assets with cultural significance, and explains what cultural significance means in legislation.

Accounting for heritage assets with an alternative use – Heritage assets could have cultural significance while being used for operational or other purposes by an entity. Previously, heritage assets with another purpose were accounted for based on this other use. The new proposal is that all heritage assets should be accounted for using GRAP 103.

Measurement of heritage assets – Stakeholders raised concerns about the measurement of heritage assets. These issues related to:

(a) initial recognition using fair value, and in what circumstances a reliable measure cannot be determined,
(b) determining fair value, and
(c) the valuation process.

Guidance has been added to GRAP 103 to explain when a reliable measure is not available, and additional methods that could be used to determine fair value. The Board also agreed that entities should keep assessing whether a reliable value becomes available after initial recognition.

The effective date of the amendment is not yet set by the Minister of Finance.

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

The impact of this standard is currently being assessed.

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that:
(a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making;
(b) using fair value in certain instances was inappropriate; and
(c) some of the existing accounting requirements were seen as too rules based.

As a result, the IASB amended its existing Standards to deal with these issues. The IASB issued the IFRS Standard on

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to the IFRS Standard on Financial Instruments: Presentation (IAS 32) and the IFRS Standard on Financial Instruments: Disclosures (IFRS 7). The IPSASB issued revised IPSASs in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:
- financial guarantee contracts issued;
- loan commitments issued;
- classification of financial assets;
- amortised cost of financial assets;
- impairment of financial assets; and
- disclosures.

The effective date of the amendment is not yet set by the Minister of Finance.

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

The impact of this standard is currently being assessed.

GRAP 105 - GRAP 107 (revised): Communique

The communique summarises the revisions to the standards of GRAP on transfer of functions between entities under common control (GRAP 105), transfer of functions between entities not under common control (GRAP 106), and mergers (GRAP 107). These revisions were approved by the Accounting Services Board in December 2023.

The Minister of Finance has not yet determined an effective date for these revisions.

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

The impact of this standard is currently being assessed.

IGRAP 22: Foreign Currency Transactions and Advance Consideration

This Interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or revenue (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.

The Minister of Finance has not yet determined an effective date for these revisions.

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

The impact of this standard is currently being assessed.

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3. Cash and cash equivalents

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Cash and cash equivalents consist of:

Cash on hand	4,000	4,000
Bank balances	4,192,823	790,316
	4,196,823	**794,316**

The municipality had the following bank accounts

Account number / description	Bank statement and cash book balances 30 June 2024	30 June 2023	30 June 2022
FNB Cheque account - 62 113 491 419	330,727	790,316	1,141,615
FNB Cheque account - 62 737 784 109	-	-	391
FNB Cheque account - 62 852 994 592	-	-	176,822
Standard Bank Cheque account - 25 336 5864 (Primary bank account)	3,861,596	-	-
Standard Bank Cheque account - 25 336 5791	500	-	-
Total	**4,192,823**	**790,316**	**1,318,828**

4. Receivables from exchange transactions

Trade and other receivables	29,683,080	28,778,126
Construction contract receivables	26,966,455	21,499,079
Prepayments	988,801	2,413,520
	57,638,336	**52,690,725**

Trade and other receivables

2024	Gross balance	Allowance for debt impairment	Total
Trade and other receivables	43,216,329	(13,533,249)	29,683,080

2023	Gross balance	Allowance for debt impairment	Total
Trade and other receivables	40,595,001	(11,816,875)	28,778,126

Trade and other receivables: Ageing

Current	3,464,274	16,545,372
30+ days	1,685,363	2,331,294
60+ days	1,886,698	2,060,084
90+ days	1,794,765	499,310
120+ days	3,347,229	6,993,423
180+ days	8,473,241	-
365+ days	9,031,510	348,643

Trade and other receivables impaired

Current	(740,061)	(6,543,406)
30+ days	(308,435)	-
90+ days	(6,577)	-
120+ days	(35,125)	-
180+ days	(263,045)	-
365+ days	(12,180,006)	(5,273,469)

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4. Receivables from exchange transactions (continued)

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(11,816,875)	(11,243,782)
Provision for impairment	(1,716,374)	(6,543,406)
Impairment provision reversal	-	5,970,313
	(13,533,249)	**(11,816,875)**

The maximum exposure to credit risk at the reporting date is the fair value of each class of debtor mentioned above. The municipality does not hold any collateral as security.

The fair value of trade and other receivables approximates their carrying amounts.

5. Inventories

Work in progress - assets to be transferred	1,388,232	2,302,386
Consumable stores	276,518	217,280
Land to be transferred	3,080,000	3,080,000
COVID-19 supplies	-	327,653
	4,744,750	**5,927,319**

Consumables		
Opening balance	217,280	263,163
Additions	2,160,320	1,021,446
Issued	(2,091,490)	(1,051,365)
Inventory written off	(9,592)	(15,964)
Closing balance	**276,518**	**217,280**

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Consumables comprise of office stationery and cartridges.

COVID-19 supplies		
Opening balance	327,653	444,138
Issued	(111,596)	(116,485)
Inventory written off	(216,057)	-
Closing balance	-	**327,653**

COVID-19 supplies comprises of hand sanitizers and personal protective equipment.

Reconciliation of work in progress - assets to be transferred 2024

	Opening balance	Additions	Transfers	Closing balance
Work in progress - assets to be transferred	2,302,386	11,013,136	(11,927,290)	1,388,232

Reconciliation of work in progress - assets to be transferred 2023

	Opening balance	Additions	Transfers	Closing balance
Work in progress - assets to be transferred	12,161,984	12,077,039	(21,936,637)	2,302,386

Figures in Rand	2024	2023

6. Statutory receivables /(payables)

VAT receivables/(payables)	(330,551)	178,070
Government grants and subsidies	-	755,000
	(330,551)	**933,070**

Statutory receivables/(payables) reconciliation

2024	Gross balance	Allowance for debt impairment	Total
VAT payables	(330,551)	-	(330,551)
	(330,551)	**-**	**(330,551)**

2023	Gross balance	Allowance for debt impairment	Total
Government grants and subsidies	755,000	-	755,000
VAT receivables	178,070	-	178,070
	933,070	**-**	**933,070**

Statutory receivables/(payables): Ageing

Current	(330,551)	933,070

Statutory receivables/(payables) arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. The transactions that gave rise to the above statutory receivables were in reference to the Value Added Tax Act (VAT) and Skills Development Act. The VAT receivable amount has been determined as prescribed on the VAT Act, which the current prescribed 15% VAT rate was charged on vatable goods or services and the amount disclosed as receivable is the net of VAT input and output.

The government grants and subsidies receivable emanates from discretionary grant funding agreement between the municipality and Local Government Sector Education and Training Authority (LGSETA) in accordance with the Skills Development Act. The amount receivable was determined on the basis of the terms and conditions of the funding agreement met by the municipality as at the reporting date.

No interest or other charges were levied on the above amounts. The basis to test impairment would be if there is reasonable doubt that the full amounts above would not be realised by the municipality, of which no such reason exist at this stage, therefore there is no impairment on the above statutory receivables. The receivables are expected to be recovered in reasonable time hence no discount rate has been applied for future cashflows. The municipality does not hold any form of collateral as security.

The maximum exposure to credit risk at the reporting date is the fair value of each class of debtor mentioned above.

The fair value of statutory receivables and payables approximates their carrying amounts.

Reconciliation of VAT receivables/(payables) 2024

	Opening balance	Amounts claimed	Amounts received	Amounts accrued	Closing balance
South African Revenue Services	178,070	16,261,641	(16,727,339)	(42,923)	(330,551)

Reconciliation of VAT receivables/(payables) 2023

	Opening balance	Amounts claimed	Amounts received	Amounts accrued	Construction contract amounts	Closing balance
South African Revenue Services	2,772,881	14,224,416	(15,099,826)	(2,554,661)	835,260	178,070

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7. Investments

Short term investments

Standard Bank fixed deposit	16,241	-
First National Bank fixed deposit	21,073	226,048
Nedbank fixed deposit	-	40,972,603
ABSA Bank fixed deposit	6,441,208	9,652,159
Sanlam investment	4,637,525	3,344,039
	11,116,047	**54,194,849**

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Long term investments

Momentum investment	1,350,740	1,196,241
	1,350,740	**1,196,241**

Reconciliation of Momentum investment

Opening balance	1,196,241	1,125,482
Fair value adjustment	154,715	70,959
Charges	(216)	(200)
Closing balance	**1,350,740**	**1,196,241**

Momentum investment is an investo endowment fund with an inception date of 29 February 2008 and continuation date of 1 March 2026. In addition, this investment portfolio does not expose the municipality to any investment fluctuation risks such as the market and interest rate risks as the annualised investment portfolio rate of return is very stable and has been growing steadily.

