



Blue Crane Route Local Municipality (EC 102)
Annual Financial Statements
for the year ended 30 June 2024

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2024

General Information

Legal form of entity	Local Municipality
Grade	2
Nature of business and principal activities	Local Government. Principal activities in-line with the Constitution of South Africa, Schedule 4 B and 5 B
Council Members	<p>B A Manxoweni - Mayor N P Nkonyeni - Speaker P Sonkwala - Chief Whip J M Martin Dr F P Brown E L Miggels Z S Baskiti A B C Heynse A Dyantyi H C Davenport L E Smith-Johnson M K Mali (Term ended - March 2024)</p>
Accounting Officer	M P Nini (patrickn@bcrm.gov.za)
Chief Finance Officer (CFO)	N B Delo (nigeld@bcrm.gov.za)
Registered office	<p>67 Nojoli Street KwaNojoli 5850</p>
Postal address	<p>P.O. Box 21 KwaNojoli 5850</p>
Auditors	Auditor General South Africa
Bankers	Absa Bank
Attorneys	<p>Smith Tabata Attorneys Pagdens Attorneys Gray Moodliar Attorneys Chris Bakes & Associates Lionel Trichardt & Associates</p>

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Abbreviations used:

GRAP	Generally Recognised Accounting Practice
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
SBDM	Sarah Baartman District Municipality
MIG	Municipal Infrastructure Grant
WSIG	Water Services Infrastructure Grant
FMG	Financial Management Grant
EPWP	Expanded Public Works Programme
DWS	Department of Water & Sanitation
DoRA	Division of Revenue Act
VAT	Value Added Tax
SARS	South African Revenue Services

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (No. 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the Municipal Finance Management Act (No.56 of 2003) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

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

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the Chief Financial Officer.

The external auditors are responsible for expressing an audit opinion on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors.

The annual financial statements set out on pages 5 to 78, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2024 and were signed by him.

The accounting officer hereby certify as required by Section 124(1)(a) of the Municipal Finance Management Act (No. 56 of 2003) that the salaries, allowances and benefits of political office-bearers and councillors of the Blue Crane Route Municipality, whether financial or in kind, are within the upper limits of the framework envisaged in section 219 of the Constitution.

MP Nini
Accounting Officer

30 November 2024

Blue Crane Route Local Municipality (EC 102)

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	3	1 893 767	1 120 324
Other receivables from exchange transactions	4	1 607 093	1 791 023
Receivables from non-exchange transactions	5	5 773 940	8 646 658
Receivables from exchange transactions	6	27 999 882	31 847 263
Cash and cash equivalents	7	40 136 360	9 985 526
VAT input accrual	54	14 504 843	3 237 687
		91 915 885	56 628 481
Non-Current Assets			
Investments	8	-	734 274
Investment property	9	35 784 796	37 826 758
Property, plant and equipment	10	820 000 577	833 128 515
Heritage assets	11	458 067	458 067
		856 243 440	872 147 614
Total Assets		948 159 325	928 776 095
Liabilities			
Current Liabilities			
Employee benefit obligation	12&13	2 401 000	1 842 000
Other financial liabilities	14	1 155 439	1 049 535
Finance lease obligation	15	-	380 806
Unspent conditional grants and receipts	16	32 886 554	10 388 271
Payables from exchange transactions	17	123 423 123	63 094 384
Trade and other payable from non-exchange	18	161 685	151 918
VAT payable	19	1 349 650	1 410 810
Consumer deposits	20	2 795 928	2 837 761
VAT output accrual	55	971 666	2 944 837
		165 145 045	84 100 322
Non-Current Liabilities			
Employee benefit obligation	12&13	26 465 000	26 456 000
Other financial liabilities	14	1 947 666	3 103 105
Provisions	21	31 519 912	40 521 060
		59 932 578	70 080 165
Total Liabilities		225 077 623	154 180 487
Net Assets		723 081 702	774 595 608
Accumulated surplus		723 081 702	774 595 608
Total Net Assets		723 081 702	774 595 608

* See Note 32

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Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	24	159 899 407	142 055 598
Rental of facilities and equipment		723 854	648 718
Interest earned - outstanding debtors	56	7 215 028	5 973 958
Interest earned - external investments	25	2 507 707	1 102 484
Agency services	26	546 241	781 887
Other income	28	2 606 978	3 275 659
Total revenue from exchange transactions		173 499 215	153 838 304
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	28 215 239	24 315 580
Licences and permits		436 111	478 753
Interest earned - outstanding debtors	56	4 331 983	2 265 019
Transfer revenue			
Fines		113 471	188 505
Government grants & subsidies	27	122 472 719	108 230 791
Total revenue from non-exchange transactions		155 569 523	135 478 648
Total revenue	22	329 068 738	289 316 952
Expenditure			
Employee related costs	29	102 820 498	95 641 244
Remuneration of councillors	30	4 951 126	4 547 206
Inventory consumed	37	8 877 691	8 209 188
Debt Impairment/ write off	31	52 493 433	30 231 185
Depreciation and amortisation	33	53 785 980	48 310 684
Finance costs	34	12 612 624	4 911 311
Bulk purchases	35	123 757 103	102 967 924
Contracted services	36	8 362 443	9 180 521
Transfers and subsidies	38	1 089 500	1 035 527
Operational cost	39	14 841 792	13 087 296
Total expenditure		383 592 190	318 122 086
Operating deficit		(54 523 452)	(28 805 134)
Actuarial gains/losses	12	1 926 000	3 238 514
Cost adjustment on landfill site		1 293 447	-
Impairment loss		(5 086 245)	(1 447 694)
		(1 866 798)	1 790 820
Deficit for the year		(56 390 250)	(27 014 314)

* See Note 32

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	811 337 247	811 337 247
Adjustments		
Prior year adjustments 32	(9 727 321)	(9 727 321)
Balance at 01 July 2022 as restated*	801 609 926	801 609 926
Changes in net assets		
Deficit for the year	(27 014 314)	(27 014 314)
Restated* Balance at 01 July 2023	774 595 608	774 595 608
Changes in net assets		
Prior year adjustments in current year	4 876 332	4 876 332
Net income (losses) recognised directly in net assets	-	-
Deficit for the year	(56 390 250)	(56 390 250)
Total recognised income and expenses for the year	(56 390 250)	(56 390 250)
Balance at 30 June 2024	723 081 702	723 081 702
Note(s)	32	

* See Note 32

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Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		141 035 560	128 594 322
Grants		144 971 002	96 286 869
Interest income		13 830 371	9 341 461
Other receipts		2 634 244	1 243 812
		<u>302 471 177</u>	<u>235 466 464</u>
Payments			
Employee costs		(100 559 314)	(93 065 730)
Suppliers		(51 675 691)	(8 603 318)
Remuneration of Councillors		(4 951 126)	(4 547 206)
Bulk Purchases		(58 163 891)	(102 967 923)
Finance charges		(9 488 876)	(732 897)
Other payments		(4 332 585)	(2 033 391)
		<u>(229 171 483)</u>	<u>(211 950 465)</u>
Net cash flows from operating activities	41	<u>73 299 694</u>	<u>23 515 999</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(42 437 704)	(32 869 246)
Net movement in service concession assets		-	(18 059 530)
Proceeds from service concession assets		-	(18 059 530)
Purchase of investments		-	(734 274)
Proceeds from sale of investments		734 274	-
Net cash flows from investing activities		<u>(41 703 430)</u>	<u>(33 603 520)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(1 049 535)	(956 849)
Finance lease payments		(395 895)	(395 894)
Net cash flows from financing activities		<u>(1 445 430)</u>	<u>(1 352 743)</u>
Net increase/(decrease) in cash and cash equivalents		30 150 834	(11 440 264)
Cash and cash equivalents at the beginning of the year		9 985 526	21 425 790
Cash and cash equivalents at the end of the year	7	<u>40 136 360</u>	<u>9 985 526</u>

* See Note 32

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Statement of Financial Performance

Revenue

Revenue by source

Property rates	24 818 750	932 499	25 751 249	28 215 239	2 463 990
Service charges	201 818 496	(14 877 696)	186 940 800	159 899 407	(27 041 393)
Interest earned - external investments	950 000	-	950 000	2 507 707	1 557 707
Government grants and subsidies	111 587 000	38 658 784	150 245 784	122 472 719	(27 773 065)
Interest earned - outstanding debtors	6 765 754	2 206 935	8 972 689	11 547 011	2 574 322
Other Income	5 652 080	(4 404 059)	1 248 021	7 646 102	6 398 081
	351 592 080	22 516 463	374 108 543	332 288 185	(41 820 358)

Expenditure by type

Employee costs	(102 713 435)	(69 890)	(102 783 325)	(106 626 107)	(3 842 782)
Remuneration of councillors	(4 928 432)	-	(4 928 432)	(4 951 126)	(22 694)
Debt impairment	(27 177 370)	-	(27 177 370)	(52 493 433)	(25 316 063)
Depreciation & amortisation	(56 303 704)	-	(56 303 704)	(53 785 980)	2 517 724
Finance charges	(3 489 473)	-	(3 489 473)	(19 703 618)	(16 214 145)
Materials and bulk purchases	(139 622 614)	23 051 470	(116 571 144)	(123 757 103)	(7 185 959)
Contracted services	(11 936 508)	1 856 467	(10 080 041)	(8 362 443)	1 717 598
Other expenditure	(26 935 176)	(1 222 126)	(28 157 302)	(29 895 228)	(1 737 926)
Total expenditure	(373 106 712)	23 615 921	(349 490 791)	(399 575 038)	(50 084 247)
Surplus/(Deficit) for the year	(21 514 632)	46 132 384	24 617 752	(67 286 853)	(91 904 605)

Statement of Financial Position

Total Current Assets	60 216 000	(43 546 000)	16 670 000	96 185 113	79 515 113
Total Non-Current Assets	848 667 000	31 198 000	879 865 000	856 243 440	(23 621 560)
Total Current Liabilities	(79 429 000)	56 765 000	(22 664 000)	(177 947 746)	(155 283 746)
Total Non-Current Liabilities	(61 315 000)	-	(61 315 000)	(59 932 579)	1 382 421
Accumulated Surplus	768 139 000	44 417 000	812 556 000	714 548 228	(98 007 772)

For detailed explanations relating to variances, refer to **Note 53**.