Reconciliation of Sanlam Shares

Opening balance	3,344,039	3,029,980
Fair value adjustment	1,293,486	314,059
Closing balance	**4,637,525**	**3,344,039**

Sanlam listed investments are disclosed at current market value of shares at reporting date (57310) shares at R80,92 per share). The municipality's risk is that the share price of listed investments might devalue significantly during the period under review and result in a substantial loss of the investment. The share price risk is managed by only investing in reputable listed entities with a good track record. The Sanlam listed investment was classified as short term after Council took a decision during the financial year to dispose of the shares.

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8. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	8,103,054	-	8,103,054	8,103,054	-	8,103,054
Buildings	235,437,473	(76,421,688)	159,015,785	234,923,728	(71,482,888)	163,440,840
Furniture and fixtures	13,453,084	(11,747,840)	1,705,244	13,266,064	(11,448,106)	1,817,958
Motor vehicles	9,025,412	(4,928,108)	4,097,304	7,789,086	(6,232,324)	1,556,762
Office equipment	41,065,736	(31,215,461)	9,850,275	38,074,429	(27,450,226)	10,624,203
Plant and equipment	1,748,164	(733,420)	1,014,744	1,015,420	(641,541)	373,879
Work in progress - Buildings	2,952,218	-	2,952,218	-	-	-
Total	**311,785,141**	**(125,046,517)**	**186,738,624**	**303,171,781**	**(117,255,085)**	**185,916,696**

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Depreciation	Total
Land	8,103,054	-	-	-	8,103,054
Buildings	163,440,840	513,745	-	(4,938,800)	159,015,785
Furniture and fixtures	1,817,958	339,781	(20,832)	(431,663)	1,705,244
Motor vehicles	1,556,762	3,729,245	(301,052)	(887,651)	4,097,304
Office equipment	10,624,203	3,797,908	(112,447)	(4,459,389)	9,850,275
Plant and equipment	373,879	794,798	(12,811)	(141,122)	1,014,744
Work in progress - buildings	-	2,952,218	-	-	2,952,218
	185,916,696	**12,127,695**	**(447,142)**	**(10,858,625)**	**186,738,624**

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Depreciation	Total
Land	8,103,054	-	-	-	8,103,054
Buildings	168,356,422	-	-	(4,915,582)	163,440,840
Furniture and fixtures	1,751,464	435,308	(1,648)	(367,166)	1,817,958
Motor vehicles	1,560,475	502,399	(121,871)	(384,241)	1,556,762
Office equipment	9,073,857	4,621,374	(217,983)	(2,853,045)	10,624,203
Plant and equipment	255,126	188,759	(179)	(69,827)	373,879
	189,100,398	**5,747,840**	**(341,681)**	**(8,589,861)**	**185,916,696**

Pledged as security

Carrying value of assets pledged as security for the DBSA loan (Refer to note 12):

	2024	2023
Land and buildings	167,986,978	169,428,101

Assets subject to finance lease (Net carrying amount)

	2024	2023
Office equipment	550,227	1,210,179

For details on repairs and maintenance cost on fixed aseets refer to note 19.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

9. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	19,392,826	(15,915,110)	3,477,716	18,804,240	(14,743,274)	4,060,966

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	4,060,966	663,822	(15,671)	(1,231,401)	3,477,716

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	3,642,139	1,370,874	(44,025)	(908,022)	4,060,966

10. Payables from exchange transactions

	2024	2023
Trade payables	15,283,586	14,968,136
Retentions	26,597,068	32,502,096
Other creditors	42,661	42,661
Construction contract payables	12,166,146	5,852,222
	54,089,461	**53,365,115**

11. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions	Utilised during the year	Total
Provision for long service awards	11,381,572	1,415,000	(819,661)	11,976,911
Leave provision	8,744,982	1,121,963	(998,771)	8,868,174
Post retirement benefits	22,330,000	761,000	(779,000)	22,312,000
Provision for performance bonuses	3,961,335	2,570,166	(3,182,504)	3,348,997
	46,417,889	**5,868,129**	**(5,779,936)**	**46,506,082**

Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Total
Legal proceedings provision	765,779	-	(765,779)	-
Provision for long service awards	10,891,891	1,478,000	(988,319)	11,381,572
Leave provision	9,553,419	252,475	(1,060,912)	8,744,982
Post retirement benefits	23,151,000	(175,000)	(646,000)	22,330,000
Provision for performance bonuses	2,534,418	4,599,247	(3,172,330)	3,961,335
	46,896,507	**6,154,722**	**(6,633,340)**	**46,417,889**

	2024	2023
Non-current liabilities	32,677,911	32,287,572
Current liabilities	13,828,171	14,130,317
	46,506,082	**46,417,889**

Leave provision

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

Provision for performance bonuses

Performance bonuses are being paid to Municipal Manager, managers and municipal staff after approval of annual performance appraisal by Council.

Performance bonuses are awarded to permanent employees and fixed term contract employees subject to certain conditions being met and approval of the performance appraisal by Council.

Post retirement benefits

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	2024	2023
Opening balance of defined benefits	22,330,000	23,151,000
Interest cost	3,116,000	2,968,000
Current service cost	1,200,000	1,294,000
Benefits paid	(779,000)	(646,000)
Actuarial (gain)	(3,555,000)	(4,437,000)
	22,312,000	**22,330,000**

Net expense recognised in Statement of Financial Performance

	2024	2023
Interest cost	3,116,000	2,968,000
Current service cost	1,200,000	1,294,000
Actuarial (gain)	(3,555,000)	(4,437,000)
	761,000	**(175,000)**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

11. Provisions (continued)

Long service awards

Opening balance of long service awards	11,381,572	10,891,891
Interest cost	1,351,000	1,321,000
Current service cost	1,087,000	1,090,000
Benefits paid	(819,661)	(988,319)
Actuarial (gain)	(1,023,000)	(933,000)
	11,976,911	**11,381,572**

Net expense recognised in Statement of Financial Performance

Interest cost	1,351,000	1,321,000
Current service cost	1,087,000	1,090,000
Actuarial (gain)	(1,023,000)	(933,000)
	1,415,000	**1,478,000**

Post retirement benefit

The municipality operates an accredited medical aid scheme. Employees who are not on a fixed contract participate in the post retirement medical assistance plan.

The post retirement assistance plan consisting of KeyHealth Medical Scheme (Keyhealth), LA Health Medical Scheme (LA Health) , Bonitas Medical Aid Fund (Bonitas), Hosmed Medical Scheme (Hosmed) and SAMWU National Medical Scheme (SAMWUMED). The members are entitled to a 60% retirement subsidy of the total contribution subject to a maximum of R 5,541 per month as from 1 July 2024.

These funds are subject to actuarial valuations. The last valuation was performed by an independent actuarial firm, Alexander Forbes, on 30 June 2024.

Long service awards

The municipality rewards it's employees who are in service for an unbroken period of 5 years and longer. Employees are entitled/awarded leave days equivalent to number of years served eg. 10 years of service, one gets 10 days of leave, which can either be taken as leave or to be paid out in cash.

The awards were subjected to actuarial valuation by an independent actuarial firm, Alexander Forbes, on 30 June 2024.

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11. Provisions (continued)

Calculation of actuarial gains & losses

The following key assumptions were used at reporting date:

Post retirement benefits		
Discount rate	13.90%	14.20%
CPI Inflation	7.70%	8.20%
Health Care Cost Inflation	9.20%	9.70%
Salary Inflation	5.00%	5.40%
Expected retirement age	65 years	65 years
Continuation members	14	15
In-service members	144	145

Long service awards		
Discount rate	11.10%	11.20%
Inflation rate	5.20%	5.70%
Salary Inflation	6.20%	6.70%
Members	172	174

12. Borrowings

At amortised cost		
DBSA loan	86,144,017	96,980,136

The municipality has one loan at DBSA during the period. Details of the loan are as follows:

DBSA - 61000886
Maturity date: 31/12/2029
Interest calculated at
11.12%

Non-current liabilities		
At amortised cost	74,038,747	86,144,324
Current liabilities		
At amortised cost	12,105,270	10,835,812

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13. Finance lease obligation

	2024	2023
Minimum lease payments due		
- within one year	528,827	634,591
- in second to fifth year inclusive	-	528,827
	528,827	1,163,418
less: future finance charges	(39,450)	(130,609)
Present value of minimum lease payments	**489,377**	**1,032,809**

	2024	2023
Present value of minimum lease payments due		
- within one year	489,377	543,432
- in second to fifth year inclusive	-	489,377
	489,377	**1,032,809**

	2024	2023
Non-current liabilities	-	489,377
Current liabilities	489,377	543,432
	489,377	**1,032,809**

The finance lease is for copiers with a lease term of three years and the average effecitve borrowing rate is 8.5%.