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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

Figures in Rand	Note(s)	2024	2023
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1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (No. 56 of 2003).

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

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

These accounting policies are consistent with those applied in the preparation of the prior year financial statements, unless specified otherwise.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity. The figures in the annual financial statements are rounded to the nearest rand.

1.2 Going concern

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

1.3 Budget information

Budget information in accordance with GRAP 1 and 24, has been provided in the Statement of comparison of budget and actual amounts. The approved budget is prepared on an accrual basis. The approved budget covers the fiscal period from 2023/07/01 to 2024/06/30.

1.4 Comparative figures

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and/or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. The presentation and classification of items in the current year is consistent with prior years.

The nature and reasons for the reclassifications and restatements are disclosed in the notes to the annual financial statements.

1.5 Offsetting

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

1.6 Significant judgements and sources of estimation uncertainty

The use of judgement, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require material adjustment to the carrying amount of the relevant asset or liability in future periods.

Judgements

In the process of applying these accounting policies, management has made the following judgements that may have a significant effect on the amounts recognised in the annual financial statements.

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Accounting Policies

1.6 Significant judgements and sources of estimation uncertainty (continued)

Estimates

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis.

Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying the entity's accounting policies, the following estimates were made:

Inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir.

Impairment of non-financial assets

In determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the asset's ability to continue to generate cash flows (in the case of cash-generating assets). For non-cash-generating assets, estimates are made regarding the depreciated replacement cost, restoration cost, or service units of the asset, depending on the nature of the impairment and the availability of information.

Provisions

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amounts that will be required in future to settle the provision management considers the weighted average probability of the potential outcomes of the provisions raised.

This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes.

Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions. Additional disclosure of these estimates of provisions is included in note 17 - Provisions.

Pension and other post-employment benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate, future salary increase, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Effective interest rate

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

Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not differ materially from the impairment that would have been determined had each debtor been assessed for impairment on an individual basis.

The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile.

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Accounting Policies

1.6 Significant judgements and sources of estimation uncertainty (continued)

Provisions for rehabilitation of refuse landfill sites

The entity has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the size / extent of the land to be rehabilitated, the rehabilitation cost per square meter, the monitoring cost per square meter, and the rehabilitation period. Current costs are projected using the average rate of inflation over the remaining period until rehabilitation, and then discounted to their present value using an appropriate discounting rate, representing the time value of money.

Depreciation and amortisation

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's current condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life.

In evaluating the useful life and residual value management considers the impact of technology and minimum service requirements of the assets.

1.7 Property, plant and equipment

Initial recognition

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

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

Property, plant and equipment are 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. The cost also includes the cost of dismantling and removing the asset and restoring the site on which it is operated.

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

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Major spare parts and servicing equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and servicing equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Subsequent measurement

Subsequent to initial recognition, property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land, which is not depreciated as it is deemed to have an indefinite useful life.

Subsequent expenditure

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

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Accounting Policies

1.7 Property, plant and equipment (continued)

Depreciation

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value. Components that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciable amount is determined after taking into account an asset's residual value.

The annual depreciation rates are based on the following estimated useful lives:

Item	Average useful life
Land (PPE)	Indefinite
Buildings	30 - 60 years
Plant	5 - 15 years
Furniture and fixtures	5 - 15 years
Motor vehicles	5 - 20 years
Office equipment	3 - 10 years
Other equipment	3 - 10 years
Infrastructure	5 - 80 years
Landfill site	15 - 30 years
Community assets	10 -30 years

Impairments

The entity tests 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 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.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

Derecognition

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 on the disposal or retirement of an item 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.

1.8 Investment property

Initial Recognition

Investment property includes property (land or a building, or part of a building) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Investment property is initially recognised when future benefits are probable and the cost or fair value can be determined reliably.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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Accounting Policies

1.8 Investment property (continued)

The cost of day to day servicing of investment property is recognised in the Statement of Financial Performance as incurred.

Cost model

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

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

Item	Useful life
Property - land	Indefinite
Property - buildings	30 years

Derecognition

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

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

Impairments

The municipality tests 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 Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

Subsequent expenditure

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

1.9 Heritage assets

Heritage assets, which are culturally significant resources, and which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives.

Initial Recognition

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

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairments

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

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Accounting Policies

1.9 Heritage assets (continued)

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

Recognition

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

1.10 Financial instruments

Initial recognition

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

Upon initial recognition the entity classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument meets the relevant definitions.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

Initial measurement

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs .

that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement.

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost. All financial assets and financial liabilities are measured after initial recognition using the following categories:

a) financial instruments at fair value:

- derivatives.
- combined instruments that are designated at fair value.
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instrument costs.

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1.10 Financial instruments (continued)

b) Financial instruments at amortised cost

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

(c) Financial Instrument at cost

Investments in residual interest, which do not have quoted market prices, and for which fair value cannot be determined reliably.

The entity assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost as set out above.

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.

Impairments

All financial assets measured at cost or amortised cost are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting. The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

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Accounting Policies

1.10 Financial instruments (continued)

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

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when the obligation 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).

Policies relating to specific financial instruments

Investments at amortised cost

Investments which include fixed deposits and short-term deposits invested in registered commercial banks are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is credited to the Statement of Financial Performance.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments.

Impairment adjustments are made through the use of an allowance accounts.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

Trade and other payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost. Trade payables are recognised VAT included.

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Accounting Policies

1.10 Financial instruments (continued)

Other financial assets

These include loans receivable and initially measured at fair value plus transaction costs that are directly attributable to the acquisition and subsequently measured at amortised cost.

1.11 Leases

Finance leases - lessee

Initial recognition

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

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.

Subsequent measurement

Subsequent to initial recognition the finance lease liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

Finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished.

The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

Operating leases - lessor

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease.

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

An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

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

Operating leases - lessee

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position.

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

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Accounting Policies

1.12 Inventories

Initial recognition and measurement

Inventories are initially measured at cost. Cost refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their required location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage. Where inventory is acquired for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Subsequent measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress (WIP) and finished goods (FG), are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value.

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.

Derecognition

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

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

1.13 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return.

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

Identification

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

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

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

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Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Value in use

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

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

Discount rate

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

1.14 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 are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

Post-employment benefits

The entity provides post-employment benefits for its officials. These benefits are provided as either defined contribution plans or defined benefit plans. The entity identifies as defined contribution plans any post-employment plan in terms of which it has no obligation to make further contributions to the plan over and above the monthly contributions payable on behalf of employees (for example in the event of a funding shortfall). Any other plans are considered to be defined benefit plans.

Defined contribution plans

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

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Accounting Policies

1.14 Employee benefits (continued)

Post-retirement Medical Obligations

The municipality provides post-retirement medical benefits by subsidising the medical contributions of certain retired staff members according to the rules of the medical aid funds. Council pays 70% of the contributions and the remaining 30% is paid by the members.

The entitlement to post-retirement medical 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, in accordance with GRAP 25 - "Employee Benefits". The plan is unfunded.

The contributions are recognised in the statement of financial performance when the employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value of the plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of minimum funding requirements. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries, and are recognised in the Statement of Financial Performance upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating surplus (deficit).

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

1.16 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

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Accounting Policies

1.16 Revenue from exchange transactions (continued)

Recognition

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- (a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (b) The amount of revenue can be measured reliably; and
- (c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

Specific exchange revenue sources

Service charges relating to electricity and water are based on consumption. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Electricity meters in industrial areas are read at the end of each month and billed the following month. Premises with high-tension electricity supplies are read and billed monthly.

Revenue arising from the consumption of electricity and water in the month of June is fully accounted for whether invoiced or not.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. At reporting date, an estimate of the prepaid electricity consumed is made and revenue is adjusted accordingly. The estimate is based on trend analysis and historical data of electricity consumption.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff. Tariffs are determined per category of property usage and are levied on a monthly basis.

Rental income arising on facilities and equipment is accounted for on a straight-line basis over the lease terms on on-going leases.

License fees and permits are recognised in accordance with the substance of the agreements entered into.

Measurement

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

1.17 Revenue from non-exchange transactions

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

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Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Recognition

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount and once all the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Council applies a flat rating system. The same rate factor is applied for land and buildings. In terms of this system, assessment rates are levied on the value of land and buildings in respect of properties. Rebates are granted according to the use of the property concerned. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines are recognised when it is probable that future economic benefits will flow to the entity, the costs can be reliably measured and all restrictions have been complied with. Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received and the revenue from the issuing of summonses is recognised when collected. Due to the various legal processes that can apply to summonses and the inadequate information available from the courts, it is not possible to measure this revenue in the invoicing period.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

Measurement

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

1.18 Borrowing costs

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

1.19 Expenditure - Operational Cost

An operating expense is a day-to-day expense such as sales and administration, or research & development, accounting expenses, licence fees, advertising, office expenses, utilities, such as telephone, insurance, property management, travel and vehicle expenses.

1.20 Expenditure - Bulk Purchases

Bulk purchases of Electricity and Water from Eskom (Including alternative service providers) and Water sources such as Water Boards and other providers.

1.21 Expenditure - Contracted Services

This expenditure type distinguishes between Outsourced services, Contractors and Professional and Special services.

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Accounting Policies

1.22 Expenditure - Inventory Consumed

The amount of inventories recognised as an expense during the period. The amount of inventories recognised as an expense during the period, which is often referred to as cost of sales, consist of those costs previously included in the measurement of inventory that has now been sold, exchanged or distributed, and unallocated production overheads and abnormal amounts of production cost of inventories. (Grap 12.49).

1.23 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No.56 of 2003), and includes:

- (a) overspending of the total amount appropriated in the municipality's approved budget;
- (b) overspending of the total amount appropriated for a vote in the approved budget;
- (c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose
- (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with this Act;

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

1.24 Fruitless and wasteful expenditure

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

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

1.25 Irregular expenditure

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

1.26 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and other entity are subject to common control.

Transactions between related parties other than transactions that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances are disclosed within the annual financial statements.