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14. Government grants and subsidies

Government grant - Equitable Share	295,254,000	284,129,000
Government grant - Finance Management Grant	1,000,000	1,000,000
Government grant - Sector Education and Training Authority	9,756,826	1,102,865
Government grant - Department Roads & Transport	2,525,000	2,516,000
Government grant - Expanded Public Works Program Incentive	2,995,000	2,457,000
	311,530,826	**291,204,865**

National Treasury Finance Management Grant

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

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

National Department of Roads & Transport

Current-year receipts	2,525,000	2,516,000
Conditions met - transferred to revenue	(2,525,000)	(2,516,000)
	-	-

The purpose of this grant is to assist rural district municipalities to set up rural RAMS, and collect road and traffic data in line with the Road Infrastructure Strategic Framework for South Africa.

Local Government Sector Education and Training Authority

Current-year receipts	9,756,826	347,865
Current-year receivable	-	755,000
Conditions met - transferred to revenue	(9,756,826)	(1,102,865)
	-	-

The purpose of the funds is for skills and capacity building within the municipality.

Expanded Public Works Program Incentive

Balance unspent at beginning of year	-	-
Current-year receipts	2,995,000	2,457,000
Conditions met - transferred to revenue	(2,995,000)	(2,457,000)
	-	-

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14. Government grants and subsidies (continued)

The purpose of this grant is to incentivise provincial departments to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP guidelines:

- road maintenance and maintenance of buildings
- low traffic volume roads and rural roads
- other economic and social infrastructure
- tourism and cultural industries
- sustainable land based livelihoods
- waste management
- parks and beautification
- social services programs
- health services programs
- community safety programs
- basic services infrastructure

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15. Employee related costs

Basic salaries	104,034,105	98,820,040
Annual bonus	6,933,756	6,577,244
Medical aid - employer contributions	7,918,479	7,339,329
UIF	448,047	425,507
SDL	1,246,892	1,219,255
Leave pay provision contribution	1,121,963	252,475
Post-employment benefits - pension - defined contribution plan	17,974,564	17,151,995
Travel allowances	25,976,672	24,213,214
Overtime payments	533,326	1,454,705
Acting allowances	370,290	411,427
Housing benefits and allowances	815,724	807,632
Bargaining council	27,028	25,747
	167,400,846	**158,698,570**

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Remuneration of Municipal Manager - NP Mahlalela

Annual Remuneration	1,191,980	1,126,793
Car Allowance	336,000	336,000
Performance Bonuses	62,994	115,930
Contributions to UIF, Medical and Pension Funds	299,514	289,115
Non pensionable gratuity	20,340	-
	1,910,828	**1,867,838**

Remuneration of Chief Financial Officer - PO Mokoena

Annual Remuneration	976,971	903,612
Car Allowance	300,000	300,000
Performance Bonuses	62,994	136,540
Contributions to UIF, Medical and Pension Funds	101,162	97,527
Leave pay	159,622	-
Non pensionable gratuity	20,340	-
	1,621,089	**1,437,679**

General Manager: Corporate services - RS Makwakwa (Resigned 31/12/2023)

Annual Remuneration	443,302	763,880
Car Allowance	120,000	220,000
Performance Bonuses	-	86,889
Contributions to UIF, Medical and Pension Funds	120,187	215,782
Leave Pay	45,643	94,346
Acting Allowance	80,369	-
Non pensionable gratuity	18,645	-
	828,146	**1,380,897**

Acting General Manager: Corporate services - GN Zulu (Appointed 01/09/2023)

Annual Remuneration	421,767	-
Car Allowance	148,342	-
Contributions to UIF, Medical and Pension Funds	89,585	-
Acting Allowance	51,738	-
Other	6,398	-
	717,830	**-**

Figures in Rand	2024	2023

15. Employee related costs (continued)

General Manager: Economic Planning and Development - SS Madlopha (Appointed 01/12/2023)

Annual Remuneration	480,930	-
Car Allowance	175,000	-
Contributions to UIF, Medical and Pension Funds	101,053	-
	756,983	**-**

Acting General Manager: Economic Planning and Development - ML Nkosi (Appointed 01/05/2022 to 31/08/2022)

Annual Remuneration	-	133,904
Car Allowance	-	46,914
Contributions to UIF, Medical and Pension Funds	-	39,274
Acting Allowance	-	17,161
	-	**237,253**

General Manager: Technical services - ND Malokela

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Annual Remuneration	941,177	859,913
Car Allowance	240,000	240,000
Performance Bonuses	62,994	86,889
Contributions to UIF, Medical and Pension Funds	219,189	203,684
Acting Allowances	31,301	87,093
Leave pay	146,335	-
Non pensionable gratuity	20,340	-
	1,661,336	**1,477,579**

General Manager: Municipal Health & Environment- ST Shabangu (Contract ended 31/01/2023)

Annual Remuneration	-	523,389
Car Allowance	-	140,000
Performance Bonuses	-	74,476
Contributions to UIF, Medical and Pension Funds	-	115,423
Acting Allowances	-	12,997
Leave Pay	-	149,430
	-	**1,015,715**

Acting General Manager: Community Services - EMM Mahlalela (Appointed 01/02/2023 to 31/07/2023)

Annual Remuneration	140,928	338,570
Car Allowance	24,724	117,285
Contributions to UIF, Medical and Pension Funds	17,250	77,101
Acting Allowances	8,833	40,707
Other	1,066	-
	192,801	**573,663**

General Manager: Community Services - ENM Mkhatshwa (Appointed 01/12/2023)

Annual Remuneration	455,509	-
Car Allowance	205,447	-
Contributions to UIF, Medical and Pension Funds	96,026	-
	756,982	**-**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

15. Employee related costs (continued)

General Manager: Strategic Planning and Social Services - SJ Tibane

Annual Remuneration	894,603	751,188
Car Allowance	180,000	224,199
Performance Bonuses	53,262	95,570
Contributions to UIF, Medical and Pension Funds	235,681	199,609
Acting Allowances	-	73,323
Other	6,780	-
	1,370,326	**1,343,889**

Remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

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16. Remuneration of councillors

Executive Mayor	1,123,692	1,162,586
Speaker	939,323	934,567
Councillors	9,155,358	9,376,881
Councillors' pension contribution	1,210,695	1,164,454
Chief Whip	886,773	881,104
Councillors other allowances	6,182,248	6,775,260
SDL	170,295	165,598
	19,668,384	**20,460,450**

Salaries, allowances and benefits of Councillors as disclosed in this note are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Corporative Governance and Traditional Affairs determination in accordance with this Act.

In-kind benefits

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

The Executive Mayor and Speaker have the use of a council owned vehicles for official duties.

The Executive Mayor has a full-time bodyguard, a full-time driver, at the cost of the council. The Speaker has a full-time driver at the cost of the council.

Executive Mayor - Cllr J Sidell (Until 13/06/2024)

Annual Remuneration	690,291	746,411
Car Allowance	269,288	279,847
Contributions to UIF, Medical and Pension Funds	164,113	136,328
	1,123,692	**1,162,586**

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Speaker - Cllr RE Khumalo

Annual Remuneration	572,693	572,759
Car Allowance	223,877	223,877
Contributions to UIF, Medical and Pension Funds	142,753	137,931
	939,323	**934,567**

Chief Whip - Cllr GS Siwela

Annual Remuneration	544,455	552,888
Car Allowance	209,885	209,885
Contributions to UIF, Medical and Pension Funds	132,433	118,331
	886,773	**881,104**

MMC Environmental Health - Cllr MR Shongwe (until 13/06/2024 and appointed as Acting Executive Mayor on 26/06/2024)

Annual Remuneration	560,824	576,838
Car Allowance	204,201	209,885
Contributions to UIF, Medical and Pension Funds	95,554	94,406
Acting Allowance	10,627	-
	871,206	**881,129**

Figures in Rand	2024	2023

16. Remuneration of councillors (continued)

MMC Economic Planning and Development - Cllr PT Selowe (until 13/06/2024)

Annual Remuneration	532,659	548,216
Car Allowance	204,201	209,885
Contributions to UIF, Medical and Pension Funds	119,685	123,028
	856,545	**881,129**

MMC Technical - Cllr M Nkuna (Until 31/01/2023)

Annual Remuneration	-	347,543
Car Allowance	-	122,433
Contributions to UIF, Medical and Pension Funds	-	47,345
	-	**517,321**

MMC Technical - Cllr PA Mathe (From 16/03/2023 until 13/06/2024)

Annual Remuneration	576,398	170,388
Car Allowance	204,201	59,449
Contributions to UIF, Medical and Pension Funds	79,980	22,400
	860,579	**252,237**

MMC Social Services - Cllr S Mashigo-Sekgobela (until 13/06/2024)

Annual Remuneration	134,615	543,233
Car Allowance	52,471	209,885
Contributions to UIF, Medical and Pension Funds	34,175	128,011
	221,261	**881,129**

MMC Social Services - Cllr PM Manana (From 29/11/2023 until 13/06/2024)

Annual Remuneration	317,237	-
Car Allowance	113,979	-
Contributions to UIF, Medical and Pension Funds	50,263	-
	481,479	**-**

MMC Corporate Services - Cllr MJ Mavuso (Until 3/08/2022)

Annual Remuneration	-	59,497
Car Allowance	-	19,183
Contributions to UIF, Medical and Pension Funds	-	4,000
	-	**82,680**

MMC Corporate Services - Cllr ET Mabuza (From 11/08/2022 until 10/12/2023)

Annual Remuneration	148,182	544,975
Car Allowance	52,471	193,035
Contributions to UIF, Medical and Pension Funds	20,607	72,319
	221,260	**810,329**

MMC Corporate Services - Cllr S Mashigo-Sekgobela (From 11/12/2023 until 13/6/2024)

Notes to the Annual Financial Statements

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16. Remuneration of councillors (continued)

Annual Remuneration	387,114	-
Car Allowance	151,729	-
Contributions to UIF, Medical and Pension Funds	100,474	-
	639,317	**-**

MMC Financial Services - Cllr M Chembeni-Sahi (Until 29/09/2023)

Annual Remuneration	148,182	590,931
Car Allowance	52,471	209,885
Contributions to UIF, Medical and Pension Funds	20,031	80,313
	220,684	**881,129**

MMC Financial Services - Cllr ET Mabuza (From 11/12/2023 until 13/06/2024)

Annual Remuneration	428,215	-
Car Allowance	151,729	-
Contributions to UIF, Medical and Pension Funds	59,373	-
	639,317	**-**

MMC Disaster Management - Cllr LC Shakwane (until 13/06/2024)

Annual Remuneration	529,382	548,131
Car Allowance	204,201	209,885
Contributions to UIF, Medical and Pension Funds	126,996	123,113
	860,579	**881,129**

MMC Strategic Planning - Cllr ET Mabuza (From 01/07/2022 until 10/08/2022)

Annual Remuneration	-	45,956
Car Allowance	-	16,850
Contributions to UIF, Medical and Pension Funds	-	7,994
	-	**70,800**

MMC Strategic Planning - Cllr EIT Shabangu (From 11/08/2022 until 13/06/2024)

Annual Remuneration	521,330	494,978
Car Allowance	204,201	186,752
Contributions to UIF, Medical and Pension Funds	135,048	108,854
	860,579	**790,584**

17. Depreciation and amortisation

Property, plant and equipment	10,858,625	8,589,861
Intangible assets	1,231,401	908,022
	12,090,026	**9,497,883**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

18. Finance costs

Interest - actuarial valuations and other	4,532,800	4,330,837
Interest - finance leases	91,159	135,293
Interest - non-current borrowings	10,529,351	11,618,635
	15,153,310	**16,084,765**

19. Repairs and maintenance

Buildings	4,716,768	4,966,236
Motor vehicles	764,831	1,342,191
Furniture and fittings	9,825	-
Plant and equipment	48,985	25,245
Fire brigade wagonets	-	92,500
	5,540,409	**6,426,172**

20. Contracted services

Outsourced services		
Organisational	1,346,725	4,078,927
Commissions and committees	1,200	1,500
Project management	-	30,000
Research and advisory	2,826,549	3,552,545
Catering services	6,102,379	4,590,399
Cleaning services	174,863	309,161
Security services	5,259,254	2,979,211
Consultants and professional services		
Audit committee	477,490	505,437
Business and financial management	11,214,180	5,889,021
Organisational	42,240	91,012
Legal cost and litigation	1,341,965	1,003,053
Contractors		
Aerial surveillance	1,644,904	1,426,438
Event promoters	205,000	266,759
Computer license fees	9,466,613	8,253,222
	40,103,362	**32,976,685**

21. Grants and subsidies

Other subsidies		
Department of Roads & Transport	2,085,869	2,077,523
Thaba Chweu Local Municipality	8,625,394	1,642,339
Nkomazi Local Municipality	2,757,652	3,611,315
Bushbuckridge Local Municipality	1,941,835	9,512,748
City of Mbombela Local Municipality	11,368,272	11,557,375
Other institutions	452,064	-
	27,231,086	**28,401,300**

22. Auditors' remuneration

Audit fees	5,196,078	4,392,336

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

23. Operational expenses

Bank charges	167,865	30,224
Bursaries	797,267	558,467
Community outreach	8,056,055	4,570,068
Conferences and seminars	-	6,128
Consulting and professional fees	1,972,636	1,928,146
Commission paid to third parties	12,000	12,000
Disaster management operational cost	1,793,610	1,749,535
Electricity, water and rates	12,968,720	11,132,440
Entertainment	1,248,323	945,728
Fuel and oil	1,294,515	1,675,223
GIS operational costs	59,748	7,633
COVID-19 related expenses	111,596	116,485
IDP review	28,435	214,893
Insurance	1,649,846	1,335,670
Marketing	1,690,140	2,114,761
Municipal health operational cost	613,601	1,029,215
Other expenses	1,562,239	1,021,392
Programs and campaigns	975,862	2,985,157
Postage and courier	5,225	4,275
Printing and stationery	2,198,564	1,106,511
Protective clothing	184,553	202,266
Telephone and fax	1,864,775	1,772,525
Tourism development	882,340	923,983
Training	8,948,919	1,654,197
Travelling and subsistance	11,237,367	10,171,491
	60,324,201	**47,268,413**

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24. Net cash flows from operating activities

Deficit	(26,207,474)	(17,704,775)
Adjustments for:		
Depreciation and amortisation	12,090,026	9,497,883
Actuarial (gain)	(4,578,000)	(5,370,000)
Loss/(Gain) on fair value adjustments	(1,448,201)	(385,018)
Loss on disposal of assets	52,281	210,087
Finance costs - finance leases	91,159	135,293
Provision for bad debts	1,716,374	573,093
Debt impairment	-	70,830
Movements in provisions	4,666,193	4,891,382
Revenue from non-exchange transactions	-	(755,000)
Other non-cash items	(317,076)	(28,186)
Changes in working capital:		
Inventories	1,182,569	10,021,966
Receivables from exchange transactions	(6,663,985)	(4,151,715)
Bad debts written off	-	(70,830)
Payables from exchange transactions	724,346	(8,696,738)
Statutory receivables	1,263,621	1,839,811
	(17,428,167)	**(9,921,917)**

Figures in Rand	2024	2023

25. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	56,649,535	56,649,535
Cash and cash equivalents	-	4,196,823	4,196,823
Investments	5,988,265	6,478,522	12,466,787
	5,988,265	**67,324,880**	**73,313,145**

Financial liabilities

	At amortised cost	Total
Current borrowings	12,105,270	12,105,270
Non-current borrowings	74,038,747	74,038,747
Trade and other payables from exchange transactions	54,089,461	54,089,461
Finance lease liaibility	489,377	489,377
	140,722,855	**140,722,855**

2023

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	50,277,205	50,277,205
Cash and cash equivalents	-	794,316	794,316
Investments	4,540,280	50,850,810	55,391,090
	4,540,280	**101,922,331**	**106,462,611**

Financial liabilities

	At amortised cost	Total
Current borrowings	10,835,812	10,835,812
Non-current borrowings	86,144,324	86,144,324
Trade and other payables from exchange transactions	53,365,115	53,365,115
Finance lease liability	1,032,809	1,032,809
	151,378,060	**151,378,060**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