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

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Accounting Policies

1.27 Taxes - Value added tax

Revenue, expenses and assets are recognised net of the amounts of value added tax.

The Municipality accounts for Value Added Tax on the invoice basis.

VAT receivable or payable

The net effect of VAT outputs which has been declared to SARS and VAT inputs which has been claimed from SARS, is disclosed separately on the statement of financial position as either a vat receivable or vat payable, depending on the balance as at year end.

This amount is a statutory receivable or payable and includes all amounts which arise as a result of transactions directly related to the submission of returns.

VAT output accrual

Where the Municipality has an obligation to pay over output VAT, but the amount has not been collected from a third party, this amount is disclosed separately as a VAT output accrual, until such time as the amount is collected from the third party, whereinafter it is declared to SARS on the Municipality's VAT return.

VAT input accrual

Where the Municipality is entitled to claim input VAT, but the amount has not been paid to a third party, this amount is disclosed separately as a VAT input accrual, until such time as the amount is paid by the Municipality to the third party, whereinafter it is claimed from SARS on the Municipality's VAT return.

1.28 Housing development fund

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

1.29 Capital Commitments

Capital commitments disclosed in the financial statements represents the contractual balance committed to the capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.30 Consumer deposits

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in-line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

1.31 Post-reporting reporting date

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

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

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

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

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.32 Segment information

A segment is an activity of an entity:

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

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

1.33 Accounting by principals and agents

Identification

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

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

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

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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2. New standards and interpretations

2.1 Standards of General Recognised accounting Practice (GRAP) and Interpretations (GRAP) issued and effective

• GRAP 1 Presentation of Financial Statements (as revised in 2010)	
• GRAP 2 Cash Flow Statements (as revised in 2010)	
• GRAP 3 Accounting Policies, Changes in accounting Estimates and Errors (as revised in 2010)	
• GRAP 4 The Effects of Changes in Foreign Exchange Rates	
• GRAP 5 Borrowing Costs (as revised in 2013)	
• GRAP 9 Revenue from exchange Transactions (as revised in 2010)	
• GRAP 10 Financial Reporting in Hyperinflationary Economies (as revised in 2010)	
• GRAP 11 Construction Contracts (as revised in 2010)	
• GRAP 12 Inventories (as revised in 2010)	
• GRAP 13 Leases (as revised in 2010)	
• GRAP 14 Events After the Reporting Date (as revised in 2010)	
• GRAP 16 Investment Property (as revised in 2010)	
• GRAP 17 Property, Plant and Equipment (as revised in 2010)	
• GRAP 18 Segment Reporting (issued in 2011)	
• GRAP 19 Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010)	
• GRAP 20 Related Party Disclosures	
• GRAP 21 Impairment of Non-cash -generating Assets	
• GRAP 23 Revenue from Non-exchange Transactions	
• GRAP 24 Presentation of Budget Information in Financial statements	
• GRAP 25 Employee Benefits	
• GRAP 26 Impairment of Cash-generating assets	
• GRAP 27 Agriculture	
• GRAP 31 Intangible Assets	
• GRAP 32 Service Concession Arrangement: Grantor	
• GRAP 34 Separate Financial Statements	Replaced GRAP 6
• GRAP 35 Consolidated Financial Statements	Replaced GRAP 6
• GRAP 36 Investments in Associates and Joint Ventures	Replaced GRAP 7
• GRAP 37 Joint Arrangements	Replaced GRAP 8
• GRAP 38 Disclosure of Interest in Other Entities	Replaced GRAP 8
• GRAP 100 Discontinued Operations (as revised in 2013)	
• GRAP 103 Heritage Assets	
• GRAP 104 Financial Instruments	
• GRAP 105 Transfer of Functions Between Entities Under Common Control	
• GRAP 106 Transfer of Functions Between Entities Not Under Common Control	
• GRAP 107 Mergers	
• GRAP 108 Statutory Receivables	
• GRAP 109 Accounting by Principals and Agents	
• GRAP 110 Living and Non-living Resources	

2.2 Standards and Interpretations effected and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104: (as revised): Financial Instruments	01 April 2024	No material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2024	No material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2024	No material impact

2.3 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:

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 1: Presentation of Financial Statements	Not yet effective	No material impact
• GRAP 103: Heritage Assets	Not yet effective	No material impact
• GRAP 104: Financial Instruments	01 April 2025	No material impact
• Amendments: Improvements to Standards of GRAP	Not yet effective	No material impact
• IGRAP 22: Foreign Currency Transactions and Advance Consideration	Not yet effective	No material impact

3. Inventories

Consumable stores	1 757 080	912 379
Housing in process	55 080	55 080
Water	81 607	152 865
	1 893 767	1 120 324

Inventory Expensed

Stores issues amounted to R723 212 (2023: R491 690). (Refer to Note 37).

Inventory relating to stores was written down by R44 606 (2023: Nil).

No inventory was pledged as security.

4. Other receivables from exchange transactions

Deposits (Eskom)	960 102	897 972
Government Grants and Subsidies: Department of Human Settlements	158 842	158 842
Accumulated interest on investments	332 839	108 492
Other receivables	185 223	655 650
Provision for bad debts: Other receivables	(29 933)	(29 933)
	1 607 073	1 791 023

The ageing of other receivables from exchange transactions and not impaired is as follows:

3 to 6 months	62 130	94 316
>120 days	1 544 943	1 696 707

Trade and other receivables pledged as security

Other receivables were not pledged as security.

Other receivables are classified as financial assets at amortised cost.

Credit quality of trade and other receivables

The credit quality of trade and other receivables from exchange transactions that are neither past due nor impaired can be assessed by reference to historical trends and other available information.

Although credit quality can be assessed, the municipality did not apply any methods to evaluate the credit quality.

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
5. Receivables from non-exchange transactions		
Property rates	5 587 965	8 460 683
Other receivables	185 975	185 975
	5 773 940	8 646 658
Total receivables from non-exchange transactions	5 773 940	8 646 658
Property rates		
Property rates: Statutory	8 171 685	8 286 756
Property rates: All other categories	55 928 332	39 138 246
Provision for bad debts: Property rates	(58 512 052)	(38 964 319)
	5 587 965	8 460 683
Property rates age analysis: Statutory		
Current rates (0 - 30 days)	24 580	85 495
31 - 60 days	14 389	11 018
61 - 90 days	10 952	10 589
91 -120 days	11 065	9 889
> 121 days	8 110 699	8 169 765
	8 171 685	8 286 756
Property rates age analysis : All other Categories		
Current rates (0 - 30 days)	381 942	275 308
31 - 60 days	170 082	166 648
61 - 90 days	143 730	121 114
91 -120 days	134 180	105 650
> 121 days	55 098 398	38 469 526
	55 928 332	39 138 246
Credit quality of receivables from non-exchange transactions		
The credit quality of other receivables from non-exchange transactions that are neither past due nor impaired can be assessed by reference to historical trends and other available information.		
Although credit quality can be assessed, the municipality did not apply any methods to the credit quality.		
Allowance for impairment: Property rates		
Impairment balance prior year	(38 964 319)	(28 534 836)
Contributions to provision	(19 547 733)	(10 429 483)
	(58 512 052)	(38 964 319)
Property rates : Statutory		
Rates are charged on Statutory properties according to the Property Rates Act No.6 of 2004. Reading together with Government Gazette nr 32061 dated 27 March 2009.		
No debt impairment is calculated on statutory rates receivables.		
Interest is charged at prime plus 1 percent which was 12.75% at 30 June 2024.		
Receivables from non-exchange transactions		
Employees overpayment on back pay	231 831	231 831
Provision for bad debts: Employees overpayment	(231 831)	(231 831)
Insurance claims	17 121	17 121
Provision for bad debts: Insurance claims	(17 121)	(17 121)
SARS UIF and SDL	185 975	185 975
	185 975	185 975

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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5. Receivables from non-exchange transactions (continued)

Allowance for impairment: Other receivables

Impairment balance prior year	248 952	248 952
Contributions to provision	-	-
	248 952	248 952

The amount of impairment for property rates was R58 512 052 as at 30 June 2024 (2023: R38 964 319).

The amount of impairment for other receivables was R248 952 as at 30 June 2024 (2023: R248 952).

Other receivables from non-exchange transactions are classified as financial assets at amortised cost.

Other receivables from non-exchange past due but not impaired

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

1 month past due	14 389	88 833
2 months past due	10 952	10 589
3 months past due	11 066	9 889
Older than 3 months	8 110 699	8 169 763

Other receivables from non-exchange transactions past due but not impaired

Older than 3 months	185 975	185 975
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6. Trade receivables from exchange transactions

Gross balances

Electricity	43 203 508	36 318 337
Water	49 040 739	34 386 069
Sanitation	4 836 220	4 066 053
Sewerage	17 379 998	13 313 945
Refuse	33 362 774	25 408 889
Other	7 472 068	7 413 020
	155 295 307	120 906 313

Trade receivables pledged as security

Trade receivables were not pledged as security.

Trade receivables are financial assets at amortised cost.