26. Commitments

Authorised expenditure

Already contracted for but not provided for		
• Property, plant and equipment	5,415,961	14,721,632
• Construction contract work in progress	112,963,503	61,241,038
	118,379,464	**75,962,670**

Commitments source of funding reconciliation		
• Implementing Agent Grant Funding (WSIG and RBIG)	112,963,503	61,241,038
• Internal Funding	5,415,961	14,721,632
	118,379,464	**75,962,670**

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27. Contingencies

Contingent liabilities

1. D Sihlangu

This case relates to alleged unfair discrimination dispute referred to the Labour Court by the applicant in terms Rule 6 of the Labour Court Rules, against EDM. Applicant wants his post to be adjusted from post level 8 to post level 5 to be in line with other Coordinators. The amount claimed cannot be reliably estimated however legal fees paid to date amounts to R 877,529 with an additional estimated legal fees of R50,000.	-	-

2. L Sithole

This case relates to alleged unfair discrimination dispute referred to the Labour Court by the applicant in terms Rule 6 of the Labour Court Rules, against EDM. Applicant wants his post to be adjusted from post level 8 to post level 5 to be in line with other Coordinators. The amount claimed cannot be reliably estimated however legal fees paid to date exceeds R 158,464 with an additional estimated legal fees of R140,000.	-	-

3. Graskop Pale

Graskop Pale CC issued summons against Thaba Chweu Local Municipality and Ehlanzeni District Municipality as 1st and 2nd defendants respectively for, following a wild, uncontrollable fire that started in one of the properties around Thaba Chweu and caused severe damages to various plantations and properties, including the farm belonging to Plaintiff.	3,000,000	3,000,000

Municipality appointed an Attorney to defend the matter. A notice to defend, as well as a plea were filed. The legal fees paid to date amounts to R 189,630 with an additional estimated legal fees of R400,000.

4. Mpumalanga Copiers

Mpumalanga Copiers issued summons against Oagile Thuto and Ehlanzeni District Municipality as 1st and 2nd defendants respectively, claiming payment for rental of copier machines and supplies. Municipality paid all monies due to the service provider and is of the view that it should not have been involved in this dispute and cited as a party to these proceedings.	354,290	354,290

5. SMC Enterprise 2 CC

SMC Enterprise 2 CC is challenging contract termination by the municipality due to poor performance on Driekoppies Regional Water Scheme project. The termination process has been interdicted by High Court judgement but other litigation matters relating to the termination process are still to be heard by the High Court.	-	-

The legal fees incurred to date amounts to R925 482 with additional estimated future legal fees estimated at R400 000.

Contingent Assets

1. SMC Enterprises 2 CC

The municipality has instituted cost and damages counterclaim against SMC Enterprise 2 for damages suffered due to a contract termination. SMC Enterprise 2 CC has subsequently filed at the High Court an exception against the counterclaim.	13,111,019	-

Notes to the Annual Financial Statements

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28. Unauthorised, Irregular, Fruitless and wasteful expenditure

28.1 Irregular expenditure

	2024	2023
Opening balance	-	690,694
Less: Written off by Council	-	(690,694)
	-	-

28.2 Fruitless and wasteful expenditure

	2024	2023
Opening balance	1,531	25,052
add: Incurred during the year	72,809	181,483
Less: Amounts recovered	(8,461)	(11,000)
Less: Written off by Council	(65,879)	(194,004)
	-	**1,531**

Incidents:

(a) Traffic fines issued for violation of traffic statutes amounting to R7 000 and interest charges of 8,40 by a service provider for delayed mailing of invoice.
(b) Interest charges of R65 800 by Nkomazi Local Municipality for unpaid property rates account on property due to prolonged process of property transfer.

Remedial actions:

(a) The traffic fines amounting to R7 000 have been recovered from municipal employees.
(b) The interest charges of R8,40 has been approved to be written off as per Council Resolution A52 of 26 June 2024.
(c) An amount of R70,82 for interest charges relating 2018/19 financial year approved to be written off as per Council Resolution A52 of 26 June 2024.
(d) The arrear property rates interest charges of R65 800 has been approved for write off as per Council Resolution A75 of 27 August 2024.

29. Risk management

Financial risk management

Exposure to interest rate, liquidity and credit risks arises in the normal course of the Municipality's operations. The municipality has established a risk management committee, which is responsible for developing and monitoring the municipality's risk management policies. The risk management policies are established to identify and analyse the risks faced by the municipality, to set up risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in the municipality's activities. The municipality conduct risks assessment on a continuous basis throughout the financial year to identify and implement control measures to mitigate emerging risks.

29. Risk management (continued)

Liquidity risk

Ehlanzeni District Municipality manages its liquidity risks by effectively managing its working capital, capital expenditure and external borrowings. Revolving credit facilities in the form of an R20,000,000 bank overdraft has been negotiated with the main banker and provisionally approved. The overdraft facility will cater for any unexpected temporary shortfall in operating funds.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date.

At 30 June 2024	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Non-current borrowings	12,105,270	74,038,747	-	86,144,017
Payables from exchange transactions	54,089,461	-	-	54,089,461
Finance leases	489,377	-	-	489,377

At 30 June 2023	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Non-current borrowings	10,835,812	54,352,699	31,791,625	96,980,136
Payables from exchange transactions	53,365,115	-	-	53,365,115
Finance leases	543,432	489,377	-	1,032,809

Credit risk

Ehlanzeni District Municipality manages its credit risk in its borrowing and investing activities by dealing with the A+ rated financial institutions and by spreading its exposure over a wide range of financial institutions in accordance with the approved cash and investment policy as was approved by council.

Management evaluated credit risk relating to receivables from exchange transactions on an ongoing basis. If receivables from exchange transactions are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the receivables, taking into account its financial position, past experience and other factors.

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

Financial instrument	2024	2023
Cash and casch equivalents	4,196,823	794,316
Non-current investments	1,350,740	1,196,241
Current investments	11,116,047	54,194,849
Receivables from exchange transactions	56,649,535	50,277,205

Market risk

Interest rate risk

Ehlanzeni District Municipality is not exposed to any interest rate risks on its financial liabilities. As at the end of the financial year, 30 June 2024, Ehlanzeni District Municipality had only one fixed interest bearing loan with the Development Bank of Southern Africa (DBSA) as reflected in APPENDIX A. It should be noted that the interest in this loan is fixed until maturity. Similarly, with financial assets, Ehlanzeni District Municipality invests its surplus funds not immediately required in a fixed interest rate deposit with the A+ rated banks for fixed terms not exceeding one year.

30. Related parties

Relationships

Close family members of key management	None
Members of key management and councillors	See note 15 and 16.

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31. Interest received

Interest revenue		
Current bank account	229,584	163,663
Fixed deposits	8,216,045	8,571,483
Interest on debtors	606,629	489,812
	9,052,258	**9,224,958**

32. Change in accounting estimate

Property, plant and equipment and Intangible assets

The estimated useful life of assets in certain classes of Property, Plant and Equipment and Intangible Assets were assessed during the current financial year. In the current financial year management have extended their estimated useful lives at an avarage of between 3 and 5 years. The effect of this revision has decreased the depreciation and amortisation charges for the current period and increased for future periods by R 41 691.

The effect on Property, Plant and Equipment is a decrease of annual depreciation by R22 447, refer to note 8.

The effect on Intangible Assets is a decrease of annual amortisation by R19 244, refer to note 9.

33. Revenue

Construction contracts	72,851,296	53,075,035
Operational income	1,278,205	802,945
Rental of facilities and equipment	198,000	202,970
Interest received	9,052,258	9,224,958
Dividends received	183,392	165,053
Government grants & subsidies	311,530,826	291,204,865
Fines & penalties	661,432	418,849
	395,755,409	**355,094,675**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Construction contracts	72,851,296	53,075,035
Operational income	1,278,205	802,945
Rental of facilities and equipment	198,000	202,970
Interest received	9,052,258	9,224,958
Dividends received	183,392	165,053
	83,563,151	**63,470,961**

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

Transfer revenue		
Government grants & subsidies	311,530,826	291,204,865
Fines & penalties	661,432	418,849
	312,192,258	**291,623,714**

Notes to the Annual Financial Statements

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34. Comparative information

(a) The commitments source of funding has been added to the prior year on note 26 for comparative purposes.

The effects of the restatements are as follows:

Implementing Agent Grant Funding(WSIG and RBIG)	R 61,241,038
Internal funding	R14,721,632
Total	**R 75,962,670**

(b) The current and non-current portion of the long term borrowings has been added to the prior year on note 25 for comparative purposes.