Less: Allowance for impairment

Electricity	(24 330 902)	(18 854 584)
Water	(43 900 035)	(27 766 021)
Sanitation	(4 632 828)	(3 591 088)
Sewerage	(16 020 645)	(10 940 935)
Refuse	(31 033 279)	(21 328 539)
Other	(7 377 736)	(6 577 883)
	(127 295 425)	(89 059 050)

Net balance

Electricity	18 872 606	17 463 753
Water	5 140 704	6 620 048
Sanitation	203 392	474 965
Sewerage	1 359 353	2 373 010
Refuse	2 329 495	4 080 350
Other	94 332	835 137
	27 999 882	31 847 263

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
6. Trade receivables from exchange transactions (continued)		
Electricity		
Current (0 -30 days)	1 286 869	12 746 155
31 - 60 days	9 596 863	1 722 402
61 - 90 days	2 976 663	1 418 624
91 - 120 days	2 343 849	1 413 837
121 - 365 days	26 999 262	19 017 319
Less: Impairment	(24 330 900)	(18 854 584)
	18 872 606	17 463 753
Water		
Current (0 -30 days)	911 690	2 822 332
31 - 60 days	1 691 882	853 055
61 - 90 days	1 511 935	572 647
91 - 120 days	1 215 143	600 547
121 - 365 days	43 710 089	29 537 488
Less: Impairment	(43 900 035)	(27 766 021)
	5 140 704	6 620 048
Waste water		
Current (0 -30 days)	15 533	43 309
31 - 60 days	37 198	31 239
61 - 90 days	36 778	31 027
91 - 120 days	36 616	31 166
121 - 365 days	4 710 094	3 929 312
Less: Impairment	(4 632 827)	(3 591 088)
	203 392	474 965
Sewerage		
Current (0 -30 days)	347 316	731 422
31 - 60 days	578 809	363 179
61 - 90 days	418 864	309 645
91 - 120 days	352 946	297 999
121 - 365 days	15 682 063	11 611 700
Less: Impairment	(16 020 645)	(10 940 935)
	1 359 353	2 373 010
Refuse		
Current (0 -30 days)	550 201	1 178 048
31 - 60 days	983 091	604 495
61 - 90 days	708 775	520 972
91 - 120 days	641 998	500 219
121 - 365 days	30 478 709	22 605 154
Less: Impairment	(31 033 279)	(21 328 538)
	2 329 495	4 080 350
Other		
Current (0 -30 days)	-	36 867
31 - 60 days	28 406	31 691
61 - 90 days	36 506	31 848
91 - 120 days	36 421	31 975
121 - 365 days	7 370 735	7 280 639
Less: Impairment	(7 377 736)	(6 577 883)
	94 332	835 137

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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6. Trade receivables from exchange transactions (continued)

Summary of debtors by customer classification

Consumers

Current (0 -30 days)	3 111 610	17 558 133
31 - 60 days	12 916 250	3 606 061
61 - 90 days	5 689 522	2 884 763
91 - 120 days	4 626 975	2 875 743
121 - 365 days	128 950 947	93 981 612
	<u>155 295 304</u>	<u>120 906 312</u>
Less: Allowance for impairment	(127 295 422)	(89 059 049)
	27 999 882	31 847 263

Reconciliation of debt impairment provision

Opening balance	(89 059 050)	(77 092 416)
Provision for impairment	(38 236 372)	(11 966 634)
	(127 295 422)	(89 059 050)

Fair value of trade receivables from exchange transactions

Trade and other receivables	27 999 882	31 847 263
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Trade receivables impaired

The amount of the provision was R (127 295 425) as of 30 June 2024 (2023: R (89 059 050)).

Trade receivables past due but not impaired

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

1 month past due	755 958	17 917 234
2 months past due	607 562	1 803 031

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor impaired can be assessed by reference to historical trends and other available information. Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 707	1 732
Bank balances	24 912 722	4 169 444
Short-term deposits	15 221 931	5 814 350
	40 136 360	9 985 526

No restrictions exist with regard to the use of cash.

No cash and cash equivalents (or portions thereof) was pledged as security for any financial liabilities.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
ABSA - Fixed Deposit - 2053825035	7 500	7 500	7 500	7 500	7 500	7 500
Nedbank - Money Market - 1263036023	-	-	1 932	-	-	1 932
Nedbank - Fixed Deposit - 18312491	-	-	4 600	-	-	4 600
Nedbank - Money Money Market - 1263034756	-	-	86 164	-	-	86 164
ABSA Bank - Cheque Account - 2200000008	24 941 325	4 140 157	840 461	24 912 722	4 169 446	901 131
ABSA - Call Account - 4099838357	14 474 923	5 120 396	19 807 724	14 474 923	5 120 396	19 807 724
ABSA - Fixed Deposit - 2079809548	-	-	613 992	-	-	613 992
ABSA - Liquidity Plus - 9379793662	739 508	686 455	-	739 508	686 455	-
Total	40 163 256	9 954 508	21 362 373	40 134 653	9 983 797	21 423 043

The municipality has a guarantee at ABSA bank to the value of R6 000 (2023:R6 000) relating to the personal bonds of one municipal employee.

8. Investments

Short-term deposits	-	734 274
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The full investment of R734 274 was pledged as security pending a labour court case, (See Contingent liabilities for more details).

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand 2024 2023

9. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property at cost	66 430 888	(30 646 092)	35 784 796	66 430 888	(28 604 130)	37 826 758

Reconciliation of investment property - 2024

	Opening balance	Depreciation	Total
Land	12 085 655	-	12 085 655
Farms	9 046 000	-	9 046 000
Buildings	16 695 104	(2 041 963)	14 653 141
	37 826 759	(2 041 963)	35 784 796

Reconciliation of investment property - 2023

	Opening balance	Depreciation	Total
Land	12 085 655	-	12 085 655
Farms	9 046 000	-	9 046 000
Buildings	18 737 066	(2 041 962)	16 695 104
	39 868 721	(2 041 962)	37 826 759

Rental income from investment properties amounted to R646 828 (2023: R571 747).

No direct operating expenses arising from investment property that generated rental income was incurred.

No impairment assessment was done for Investment Property on 30 June 2024.

Pledged as security

No investment property have been pledged as security for loans.

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

10. 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	34 826 057	-	34 826 057	34 826 057	-	34 826 057
Buildings	45 976 420	(24 716 599)	21 259 821	45 833 910	(18 047 352)	27 786 558
Community assets	59 819 085	(23 757 621)	36 061 464	63 265 187	(23 915 535)	39 349 652
Plant and equipment	5 688 087	(2 818 372)	2 869 715	6 140 798	(2 513 126)	3 627 672
Furniture and fixtures	2 984 852	(2 719 377)	265 475	3 548 485	(3 216 304)	332 181
Motor vehicles	20 059 735	(12 679 637)	7 380 098	19 431 008	(14 030 675)	5 400 329
Office equipment	5 016 401	(3 784 730)	1 231 671	6 274 189	(4 992 268)	1 281 921
Infrastructure	990 232 996	(349 486 534)	640 746 462	988 156 905	(306 020 314)	682 136 595
Work in progress (WIP)	75 046 163	-	75 046 163	38 021 225	-	38 021 225
Landfill sites	11 015 019	(10 701 368)	313 651	18 412 502	(18 046 576)	365 927
Total	1 250 664 815	(430 664 238)	820 000 577	1 223 910 266	(390 782 150)	833 128 515

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	34 826 057	-	-	-	-	34 826 057
Buildings	27 786 558	142 510	-	(2 334 859)	(4 334 388)	21 259 821
Community Assets	39 349 652	-	(172 482)	(3 115 705)	-	36 061 465
Plant and machinery	3 627 672	163 325	(110 651)	(810 428)	-	2 869 918
Furniture and fixtures	332 579	-	(17 095)	(50 010)	-	265 474
Motor vehicles	5 400 329	3 354 673	(73 573)	(1 301 335)	-	7 380 094
Office equipment	1 281 921	630 908	(86 318)	(594 879)	-	1 231 632
Infrastructure	682 136 595	2 156 101	(291 738)	(43 484 526)	-	640 516 432
Work in progress (WIP)	38 021 225	37 254 807	-	-	-	75 276 032
Landfill sites	365 927	-	-	(52 275)	-	313 652
	833 128 515	43 702 324	(751 857)	(51 744 017)	(4 334 388)	820 000 577

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	34 826 057	-	-	-	-	34 826 057
Buildings	30 362 907	-	-	(2 576 349)	-	27 786 558
Community Assets	40 016 727	2 589 293	-	(3 092 143)	(164 225)	39 349 652
Plant and machinery	1 839 947	2 271 476	-	(483 751)	-	3 627 672
Furniture and fixtures	377 349	-	-	(44 770)	-	332 579
Motor vehicles	3 055 632	3 404 702	-	(954 405)	(105 600)	5 400 329
Office equipment	1 409 629	325 462	-	(453 170)	-	1 281 921
Infrastructure	684 775 123	37 151 200	-	(38 611 859)	(1 177 869)	682 136 595
Work in progress (WIP)	51 312 314	31 201 497	(44 492 586)	-	-	38 021 225
Landfill Sites	-	418 202	-	(52 275)	-	365 927
	847 975 685	77 361 832	(44 492 586)	(46 268 722)	(1 447 694)	833 128 515

Pledged as security

No assets pledged as security.

Property, plant and equipment in the process of being constructed or developed

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

The Pounds - (Work in Progress) 756 531 678 832

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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10. Property, plant and equipment (continued)

2023

Reasons: Funding has been secured for the completion of the project. Material has been procured and construction will be finalised in the next financial period..

2024

The following sections of the pound remain incomplete at year end, due to slow progress by the maintenance department.

- Ablution facilities
- Fence.

No impairment loss has been recognised in relation to this asset.

756 531	678 832
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Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	33 801 075	3 541 318	678 832	38 021 225
Additions/capital expenditure	36 594 961	355 548	304 298	37 254 807
	70 396 036	3 896 866	983 130	75 276 032

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	46 652 055	4 415 138	245 121	51 312 314
Additions/capital expenditure	29 052 362	1 715 472	1 522 811	32 290 645
Transferred to completed items	(41 903 342)	(2 589 292)	(1 089 100)	(45 581 734)
	33 801 075	3 541 318	678 832	38 021 225

Expenditure incurred to repair and maintain property, plant and equipment

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

Employee related costs	1 130 592	2 250 570
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Blue Crane Route Local Municipality (EC 102)

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11. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage Assets	458 067	-	458 067	458 067	-	458 067

Reconciliation of heritage assets 2024

	Opening balance	Total
Heritage assets	458 067	458 067

Reconciliation of heritage assets 2023

	Opening balance	Total
Heritage Assets	458 067	458 067

Description of heritage assets

The Municipality owns the following heritage assets:

- Delville Wood Monument
- William Charles Comley Monument

Blue Crane Route Local Municipality (EC 102)

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12. Employee benefit obligations

Post employment medical aid

Define benefit plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

In-service members will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme.

All continuation members and their eligible dependents receive a subsidy of either 60% or 70%.

Upon a member's death-in-service or death-in-retirement the surviving dependants will continue to receive the same subsidy.

All subsidies are suspected to remain to a maximum of R5 541 for the year ending 30 June 2024. The maximum subsidy amount has been assumed to increase in the future at 75% of salary inflation.

Principal assumptions

Discount rate

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefits payments, current market rates of the appropriate term should be used to discount shorter term payments and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 12,09% per annum has been used. The corresponding index-linked yield at this term is 5,17%.

These rates do not reflect any adjustment for taxation. These rates were deducted from the interest rate data obtained from the Johannesburg stock after the market close on 30 June 2024,

Financial assumptions

Discount rates used	12,09 %	12,09 %
Expected rate of return on assets	7,60 %	7,72 %
Expected rate of return on reimbursement rights	4,17 %	4,06 %
Actual return on reimbursement rights	5,33 %	5,42 %
Medical cost trend rates	6,42 %	6,33 %

The next contribution rate increase is assumed to occur at 1 January 2025.

Demographic assumptions

Average retirement age 62 (males)/ 59 (Females)

Actual return on plan assets	75 %	75 %
Actual return on reimbursement rights	60 %	60 %

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12. Employee benefit obligations (continued)		
Accrued liability values		
Carrying value		
Opening Accrued Liability	23 985 000	24 691 000
Service cost	607 000	666 000
Interest cost	2 831 000	2 777 000
Benefits paid	(1 175 000)	(1 060 841)
Actuarial (gain)/loss recognised in the year	(2 071 000)	(3 088 159)
	24 177 000	23 985 000
Non-current liabilities	(22 783 000)	(22 810 000)
Current liabilities (Estimate of benefits payments expected in the next annual period)	(1 394 000)	(1 175 000)
	24 177 000	23 985 000
The total liability has decreased by 1% (or R192 000) since the last valuation.		
Calculation of actuarial gains and losses		
The extent of unexpected increases or decreases in the liability over the period from the previous valuation date to the current can be summarised in the following main components:		
Basic changes: net effect if changes in net discount rates	(302 000)	(2 791 000)
Change in in-service non-member assumed medical aid option	-	544 000
Subsidy increases lower than assumed	(17 000)	(342 000)
Changes to membership profile different from assumed	(1 752 000)	(452 000)
Actual benefits vesting, lower than expected	-	(47 159)
Actuarial (Gain)/Loss for the period	(2 071 000)	(3 088 159)
Net expense recognised in the statement of financial performance		
Consumers		
Current service cost	607 000	666 000
Interest	2 831 000	2 777 000
Benefits paid	(1 175 000)	(1 060 841)
Total included in employee related costs	2 263 000	2 382 159
Actuarial (Gain)/Loss recognised in statement of financial performance	(2 071 000)	(3 088 159)
	192 000	(706 000)
Estimate of contributions expected to be paid to the plan in the next financial year	(662 000)	(607 000)

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12. Employee benefit obligations (continued)

Sensitivity analysis on the accrued liability for the year ending 30/06/2024(R millions)

Assumptions

	Change	Eligible employees	Continuation members	Total	% Change against central assumptions
Central assumptions	-	10,582	13,595	24,177	-
Medical aid contribution inflation rate	1 %	11,501	14,413	25,914	7 %
	-1 %	9,489	12,716	22,205	-8 %
Discount rate	1 %	9,234	12,566	21,800	-10 %
	-1 %	12,245	14,790	27,035	12 %
Post-retirement mortality	1 yr	10,359	13,202	23,561	-3 %
	1 yr	10,798	13,986	24,784	3 %
Average retirement age	-1 yr	11,488	13,595	25,083	4 %
Membership contribution	-10 %	9,207	13,595	22,802	-6 %

Sensitivity analysis on Current-service and Interest Costs for the year ending 30/06/2024

Assumptions

	Change	Current Service Cost	Interest	Total	% Change against central assumptions
Central assumptions	-	607 000	2 831 000	3 438 000	-
Medical aid contribution inflation rate	1 %	668 000	3 046 000	3 714 000	8 %
	-1 %	530 000	2 588 000	3 118 000	-9 %
Discount rate	1 %	517 000	2 752 000	3 269 000	-5 %
	-1 %	720 000	2 916 000	3 636 000	6 %
Post- retirement mortality	1 yr	595 000	2 758 000	3 353 000	-2 %
	-1 yr	619 000	2 903 000	3 522 000	2 %
Average retirement age	-1 yr	687 000	2 934 000	3 621 000	5 %
Membership contribution	-10 %	530 000	2 662 000	3 192 000	-7 %

History of liabilities, Assets and Experienced Adjustments (R millions)

Liability History

	2020	2021	2022	2023	2024
Accrued liability	20,317	22,799	24,691	23,985	24,177
Fair value of plan asset	0,000	0,000	0,000	0,000	0,000
Surplus / (Deficit)	<u>(20,317)</u>	<u>(20,799)</u>	<u>(24,691)</u>	<u>23,985</u>	<u>24,177</u>

History of experience adjustments: Gains and Losses (R millions)

Experience adjustments

	2020	2021	2022	2023	2024
Liabilities: (Gain)/Loss	0,102	(1,262)	0,110	(0,841)	(1,769)
Assets: Gain/Loss	0,000	0,000	0,000	0,000	0,000

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13. Long Service Awards (LSA)

Defined benefit plan

The Municipality offers employees LSA for every five years of service completed, to 45 years of service, inclusive. In the month that each "Completed Service" milestone is reached, the employee is granted a LSA.

At 30 June 2024, the Municipality had 253 employees that are entitled to LSA.

Principal assumptions

Discount rate

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 10,68% per annum has been used. The corresponding liability-weighted index linked yield is 5,03%. These rates do not reflect any adjustment for taxation. These rates were deducted from the interest rate data obtained from the JSE after the market close on 30 June 2024.

The duration of the total liability was estimated to be 7 years.

Financial assumptions

Discount rates used	10,68 %	10,92 %
Expected rate of return on assets	5,91 %	6,39 %
Expected rate of return on reimbursement rights	4,51 %	4,26 %

The salaries used in this valuation include an assumed increase on 1 July 2024 by 5%.

The next contribution rate increase is assumed to occur at 1 July 2025.

Accrued liability values

Carrying value

Opening accrued liability	4 313 000	4 270 000
Service cost	462 000	440 000
Interest cost	436 000	424 000
Benefits paid	(667 000)	(670 645)
Actuarial (gain)/loss recognised in the year	145 000	(150 355)
	4 689 000	4 313 000

Non-current liabilities	3 682 000	3 646 000
Current liabilities (Estimate of benefits payments expected in the next annual period)	1 007 000	667 000
	(4 689 000)	(4 313 000)

The total liability has increased by 9% (or R376 000) since the last valuation.

Calculation of actuarial gains and losses

The extent of unexpected increases or decreases in the liability over the period from the previous valuation date to the current can be summarised in the following main components:

Basic changes: Increase in net discount rate	(46 000)	(235 000)
Salary increases higher than assumed	27 000	(38 000)
Change to employee profile different from assumed	164 000	65 000
Actual benefits vesting, lower than expected	-	57 645
Actuarial (Gain)/Loss for the period	145 000	(150 355)

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13. Long Service Awards (LSA) (continued)

Net expense recognised in the statement of financial performance

Consumers

Current service cost	462 000	440 000
Interest	436 000	424 000
Benefits vesting	(667 000)	(670 645)
Total included in employee related costs	231 000	193 355
Actuarial (Gain)/Loss recognised in statement of financial performance	145 000	(150 355)
	376 000	43 000

Estimate of benefits vesting in the next financial year	(1 007 000)	(667 000)
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Sensitivity analysis on the accrued liability (R millions)

Assumptions

	Change	Liability	% Change against central assumptions
Central assumptions	-	4,689	- %
General salary inflation	1 %	4,897	5 %
	-1 %	4,497	-4 %
Discount rate	1 %	4,488	-4 %
	-1 %	4,909	5 %
Average retirement age	2 yrs	5,205	11 %
	-2 yrs	4,110	-12 %
Withdrawal rates	x2	3,995	-15 %
	x0.5	5,138	10 %

Other assumptions

Assumptions

	Change	Current service cost	Interest cost	Total	% Change against central assumptions
Central assumptions	-	462 000	436 000	898 000	-
General salary inflation	1 %	488 000	457 000	945 000	5 %
	-1 %	438 000	416 000	854 000	-5 %
Discount rate	1 %	441 000	453 000	894 000	0 %
	-1 %	485 000	417 000	902 000	0 %
Average retirement age	2 yrs	508 000	497 000	1 005 000	12 %
	-2 yrs	411 000	372 000	783 000	-13 %
Withdrawal rates	x2	368 000	364 000	732 000	-18 %
	x0.5	526 000	482 000	1 008 000	12 %

History of liabilities, Assets and Experienced Adjustments (R millions)

Liability History

	2020	2021	2022	2023	2024
Accrued liability	4,244	4,112	4,270	4,313	4,689

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
13. Long Service Awards (LSA) (continued)		
Fair value of plan asset	0,000	0,000
Surplus / (Deficit)	<u>(4,244)</u>	<u>(4,112)</u>
	<u>(4,270)</u>	<u>(4,313)</u>
	<u>(4,313)</u>	<u>(4,689)</u>

History of experience adjustments: Gains and Losses (R millions)

Experience adjustments

	2020	2021	2022	2023	2024
Liabilities: (Gain) / Loss	116 205	(72 633)	(61 841)	84 645	191 000
Assets: Gain / Loss	0	0	0	0	0

Total employment benefit obligation

Carrying value

Post-employment medical aid	24 177 000	23 985 000
Long service awards	4 689 000	4 313 000

28 866 000 28 298 000

Non-current liabilities	26 465 000	26 456 000
Current liabilities	2 401 000	1 842 000

28 866 000 28 298 000

14. Other financial liabilities

At amortised cost

Nedbank	3 103 105	4 152 640
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A loan of R5 500 000 was taken up from Nedbank on 19 November 2021 for financing of vehicles and other assets.

Fixed instalments are payable semi-annually at R712 565.00 at a fixed interest rate of 9.58% p.a.

The final instalment is payable on 31 December 2026.