The effects of the restatements are as follows:

Current borrowings	R 10,835,812
Non-current borrowings	R 86,144,324

(c) The contingencies disclosure note 27 has been adjusted to disclose comparative information for the contingent liabilities and assets.

35. Events after the reporting date

35.1 Adjusting events

(a) Council approved the write off of fruitless and wasteful expenditure incurred current financial year amounting to R65 800 on 27 August 2024, refer to Disclosure Note 28.

(b) Council approved final 2023/24 special adjustment budget on 29 August 2024, refer to the Statement of Comparison of Budget and Actuals.

35.2 Non-adjusting events

The Executive Mayor, Chairperson of MPAC and Members of Mayoral Committee had been elected and appointed on 16 and 23 July 2024.

36. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2024	2023
SALGA Membership fee	1,956,794	1,905,694

PAYE, UIF and SDL

	2024	2023
Amount paid - current year	37,681,712	36,893,387

Pension and Medical Aid Deductions

	2024	2023
Amount paid - current year	42,647,467	40,279,243

VAT

	2024	2023
VAT received - current year	16,727,339	15,099,826

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37. Deviations i.t.o section 36 of Supply Chain Management Policy

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37. Deviations i.t.o section 36 of Supply Chain Management Policy (continued)

Fixed Amount Deviation Procurements - Regulation 36(a)

	2024	2023
Emergency	-	788,452
Impractical	4,220,124	3,029,742
Sole provider	1,749,886	1,491,261
	5,970,010	**5,309,455**

38. Budget differences

Material differences between budget and actual amounts

Variances in excess of 10% is considered significant and therefore explanations are provided below:

38.1 Construction contract revenue and expenditure

Inadequate performance on infrastructure projects implemented on behalf of other organs of state resulted in underperformance on both construction contract revenue and expenditure.

38.2 Operational Income

Prolonged process of review of Municipal Health By-Laws to be enforceable and consultation with relevant stakeholders.

38.3 Rental of facilities and equipment

Anticipated rental revenue from the municipal canteen and disaster management conference could not be realised due to absence of a service provider to operate the facilities.

38.4 Interest received

Inadequate uncommitted cash to be placed on fixed deposits resulted in the underperformance.

38.5 Dividends received

The Sanlam shares performed more than anticipated however, dividends declared not received.

38.6 Fines revenue

Due to poor performance of contractors, the municipality enforced the provisions of the General Conditions of Contract for Construction Works by imposing penalties and this was not anticipated.

38.7 Grant and subsidies paid

Transfer of assets ready for use to local municipalities and the expenditure on the purchase and construction of these assets was budgeted for in the prior and current financial year.

38.8 Loss on disposal of assets

The disposal of some assets during the financial year did not occur as planned and other assets were disposed below their carrying values as a result of the state or conditions of those assets.

38.9 Gains on fair value adjustments

Unanticipated gains in the share value of the Sanlam and Momentum investments during the year.

38.10 Inventories

The inventory work in progress - assets to be transferred or donated decreased substantively due to completed assets transferred to local municipalities.

38.11 Cash, cash equivalents and investments

Projected cash and cash equivalents, and investments targets were not achieved mainly due to acceleration of capital and operating programmes and projects for supporting of the local municipalities that are implementing Financial Recovery Plans, release of retention monies and increase in receivables.

38.12 Receivables from exchange transactions

Unanticipated delays on payments by organs of state as the District Municipality is implementing infrastructure projects through contractual arrangements and monies owed by local municipalities for support services rendered.

38.13 Statutory receivables & payables

It was improbable to accurately project or determine during budget preparation, the VAT amount receivable or payable mainly due to the potential impact of the change of GRAP standard to be applied on the infrastructure projects implemented on behalf of other organs of state.

38.14 Property, plant and equipment and Intangible assets

Projected accumulated depreciation or amortization not realised as a result of asset completed during the year and review of useful lives of fixed assets, and less spending than projected on the budgeted capital projects as well as reclassification of capital expenditure transactions and donation of completed related assets to local municipalities.

38.15 Long term borrowings

Reclassification of long-term borrowings balance between non-current and current liabilities in accordance with the loan amortisation schedule.

38.16 Payables from exchange transactions

The release of retention monies was not factored on the budget.

38.17 Finance leases

A finance lease agreement for the office automation machines is classified as a finance lease in accordance with GRAP 13.

38.18 Other receipts

Unanticipated VAT refunds received from SARS during the financial year and not provided for in the budget.

38.19 Operating deficit

The realised operating deficit is mainly due to recognition of provisions for liabilities which are non-cash items.

38.20 Deficit for the year

The realised deficit year is mainly due to recognition of provisions for liabilities which are non-cash items and derecognition of assets transferred or donated to local municipalities and other institutions.

38.21 Net Assets

Substantive decrease in cash and cash equivalent, investments and deficit for the year contributed to the accumulated surplus projection not being realised.

38.22 Payments to suppliers

The retention and prior year payables paid, and provision liabilities or obligations settled during the financial year not factored on the cashflow budget.

Figures in Rand	2024	2023

39. Prior period adjustments

Prior period adjustments made through accumulated surplus are as follows:

(a) Backpay for Section 56/57 managers totalling R294 920.

(b) Unallocated deposits received recognised directly through surplus of R121 956.

(c) The former Lowveld And Escarpment District Council which Ehlanzeni District Municipality is a successor in title acquired a land in 1999 which was transferred and registered in 2000 at deeds office. The acquired land was not initial recognised previously and only recognised in the prior year on Property, Plant and Equipment. Subsequent to resolution taken on 29 August 2023 by the municipal council as per item A91/2023 approving transfer of the land to Nkomazi Local Municipality at no cost, the land should have been recognised on inventory as an adjusting event after reporting date in the prior year.

The effect of the restatements are as follows:

	2024	2023
Statement of financial position		
Payables from exchange transactions (S56/57 backpay payments)	-	(294,920)
Payables from exchange transactions (unallocated deposits)	-	121,956
Total	**-**	**(172,964)**
Property, Plant and Equipment	-	(3,080,000)
Inventories	-	3,080,000
Statement of Financial Performance		
Employee related cost (S56/57 backpay payments)	-	294,920
Statement of Changes in Equity - 2022		
Employee related cost (S56/57 backpay payments)	-	294,920
Unknown Direct Bank Deposits Liability Written Off	-	(121,956)
Total	**-**	**172,964**

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Prior period adjustments made through accumulated surplus are as follows:

There has been other credit transactions totalling R 52 848 and other debit transactions totalling R60 059 accrued or paid in the financial year under review relating to prior periods. The net adjustment directly through surplus is R7 211.

The details of these credit transactions are as follows:

(a) Mayoral bursaries of R38 011 refunded for the 2022/23 financial year from the University of Mpumalanga.

(b) Rental subsidy overpaid to an employee of R4 250 paid in the current financial year relating to the 2022/23 financial year. A subsequent debtor has been raised to recover the overpayment.

(c) Travel and accomodation of R5 909 paid relating to the 2022/23 financial year.

(d) Revenue related to the municipal health function of R4 678 recognised for the 2022/23 financial year

The details of these debit transactions are as follows:

(e) Sundry payments of R4 504 relating to the 2022/23 financial year paid during the current year.

(f) Prepayment of R55 555 for SALGA membership levy relating to prior year 2021/22 incorrectly reversed.

Notes to the Annual Financial Statements

40. Segment reporting

General information

Identification of segments

The municipality is organised and reports to management on the basis of departmental segments. Management uses these same segments for determining strategic objectives. No segments were aggregated for reporting purposes.