3 103 105 4 152 640

Total other financial liabilities

3 103 105 4 152 640

In terms of Section 46 of the Municipal Finance Management Act, the Council resolved that the Municipality may obtain loan funding for the purposes of acquiring assets.

Non-current liabilities

At amortised cost	1 947 666	3 103 105
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Current liabilities

At amortised cost	1 155 439	1 049 535
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Blue Crane Route Local Municipality (EC 102)

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15. Finance lease obligation		
Minimum lease payments due		
- within one year	-	395 895
	-	395 895
less: future finance charges	-	(15 088)
Present value of minimum lease payments	-	380 807
Present value of minimum lease payments due		
- within one year	-	380 807

It is municipality policy to lease certain plant and equipment under finance leases.

The lease term was 3 years and the average effective borrowing rate was fixed at 9,70% (2023: 9,70%).

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to note . Property, plant and equipment for the carrying value of assets subject to finance lease.

At 30 June 2023 there was only a current liability for finance leases outstanding. The final instalment will be payable on 30 June 2024.

There are no subleases.

Defaults and breaches

There were no default during the period of principal, interest, sinking fund or redemption or redemption terms of loans payable.

Blue Crane Route Local Municipality (EC 102)

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16. Unspent conditional grants and receipts

Unfulfilled conditions and other contingencies attaching to government assistance has been recognised as per the following table totaling R32 886 554 (2023: R10 388 272).

Where conditions have been met, the amounts were recognised as revenue and is shown under the transfer columns per the following table.

The municipality complied with all the conditions attached to the grants / allocations.

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Water Services Infrastructure Grant (WSIG)	-	3 800 000
District Municipality - Various Projects	440 644	440 644
Dr WH Craib Trust	13 015	13 015
District Municipality - Fire and Disaster	1 475 822	1 055 822
Expanded Public Works Programme (EPWP)	444 024	1 796 812
Integrated National Electrification Grant (INEP)	-	81 979
Disaster Grant	30 063 049	3 200 000
Sarah Baartman District Municipality (SBDM)	450 000	-
	32 886 554	10 388 272

Grant description	Unspent balance 2023	Receipts	Adjustments /written off	Transfer operational expenditure	Transfer capital expenditure	Unspent balance 2024
Municipal Infrastructure Grant (MIG)	-	22 645 000	-	-	(22 645 000)	-
Water Service Infrastructure Grant (WSIG)	3 800 000	16 250 000	(3 800 000)	-	(16 250 000)	-
District Municipality: Infrastructure Grant	9 772	-	-	-	-	9 772
Finance Management Grant (FMG)	-	2 450 000	-	(2 270 129)	(179 871)	-
District Municipality: Youth and other tourism upgrades	262 838	-	-	-	-	262 838
Dr WH Craib Trust	13 015	-	-	-	-	13 015
District Municipality: Fire and Disaster	1 055 821	420 000	-	-	-	1 475 822
Depart Sport : Library admin cost	-	2 300 000	-	(2 300 000)	-	-
Expanded Public Works Programme (EPWP) - Operational grant	-	1 143 000	-	(1 143 000)	-	-
Expanded Public Works Programme - Community Services	1 796 812	-	-	(1 352 788)	-	444 024
ACIP Water conservation	42 520	-	-	-	-	42 520
Integrated National Electrification Program (INEP)	81 979	100 000	-	-	(181 979)	-
Abafazi Rural Project (LED)	24 393	-	-	-	-	24 393
Resourcing Youth Centre (LED)	91 571	-	-	-	-	91 571
Sarah Baartman District - Operational	-	1 750 000	-	(1 300 000)	-	450 000
Water Tanks: District Municipality	1 550	-	-	-	-	1 550
Moral Regeneration Movement Programme	8 000	-	-	-	-	8 000

Blue Crane Route Local Municipality (EC 102)

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Figures in Rand			2024	2023
16. Unspent conditional grants and receipts (continued)				
Energy Efficiency and Demand Side Management Grant (EEDM)	-	4 000 000	-	(4 000 000)
Disaster Grant	3 200 000	30 491 000	-	30 063 049
Equitable Share	-	63 422 000	3 800 000	(67 222 000)
	10 388 271	144 971 000	-	(79 215 869)
			(43 256 850)	32 886 554

Movement during the year

Balance at the beginning of the year	10 388 271	24 614 816
Additions during the year	144 971 000	99 668 688
Income recognition during the year	(122 472 717)	(113 895 233)
	32 886 554	10 388 271

The municipality received certain grant allocations during the year from various public entities (amounts disclosed above per project / allocation) - these receipts / grant allocations had to be utilised for the following main purposes:

National Treasury (MIG, WSIG, & FMG):	Upgrade of Infrastructure (MIG and WSIG) and building financial capacity and learnerships (FMG)
Sarah Baartman District Municipality:	Fire fighting, LED Projects and Infrastructure grants
Eastern Cape Department of Roads and Public Works:	Labour intensive projects to promote job creation for unemployed people (EPWP)
Department of Sport and Agriculture:	Administration cost for Libraries
EEDM:	Energy Efficiency and Demand Side Management for electricity network
INEP:	Electricity upgrading

17. Payables from exchange transactions

Trade payables	106 456 517	48 886 912
Payments received in advanced	3 006 698	1 831 497
Accrued leave pay	7 631 751	7 014 146
Accrued 13th cheque	2 274 352	2 479 886
Retentions on capital projects	2 040 017	1 519 000
Previous employees of Development Agency	813 695	813 695
Unidentified bank deposits	909 845	286 266
Deposits received - (Town Hall)	253 335	226 069
Deposits received - (Chalets)	36 913	36 913
	123 423 123	63 094 384

Blue Crane Route Local Municipality (EC 102)

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18. Trade and other payable from non-exchange

Trade and other: Principal-Agency arrangement (Traffic Licences)	161 685	77 299
Trade and other: Principal-Agency arrangement (Housing Project)	-	74 619
	161 685	151 918

Reconciliation : Reconciliation: Principal-Agency arrangement (Traffic Licences)

Opening balance	77 299	102 569
Total licence and transaction fees received from third parties	2 201 474	2 319 528
Total licence and transaction fees paid over to Principal (Department of Transport)	(2 117 088)	(2 344 798)
	161 685	77 299

These liabilities relates to transactions between a Principal-Agent relationship of which the Municipality is the Agent for Department of Transport to issue motor vehicle licences to third parties.

The Municipality receive agency fees of 19% of the total income. This revenue is included in Note 27 and was an amount of R546 241 (2023: R781 887).

The fees are paid over to the Principal (Department of Transport) on a weekly basis.

The outstanding amount at year end were paid over during the first week in July 2024.

Reconciliation : Principal-Agency arrangement (Housing Project)

Opening balance	74 619	926 385
Payments received from Department of Human Resources	-	434 023
Payments paid to contractor appointed for the Housing Project	(77 796)	(1 285 789)
Other	3 177	-
	-	74 619

These liabilities relate to transactions between a Principal-Agent relationship of which the Municipality is the Agent for Department of Human Resources in the Eastern Cape to build houses. The Municipality received the cost of the project in advance in 2021.

The Municipality received the cost of the project in advance in 2021 and start with the project in 2022. The project was completed in 2024.

See note 56 for other Principal and Agent disclosures.

19. VAT payable

VAT	1 349 650	1 410 810
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VAT is payable on the receipts basis. VAT is claimed from and paid over to SARS only once payment is made on a tax invoice or payment is received from debtors.

20. Consumer deposits

Electricity	1 435 313	1 479 167
Water	1 360 615	1 358 594
	2 795 928	2 837 761

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21. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	29 624 458	1 895 330	-	31 519 788
Municipal Workers Retirement Fund (MWRF)	10 896 601	1 360 159	(12 256 760)	-
	40 521 059	3 255 489	(12 256 760)	31 519 788

Reconciliation of provisions - 2023

	Opening Balance	Additions	Total
Environmental rehabilitation	26 297 727	3 326 731	29 624 458
Municipal Workers Retirement Fund (MWRF)	9 672 519	1 224 082	10 896 601
	35 970 246	4 550 813	40 521 059

Non-current liabilities

31 519 912	40 521 060
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Environmental rehabilitation provision

The above rehabilitation provision includes the three towns of Somerset East, Cookhouse and Pearston.

All landfill sites financial implications and valuations are determined in terms of Section 28 of the National Environmental Management Act No. 107 of 1998.

There is no planning for closure and rehabilitation of the landfill sites within the next five years and this is likely to only commence around 2030.

The effective date of all valuations was 30 June 2024 and was done and certified by Mr. T. Duvenhage, Professional Engineer, from Zutari (Pty) Ltd.

In Calculating the provision for rehabilitation, the following have been included:

- Direct contract costs
- Indirect Professional Fees
- Indirect disbursements
- Escalation

No rehabilitation has taken place on Cookhouse or Pearston landfill sites during the current year, while covering has partly taken place at Somerset East landfill site.

Fencing at Cookhouse (316m) and Pearston (621m) and Somerset East (121m) has been vandalised and needs regular replacing.

Monetary values for landfill sites

Cookhouse	1 881 940	1 767 001
Pearston	5 373 193	5 031 013
Somerset East	24 264 655	22 826 444
	31 519 788	29 624 458

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21. Provisions (continued)

Municipal Workers Retirement Fund (MWRF)

The above provision relates to a court judgement in favour of the Municipal Workers Retirement Fund (MWRF).

The judgement required the Municipality to pay an amount of R3.8m to the MWRF. The Municipality was unsuccessful in its appeals and is therefore liable for the capital relating to the outstanding amount plus any interest accrued up to the date of settlement. In the current year, the Municipality settled the outstanding amount.