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

Segment surplus or deficit, assets and liabilities

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Notes to the Annual Financial Statements

Figures in Rand

40. Segment reporting (continued)

2024

	Council	Office of the Municipal Manager	Financial Services	Corporate Services	Technical Services	Economic Planning and Development	Commuity Services	Strategic Planning and Social Services	Entity Total
Revenue									
Revenue from non-exchange transactions	-	-	312,192,258	-	-	-	-	-	312,192,258
Revenue from exchange transactions	-	-	10,711,855	-	-	-	-	-	10,711,855
Construction contracts	-	-	72,851,296	-	-	-	-	-	72,851,296
Total segment revenue	**-**	**-**	**395,755,409**	**-**	**-**	**-**	**-**	**-**	**395,755,409**
Expenditure									
Salaries and wages	15,866,616	19,008,599	28,091,750	16,126,239	12,387,520	15,833,682	34,473,028	22,939,119	164,726,553
Council remuneration	19,498,089	-	-	-	-	-	-	-	19,498,089
Operational expenditure	17,149,342	7,207,666	43,000,497	25,658,045	1,195,104	6,319,350	8,794,663	4,683,971	114,008,638
Provision for impairment	-	-	1,716,374	-	-	-	-	-	1,716,374
Construction contract costs	-	-	73,512,727	-	-	-	-	-	73,512,727
Finance charges	-	-	15,153,310	-	-	-	-	-	15,153,310
Depreciation and amortisation	641,929	462,988	2,021,125	6,076,128	558,443	241,168	1,346,430	741,815	12,090,026
Total segment expenditure	**53,155,976**	**26,679,253**	**163,495,783**	**47,860,412**	**14,141,067**	**22,394,200**	**44,614,121**	**28,364,905**	**400,705,717**
Total segmental surplus/(deficit)									**(4,950,308)**
Loss on disposal of assets									(52,281)
Gain on fair value adjustments									1,448,201
Actuarial gain									4,578,000
Grants and subsidies paid									(27,231,086)
Total municipal surplus/(deficit)									**(26,207,474)**

40. Segment reporting (continued)

Assets									
Segment assets	1,928,831	1,268,039	8,196,108	173,210,370	1,236,527	592,387	3,182,617	601,461	190,216,340
Investments									12,466,787
Inventories									4,744,750
Receivables from exchange transactions									57,638,336
Cash and cash equivalents									4,196,823
Total assets as per Statement of financial Position									**269,263,036**
Finance leases									489,377
Payables from exchange transactions									54,089,461
Statutory payables									330,551
Provisions									46,506,082
Long term loans									86,144,017
Total liabilities as per Statement of financial Position									**187,559,488**
Accumulated Surplus									**81,703,548**

2023

	Council	Office of the Municipal Manager	Finance and Supply Chain Management	Corporate Services	Technical Services	Economic Planning and Development	Municipal Health and Environmental Management	Strategic Planning and Social Services	Entity Total
Revenue									
Revenue from non-exchange transactions	-	-	291,623,714	-	-	-	-	-	291,623,714
Other revenue from exchange transactions	-	-	10,395,926	-	-	-	-	-	10,395,926
Construction contracts	-	-	53,075,035	-	-	-	-	-	53,075,035
Total segment revenue	-	-	**355,094,675**	-	-	-	-	-	**355,094,675**

Notes to the Annual Financial Statements

Figures in Rand

40. Segment reporting (continued)

Expenditure									
Salaries and wages	15,343,986	16,778,151	28,829,219	16,604,816	10,638,106	13,259,083	32,216,782	23,009,227	156,679,370
Council remuneration	20,294,852	-	-	-	-	-	-	-	20,294,852
Operational expenditure	11,415,795	4,707,389	25,539,987	26,569,612	1,498,239	7,124,390	8,448,720	7,944,272	93,248,404
Provision for impairment	-	-	573,093	-	-	-	-	-	573,093
Construction contract costs	-	-	53,493,884	-	-	-	-	-	53,493,884
Finance charges	-	-	16,084,765	-	-	-	-	-	16,084,765
Bad debts written off	-	-	70,830	-	-	-	-	-	70,830
Depreciation and amortisation	273,100	361,459	1,349,944	5,681,424	244,542	141,216	883,593	562,605	9,497,883
Total segment expenditure	**47,327,733**	**21,846,999**	**125,941,722**	**48,855,852**	**12,380,887**	**20,524,689**	**41,549,095**	**31,516,104**	**349,943,081**
Total segmental surplus/(deficit)									**5,151,594**
Loss on disposal of assets									(210,087)
Gain on fair value adjustments									385,018
Actuarial gain									5,370,000
Grants and subsidies paid									(28,401,300)
Total municipal surplus (deficit)									**(17,704,775)**
Assets									
Segment assets	1,140,341	1,345,730	4,973,661	174,479,110	1,313,752	586,070	5,551,968	587,030	189,977,662
Investments									55,391,090
Inventories									5,927,319
Receivables from exchange transactions									52,690,725
Statutory receivables									933,070
Cash and cash equivalents									794,316
Total assets as per Statement of financial Position									**305,714,182**
Finance leases									1,032,809
Payables from exchange transactions									53,365,115
Provisions									46,417,889
Long term loans									96,980,136

40. Segment reporting (continued)

Total liabilities as per Statement of financial Position	**197,795,949**
Accumulated Surplus	**107,918,233**

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Information about geographical areas

The municipality's operations are in the Ehlanzeni District of the Mpumalanga province.

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The following supplementary information does not form part of the annual financialstatements and is unaudited:

Appendix A

June 2024

Schedule of external loans as at 30 June 2024

	Loan Number	Redeemable	Balance at 1 July 2023 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2024 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Loan Stock								
Structured loans								
Funding facility								
Development Bank of South Africa								
DBSA - 61000886 Maturity date: 31/12/2029 Interest calculated at 11.12%			96,980,136	-	10,836,119	86,144,017	160,821,895	-
			96,980,136	**-**	**10,836,119**	**86,144,017**	**160,821,895**	**-**
Bonds								
Other loans								
Lease liability								
Annuity loans								
Government loans								
Total external loans								
Development Bank of South Africa			96,980,136	-	10,836,119	86,144,017	160,821,895	-
			96,980,136	**-**	**10,836,119**	**86,144,017**	**160,821,895**	**-**

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Appendix B

Analysis of property, plant and equipment as at 30 June 2024

	Cost/Revaluation					Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Prior period adjustments Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Land and buildings												
Land	8,103,054	-	-	-	**8,103,054**	-	-	-	-	-	-	8,103,054
Work in progress - Buildings	-	2,952,217	-	-	**2,952,217**	-	-	-	-	-	-	2,952,217
Buildings	234,923,728	513,744	-	-	**235,437,472**	(71,482,888)	-	-	-	(4,938,800)	**(76,421,688)**	159,015,784
	243,026,782	**3,465,961**	-	-	**246,492,743**	**(71,482,888)**	-	-	-	**(4,938,800)**	**(76,421,688)**	**170,071,055**
Other assets												
Plant & equipment	1,015,421	794,799	(62,055)	-	**1,748,165**	(641,541)	49,243	-	-	(141,122)	**(733,420)**	1,014,745
Furniture & Fittings	13,266,063	339,782	(152,760)	-	**13,453,085**	(11,448,107)	131,930	-	-	(431,663)	**(11,747,840)**	1,705,245
Computer equipment	38,074,429	3,797,908	(806,602)	-	**41,065,735**	(27,450,227)	694,154	-	-	(4,459,389)	**(31,215,462)**	9,850,273
Motor vehicles	7,789,086	3,729,245	(2,492,919)	-	**9,025,412**	(6,232,324)	2,191,869	-	-	(887,651)	**(4,928,106)**	4,097,306
	60,144,999	**8,661,734**	**(3,514,336)**	-	**65,292,397**	**(45,772,199)**	**3,067,196**	-	-	**(5,919,825)**	**(48,624,828)**	**16,667,569**
Total property plant and equipment	**303,171,781**	**12,127,695**	**(3,514,336)**	-	**311,785,140**	**(117,255,087)**	**3,067,196**	-	-	**(10,858,625)**	**(125,046,516)**	**186,738,624**
Intangible assets												
Computer software	18,804,240	663,822	(75,236)	-	**19,392,826**	(14,743,273)	59,564	-	-	(1,231,401)	**(15,915,110)**	3,477,716
	18,804,240	**663,822**	**(75,236)**	-	**19,392,826**	**(14,743,273)**	**59,564**	-	-	**(1,231,401)**	**(15,915,110)**	**3,477,716**

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Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2024