22. Revenue

Service charges	159 899 407	142 055 598
Agency services	546 241	781 887
Fines	113 471	188 505
Interest received - External investment	2 507 707	1 102 484
Interest earned - Outstanding debtors	7 215 028	5 973 958
Licences and permits	436 111	478 753
Other income	2 606 978	3 275 659
Property rates	28 215 239	24 315 580
Rental of facilities and equipment	723 854	648 718
Transfers & subsidies	122 472 719	108 230 791
Interest, Dividends and Rent on Land	4 331 983	2 265 019
	329 068 738	289 316 952

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

Service charges	159 899 407	142 055 598
Agency services	546 241	781 887
Interest received - External investment	2 507 707	1 102 484
Interest earned - Outstanding debtors	7 215 028	5 973 958
Other income	2 606 978	3 275 659
Rental of facilities and equipment	723 854	648 718
	173 499 215	153 838 304

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

Taxation revenue

Property rates	28 215 239	24 315 580
Fines, penalties and forfeits	113 471	188 505
Licences or permits	436 111	478 753
Interest, Dividends and Rent on Land	4 331 983	2 265 019

Transfer revenue

Transfers & Subsidies	122 472 719	108 230 791
	155 569 523	135 478 648

Collectibility of amounts

At the time of initial recognition of revenue it is inappropriate to assume that the collectability of amounts owing by individual recipients of goods and services will not occur due to the municipality has an obligation to collect all revenue.

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23. Property rates

Revenue

Agricultural	4 828 074	4 147 219
Business & Commercial	3 410 348	3 099 257
Game Farms	8 438 294	6 482 497
Government - Other	6 736 300	6 124 141
Residential	4 802 223	4 462 466

28 215 239	24 315 580
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Valuations

Agricultural	7 054 282 030	7 053 964 030
Business & Commercial	327 107 465	325 148 725
Game Farms	849 617 225	853 471 225
Government - Other	636 340 810	636 340 810
Residential	648 395 361	644 648 336

9 515 742 891	9 513 573 126
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Statutory property rates

Rates are charged on Statutory properties according to the Property Rates Act No. 6 of 2004. Read together with Government Gazette No. 32061 dated 27 March 2009. The tariffs of all property rates as well as the valuation date are disclosed hereunder.

Valuation and tariffs

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The next general valuation will be done on 1 July 2024.

Rates are levied on an annual basis with the final date for payment being 30 June 2024 (30 June 2023). Interest at prime plus 1% per annum (2023: prime plus 1% per annum), is levied on rates outstanding one month after due date.

A general rate of 0.000633 (2023: 0.000576) for agricultural properties, 0.010586 (2023: 0.009624) for business properties, 0.009048 (2023: 0.008225) for residential properties 0.000 (2023: 0.000) for government infrastructure properties and 0.010586 (2023: 0.009624) for government properties is applied to property valuations to, determine assessment rates.

Rebates of the first R15 000 on the value of residential properties and the first 30% on the value of government infrastructure properties are granted and have not changed since the prior year.

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24. Service charges

Sale of electricity	122 768 459	111 543 856
Sale of water	18 276 953	14 928 934
Sewerage and sanitation charges	7 251 431	6 025 151
Refuse removal	11 602 564	9 557 657
	159 899 407	142 055 598

Electricity losses

Units (kwh)	7 630 439	14 357 956
Amount	R 8 634 866 R	13 488 602
Percentage	12 %	24 %

Electricity losses are due to aging infrastructure, electricity theft and outdated meters. The municipality has developed an action plan, called the "Revenue Enhancement Plan", to deal with the replacement of old infrastructure and meters and also appoint electricians to investigate theft.

Water losses

Units (Kl)	403 187	356 752
Amount	R 3 052 122 R	2 500 832
Percentage	22 %	22 %

The water losses are due to aging infrastructure, theft of water outdated water meters and vandalism.

25. Interest earned - external investments

Interest revenue

Bank Accounts	2 507 707	1 102 484
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The amount of R2 507 707 (2023: R1 102 484) is included under revenue arising from exchange transactions.

26. Agency services

Motor vehicle licences	546 241	781 887
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Blue Crane Route Local Municipality (EC 102)

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27. Transfers & subsidies

Operating grants

Department of Sport: Library Grant	2 300 000	2 300 000
Disaster Relief Grant	3 627 951	-
Equitable share	67 222 000	63 385 000
Expanded Public Works Programme (EPWP)	2 495 789	2 671 103
Finance Management Grant (FMG)	2 270 129	2 450 000
Sarah Baartman District Subsidy	1 300 000	3 081 500
	79 215 869	73 887 603

Capital grants

Municipal Infrastructure Grant (MIG)	22 645 000	16 322 542
Water Services Infrastructure (WSIG)	16 250 000	17 482 625
Integrated National Electrification Program (INEP)	181 979	538 021
Energy Efficiency and Demand Side Management Grant	4 000 000	-
Finance Management Grant (FMG)	179 871	-
	43 256 850	34 343 188
	122 472 719	108 230 791

28. Other income

Bad debts recovered	-	1 200 619
Building plan approvals	90 226	220 162
Burial fees	103 485	81 808
Camping fees	28 765	54 899
Commission: Transaction handling fees	189 407	186 022
Connections and reconnection fees	368 409	364 312
Fire services - Reimbursement of salaries	930 787	291 980
General/Other	109 911	108 997
Incidental cash surpluses	1 624	54 512
Insurance refund	565 208	343 421
Library fees	4 134	9 429
Skills development levy refund	193 840	349 816
Sub-divisions and consolidations	21 182	9 682
	2 606 978	3 275 659

29. Employee related costs

Basic salary and wages	63 674 898	61 781 471
Bonuses	4 842 795	5 102 483
Social contributions - Medical	4 315 456	2 169 295
Social contributions - Group life insurance	3 943	1 960
Social Contributions - Unemployment insurance	524 872	517 348
Social contributions - Bargaining council	36 382	35 416
Social contributions - Pension	11 121 621	10 217 159
Overtime	5 948 218	4 719 638
Other allowances: Non Pensionable	4 648 525	3 971 843
Leave pay	2 237 196	1 993 331
Post-retirement benefits - Medical : Net Service Cost	607 000	666 000
Long Term Service Awards: Net Service Cost	462 000	440 000
Post-retirement benefits - Medical : Interest Cost	2 831 000	2 777 000
Long Term Service Awards: Interest Cost	436 000	424 000
Less: Recharge to capital works	1 130 592	824 300
	102 820 498	95 641 244

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29. Employee related costs (continued)

Section 56 Senior Managers: Total cost per position

Municipal Manager - Mr T Klaas	: Appointed 01/07/2022 - 31/10/2022	-	781 567
Municipal Manager - Mr P Nini	: Appointed 01/01/2023 - Current	1 543 849	743 009
Chief Financial Officer - Mr N B Delo	: Appointed 01/02/2017 - Current	1 452 266	1 205 558
Director: Corporate Services - Mrs N Kubone	: Appointed 01/01/2021 - Current	1 299 733	1 202 820
Director: Community Services - Adv M Planga	: Appointed 01/07/2022 - 31/10/2022	-	565 124
Director: Community Services - Mrs Y Mniki	: Appointed 01/01/2023 - Current	1 251 994	598 350
Director: Technical Services - Mr A Gaji	: Appointed 01/06/2019 - 30/05/2024	1 282 210	1 241 413
		6 830 052	6 337 841

Remuneration of Municipal Manager : T Klaas

Annual Remuneration	-	414 369
Car Allowance	-	80 057
Performance Bonuses	-	21 764
Contributions to UIF, Medical and Pension Funds	-	885
Skill Levy	-	5 002
Subsistence Allowance	-	7 380
Bargaining Council	-	43
Leave	-	252 067
	-	781 567

Remuneration of Municipal Manager : M P Nini

Annual Remuneration	824 939	371 877
Car Allowance	480 000	298 904
Contributions to UIF, Medical and Pension Funds	51 503	34 045
Remote Allowance	52 986	25 721
Skill Levy	13 894	6 697
Subsistence Allowance	11 480	5 700
Bargaining Council	137	65
Travel Allowance - Re-imbursive	108 910	-
	1 543 849	743 009

Remuneration of Chief Finance Officer: N Delo

Annual Remuneration	1 132 029	958 778
Car Allowance	240 000	181 306
Contributions to UIF, Medical and Pension Funds	2 125	2 125
Remote Allowance	46 187	47 764
Skill Levy	12 189	11 516
Subsistence Allowance	3 360	3 940
Bargaining Council	137	130
Travel Allowance - Re-imbursive	16 239	-
	1 452 266	1 205 559

Remuneration of Director - Corporate Services: N Kubone

Annual Remuneration	1 087 718	998 778
Car Allowance	120 000	140 057
Contributions to UIF, Medical and Pension Funds	2 125	2 125
Remote Allowance	46 187	47 764
Skill Levy	12 149	11 586
Subsistence Allowance	3 140	2 380
Bargaining Council	136	130

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29. Employee related costs (continued)

Travel Allowance - Re-imbursive	28 278	-
	1 299 733	1 202 820

Remuneration of Director - Community Services: M Planga

Annual Remuneration	-	320 321
Car Allowance	-	53 934
Contributions to UIF, Medical and Pension Funds	-	708
Remote Allowance	-	17 869
Skill Levy	-	3 813
Subsistence Allowance	-	280
Bargaining Council	-	43
Leave	-	168 155
	-	565 123

Remuneration of Director - Community Services: Y H Mniki

Annual Remuneration	1 000 057	469 400
Car Allowance	180 000	98 337
Contributions to UIF, Medical and Pension Funds	2 125	1 063
Remote Allowance	46 187	22 421
Skill Levy	11 984	5 705
Subsistence Allowance	1 360	1 360
Bargaining Council	136	65
Travel Allowance - Re-imbursive	10 145	-
	1 251 994	598 351

Remuneration of Director - Technical Services: A Gaji

Annual Remuneration	868 374	795 702
Car Allowance	110 000	174 737
Contributions to UIF, Medical and Pension Funds	194 067	205 436
Remote Allowance	42 338	47 764
Skill Levy	11 738	11 866
Subsistence Allowance	4 740	5 780
Bargaining Council	125	130
Travel Allowance - Re-imbursive	50 828	-
	1 282 210	1 241 415

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30. Remuneration of councillors

Mayor: BA Manxoweni	947 326	876 537
Speaker: NP Nkonyeni	765 388	710 212
Chairperson: Corporate Services - MS Kwatsha	-	3 387
Chairperson: Community Services - A Hufkie	-	3 387
Chairperson: Infrastructure - TA Grootboom	-	3 387
Portfolio Head: Technical Services - MK Mali	286 486	392 891
Portfolio Head: Community Services - JM Martin	421 479	392 979
Chief Whip: P Sonkwala	421 478	392 979
Councillors	2 108 970	1 771 449
	4 951 127	4 547 208