	Cost					Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Prior period adjustments Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Municipality												
Chief Whip	204,026	-	-	(7,427)	**196,599**	(129,267)	-	6,868	-	(22,642)	**(145,041)**	51,558
Corporate Services	255,035,051	5,304,064	(179,691)	(3,093,410)	**257,066,014**	(80,555,942)	151,806	2,288,118	-	(5,739,625)	**(83,855,643)**	173,210,371
Disaster management	26,730,079	289,197	(64,934)	(11,316,881)	**15,637,461**	(23,946,003)	63,489	10,924,087	-	(764,367)	**(13,722,794)**	1,914,667
Executive Mayor	2,575,679	876,895	(1,040,148)	(65,565)	**2,346,861**	(2,024,619)	900,588	41,053	-	(287,457)	**(1,370,435)**	976,426
Financial Services	18,932,182	3,660,509	(1,544,550)	18,122,456	**39,170,597**	(13,958,520)	1,388,971	(15,416,342)	-	(2,988,598)	**(30,974,489)**	8,196,108
Internal Audit	258,146	-	(1,527)	(1,153)	**255,466**	(149,021)	1,442	(9)	-	(35,624)	**(183,212)**	72,254
LED and Tourism	1,562,014	141,193	-	(249,968)	**1,453,239**	(1,054,797)	-	170,901	-	(158,470)	**(1,042,366)**	410,873
Community Services	6,861,138	65,701	(10,307)	(1,973,558)	**4,942,974**	(4,093,245)	8,961	1,043,067	-	(633,808)	**(3,675,025)**	1,267,949
Municipal Manager	3,712,477	562,271	(28,481)	(235,726)	**4,010,541**	(2,475,873)	20,259	60,735	-	(419,877)	**(2,814,756)**	1,195,785
Strategic Services	489,410	5,880	-	271,991	**767,281**	(85,081)	(137,630)	-	-	(208,938)	**(431,649)**	335,632
Rural Development	283,169	160,709	-	(130,801)	**313,077**	(204,316)	-	102,850	-	(30,096)	**(131,562)**	181,515
Social and Transversal Issues	907,781	232,061	-	(163,898)	**975,944**	(725,080)	-	98,819	-	(83,855)	**(710,116)**	265,828
Speaker	1,885,713	928,786	(719,934)	(732,699)	**1,361,866**	(1,371,191)	591,242	545,299	-	(226,369)	**(461,019)**	900,847
Technical Services	2,539,156	564,251	-	(423,361)	**2,680,046**	(1,225,404)	-	272,185	-	(490,300)	**(1,443,519)**	1,236,527
	321,976,021	**12,791,517**	**(3,589,572)**	-	**331,177,966**	**(131,998,359)**	**2,989,128**	**137,631**	-	**(12,090,026)**	**(140,961,626)**	**190,216,340**

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Appendix D

Segmental Statement of Financial Performance for the year ended 30 June 2024

Prior Year				Curren Year		
Actual Income Rand	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**		**Actual Income Rand**	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**
			Municipality			
-	8,440,687	(8,440,687)	Office Executive Mayor	-	12,271,310	(12,271,310)
-	5,170,835	(5,170,835)	Office Rural Development	-	5,165,423	(5,165,423)
-	25,493,777	(25,493,777)	Office of the Speaker	-	26,425,901	(26,425,901)
-	10,572,938	(10,572,938)	Mayoral Committee	-	10,952,259	(10,952,259)
-	17,384,815	(17,384,815)	Office Municipal Manager	-	21,585,043	(21,585,043)
355,094,675	148,798,514	206,296,161	Finance	395,755,409	184,752,947	211,002,462
-	48,855,852	(48,855,852)	Corporate services	-	47,860,412	(47,860,412)
-	12,380,887	(12,380,887)	Technical Services	-	14,141,067	(14,141,067)
-	30,490,754	(30,490,754)	Municipal Health and Environment	-	32,034,713	(32,034,713)
-	2,819,911	(2,819,911)	Office Chief Whip	-	3,506,507	(3,506,507)
-	4,462,185	(4,462,185)	Internal Audit	-	5,094,210	(5,094,210)
-	31,516,105	(31,516,105)	Transversal Issues	-	28,364,906	(28,364,906)
-	15,353,854	(15,353,854)	LED and Tourism	-	17,228,777	(17,228,777)
-	11,058,336	(11,058,336)	Disaster Management and Public Safety	-	12,579,408	(12,579,408)
355,094,675	**372,799,450**	**(17,704,775)**		**395,755,409**	**421,962,883**	**(26,207,474)**

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2024

	Current year 2024 Act. Bal. Rand	Current year 2024 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Construction contracts	72,851,296	86,918,236	(14,066,940)	(16.2)	Refer to note 37
Operational income	1,278,205	2,095,033	(816,828)	(39.0)	Refer to note 37
Rental of facilities and equipment	198,000	1,402,500	(1,204,500)	(85.9)	Refer to note 37
Interest received	9,052,258	10,184,954	(1,132,696)	(11.1)	Refer to note 38
Dividends received	183,392	161,248	22,144	13.7	Refer to note 38
Fines and penalties	661,432	-	661,432	-	Refer to note 38
Government grants & subsidies	311,530,826	313,565,000	(2,034,174)	(0.6)	
	395,755,409	414,326,971	(18,571,562)	(4.5)	
Expenses					
Employee related cost	(167,400,846)	(167,551,598)	150,752	(0.1)	
Remuneration of councillors	(19,668,384)	(19,669,431)	1,047	-	
Audit fees	(5,196,078)	(5,196,150)	72	-	
Construction contract costs	(73,512,727)	(87,171,352)	13,658,625	(15.7)	Refer to note 38
Depreciation and amortisation	(12,090,026)	(12,204,512)	114,486	(0.9)	
Provision for bad debts	(1,716,374)	(1,720,000)	3,626	(0.2)	
Finance costs	(15,153,310)	(15,154,152)	842	-	
Bad debts written off	-	-	-	-	
Repairs and maintenance	(5,540,409)	(5,541,427)	1,018	-	
Contracted services	(40,103,362)	(40,325,268)	221,906	(0.6)	
Operational expenses	(60,324,201)	(60,407,964)	83,763	(0.1)	
	(400,705,717)	(414,941,854)	14,236,137	(3.4)	
Other revenue and costs					
Grants and subsidies	(27,231,086)	-	(27,231,086)	-	

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2024

	Current year 2024 Act. Bal.	Current year 2024 Adjusted budget	Variance		Explanation of Significant Variances greater than 10% versus Budget
Loss on disposal of assets	(52,281)	-	(52,281)	-	
Gain on fair value adjustments	1,448,201	-	1,448,201	-	
Actuarial gain	4,578,000	4,578,000	-	-	
	(21,257,166)	4,578,000	(25,835,166)	(564.3)	Refer to note 38
Net surplus/ (deficit) for the year	(26,207,474)	3,963,117	(30,170,591)	(761.3)	Refer to note 38

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Appendix E(2)

Budget Analysis of Capital Expenditure as at 30 June 2024

	Additions	Revised Budget	Variance	Variance	Explanation of significant variances from budget
	Rand	Rand	Rand	%	
Municipality					
Chief Whip	-	-	-	-	
Corporate Services	5,304,064	5,500,000	195,936	**4**	
Disaster Management	289,197	290,000	803	**-**	
Executive Mayor	876,895	880,000	3,105	**-**	
Financial Services	3,660,509	7,916,498	4,255,989	**54**	Refer to note 37
Internal Audit	-	-	-	**-**	
LED & Tourism	141,193	150,000	8,807	**6**	
Community Services	65,701	70,000	4,299	**6**	
Municipal Manager	562,271	570,000	7,729	**1**	
Strategic Services	5,880	6,000	120	**2**	
Rural Develpment	160,709	170,000	9,291	**5**	
Social Services	232,061	240,000	7,939	**3**	
Speaker	928,786	930,000	1,214	**-**	
Technical Services	564,251	570,000	5,749	**1**	
Mayoral Committee	-	-	-	**-**	
	-	-	-	**-**	
	12,791,517	**17,292,498**	**4,500,981**	**26**	

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Yes/ No
Equitable Share	123,023,000	98,418,000	73,813,000	-	73,813,500	73,813,500	73,813,500	73,813,500	Yes
Finance Management Grant	1,000,000	-	-	-	250,000	250,000	250,000	250,000	Yes
National Department of Roads	1,768,000	-	-	757,000	345,454	934,235	283,375	961,936	Yes
Sector Education and Training Authority	42,779	117,049	47,019	74,860	70,426	70,426	70,426	70,426	Yes
Expanded Public Works Program Incentive	793,000	1,427,000	775,000	-	748,750	748,750	748,750	748,750	Yes
LGSETA Training Grants	154,000	5,264,120	4,056,720	-	-	4,663,583	3,376,278	-	Yes
	-	-	-	-	-	-	-	-	Yes
	-	-	-	-	-	-	-	-	Yes
	-	-	-	-	-	-	-	-	Yes
	-	-	-	-	-	-	-	-	Yes
	-	-	-	-	-	-	-	-	Yes
	-	-	-	-	-	-	-	-	Yes
	-	-	-	-	-	-	-	-	Yes
	126,780,779	105,226,169	78,691,739	831,860	75,228,130	80,480,494	78,542,329	75,844,612	

Audited
By
2024 -11- 29
Auditor General South Africa
Mpumalanga Business Unit