Mayor: B A Manxoweni

Councillors Allowance	686 378	629 146
Pension Fund Contributions	48 568	47 064
Medical Aid Contributions	49 378	46 400
Fixed Travel Allowance	118 602	109 526
Councillors Cellphone Allowance	44 400	44 400
	947 326	876 536

Speaker: N P Nkonyeni

Councillors Allowance	504 886	464 604
Pension Fund Contributions	35 855	34 755
Fixed Travel Allowance	180 247	166 453
Councillors Cellphone Allowance	44 400	44 400
	765 388	710 212

Councillor - M K Mali

Councillors Allowance	192 665	261 435
Fixed Travel Allowance	64 221	87 056
Councillors Cellphone Allowance	29 600	44 400
	286 486	392 891

Portfolio Head: Community Services - J M Martin

Councillors Allowance	329 944	297 709
Fixed Travel Allowance	47 134	50 870
Councillors Cellphone Allowance	44 400	44 400
	421 478	392 979

Chief Whip: P Sonkwala

Councillors Allowance	241 807	221 781
Pension Fund Contributions	41 001	39 743
Fixed Travel Allowance	94 270	87 056
Councillors Cellphone Allowance	44 400	44 400
	421 478	392 980

Councillor: F P Brown

Councillors Allowance	213 906	197 536
Fixed Travel Allowance	71 302	65 845

Blue Crane Route Local Municipality (EC 102)

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30. Remuneration of councillors (continued)		
Councillors Cellphone Allowance	44 400	44 400
	329 608	307 781
Councillor: C Nel		
Councillors Allowance	4 778	73 722
Pension Fund Contributions	-	13 103
Fixed Travel Allowance	1 712	28 792
Councillors Cellphone Allowance	-	19 354
	6 490	134 971
Councillor: Z S Baskiti		
Councillors Allowance	259 251	253 505
Pension Fund Contributions	15 262	-
Fixed Travel Allowance	91 504	84 502
Councillors Cellphone Allowance	44 400	44 400
	410 417	382 407
Councillor: A B C Heynse		
Councillors Allowance	197 802	136 783
Pension Fund Contributions	14 184	10 223
Fixed Travel Allowance	70 662	49 002
Councillors Cellphone Allowance	44 400	33 015
	327 048	229 023
Councillor: A Dyantyi		
Councillors Allowance	213 906	197 536
Fixed Travel Allowance	71 302	65 845
Councillors Cellphone Allowance	44 400	44 400
	329 608	307 781
Councillor: T A Grootboom		
Councillors Allowance	-	2 512
Fixed Travel Allowance	-	875
	-	3 387
Councillor: M S Kwatsha		
Councillors Allowance	-	2 512
Fixed Travel Allowance	-	875
	-	3 387
Councillor: T C Xakaxa		
Councillors Allowance	-	1 957
Fixed Travel Allowance	-	682
	-	2 639
Councillor: K C Brown		

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30. Remuneration of councillors (continued)

Councillors Allowance	-	1 957
Fixed Travel Allowance	-	682
	-	2 639

Councillor: A Hufkie

Councillors Allowance	-	2 512
Fixed Travel Allowance	-	875
	-	3 387

Councillor: E L Miggels

Councillors Allowance	199 200	193 567
Pension Fund Contributions	14 184	3 437
Fixed Travel Allowance	71 302	65 845
Councillors Cellphone Allowance	44 400	44 400
	329 086	307 249

Councillor: T W Peta

Councillors Allowance	-	2 119
Fixed Travel Allowance	-	785
	-	2 904

Councillor: L E Smith-Johnson

Councillors Allowance	206 850	60 631
Fixed Travel Allowance	68 950	20 210
Councillors Cellphone Allowance	44 400	13 661
	320 200	94 502

Councillor: H C Davenport

Councillors Allowance	36 451	-
Fixed Travel Allowance	12 150	-
Councillors Cellphone Allowance	7 912	-
	56 513	-

31. Debt impairment

Debt impairment	39 858 963	22 366 184
Bad debts written off	12 634 470	7 865 001
	52 493 433	30 231 185

Subsequent to the 2023/24 financial year end, Council approved the write-off of R12.6 million relating to indigent debtors.

Blue Crane Route Local Municipality (EC 102)

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32. Prior-year adjustments

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

2022 - Prior period Errors

Provisions - (Municipal Workers Retirement Fund)

In 2019, a court ruling in favour of the Municipal Workers Retirement Fund (MWRF), resulted in the Municipality incurring a liability of R9 672 520, including interest and capital. Despite the judgement being passed, the Municipality appealed the court judgement and did not recognise a contingent liability. The 2023 opening accumulated surplus was restated to taken into account the effects of the capital and interest, not previously recognised.

Property, plant and equipment

Errors relating to property, plant and equipment were identified. The remaining useful lives of assets which were still in use, were not assessed resulting in these assets being fully depreciated to RNil. The remaining useful lives of these assets were assessed in the current year, resulting in an increase in the carrying value of property, plant and equipment and an increase in the opening accumulated surplus for the 2022/23 financial year.

2023 - Prior period Errors

Property, plant and equipment

Errors identified in prior periods relating to property, plant and equipment, resulted in a restatement of the opening balances for property, plant and equipment. This resulted in a decrease in Depreciation and Amortisation.

The cost and accumulated depreciation amounts for the following categories of assets listed within property, plant and equipment was amended, due to an incorrect disclosure of note 10 in the 2022/23 financial year

1. Plant and equipment -

Previously reported: Cost - R5 051 698	Accumulated depreciation - R2 513 126	Carrying Amount - R2 538 572
Revised disclosure: Cost - R6 140 798	Accumulated depreciation - R2 513 126	Carrying Amount - R3 627 672

2. Motor vehicles -

Previously reported: Cost - R17 522 440	Accumulated depreciation - R11 926 959	Carrying Amount - R5 595 481
Revised disclosure: Cost - R19 431 008	Accumulated depreciation - R14 030 675	Carrying Amount - R5 400 333

3. Infrastructure -

Previously reported: Cost - R947 293 553	Accumulated depreciation - R268 647 970	Carrying Amount - R678 645 583
Revised disclosure: Cost - R988 156 905	Accumulated depreciation - R306 020 314	Carrying Amount - R682 136 591

4. Work in progress -

Previously reported: Cost and Carrying Amount - R39 110 325
Revised disclosure: Cost and Carrying Amount - R38 021 225

Other receivables from exchange transactions

1. The District Municipality re-imbursed the salaries and wages of the fire fighters. This resulted in an increase in receivables, and a corresponding increase in other income which relates to the prior year.
2. An overpayment to the Department of Transport relating to the prior year, was corrected.

Unspent conditional grants and receipts

Rollovers relating to the prior year were not accounted for and has been adjusted for.

Contracted services

The District Municipality performed job evaluations for the Municipality, which related to the prior period. These expenses, were billed for in the current year, although a portion of this expense relates to prior years.

Depreciation and Amortisation

The effects of the assessed of the carrying values of property, plant and equipment in the prior year, resulted in a decrease in depreciation.

Blue Crane Route Local Municipality (EC 102)

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32. Prior-year adjustments (continued)

2023 - Reclassifications

VAT

During the current year, the accrual relating to VAT was reallocated out of the VAT control account. The effect on the prior year as a result of this was follows:

1. VAT Inputs totalling R3 237 687 was reallocated from the VAT Control account to the VAT Input Accrual account, included with Note 4 - Other receivables from exchange transactions.
2. VAT Outputs totalling R2 944 837 was reallocated from the VAT Control account to the VAT Output Accrual account, included with Note 17 - Payables from exchange transactions.
3. The net effects of the reclassifications and the errors identified above, resulted in an increase in the VAT Payable for the prior year.

Accumulated Surplus

The effects of the errors identified have been corrected and adjusted for in the opening Accumulated Surplus.

Statement of financial position

2022

	Note	As previously reported	Correction of error	Restated
Property, plant and equipment	10	843 078 691	4 896 994	847 975 685
Accumulated surplus		(811 337 247)	4 775 525	(801 609 926)
Provisions		(26 297 727)	(9 672 519)	(35 970 246)
		5 443 717	-	10 395 513

2023

	Note	As previously reported	Correction of error	Restated
Other receivables from exchange transactions	4	1 443 394	5 677 755	7 121 149
Property, plant and equipment	10	829 629 810	3 498 705	833 128 515
Unspent conditional grants and receipts	16	(8 105 645)	(2 282 626)	(10 388 271)
Payables from exchange transactions	17	(65 018 907)	(3 112 749)	(68 131 656)
VAT payable	19	(1 164 666)	(246 144)	(1 410 810)
Accumulated surplus		(781 957 273)	7 361 661	(774 595 612)
Provisions		(29 624 458)	(10 896 602)	(40 521 060)
		(54 797 745)	-	(54 797 745)

Statement of financial performance

2023

	Note	As previously reported	Correction of error	Restated
Other income	28	(2 928 030)	(347 629)	(3 275 659)
Depreciation and amortisation	33	51 967 802	(3 657 118)	48 310 684
Contracted services	36	8 799 471	381 050	9 180 521
Operational cost	39	12 998 540	88 756	13 087 296
Deficit for the year		(29 325 172)	2 310 858	(27 014 314)
Finance costs		3 687 228	1 224 083	4 911 311
Surplus for the year		45 199 839	-	45 199 839

Blue Crane Route Local Municipality (EC 102)

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33. Depreciation and amortisation		
Investment property	2 041 962	2 041 962
Property, plant and equipment	51 744 018	46 268 722
	53 785 980	48 310 684
34. Finance charges		
Annual loans	375 596	468 281
Finance leases	15 089	45 802
Interest cost - Landfill sites liability	3 188 777	2 908 529
Interest cost - MWRF settlement	1 360 157	1 224 083
Overdue accounts	7 673 005	264 616
	12 612 624	4 911 311
Interest expense is calculated using the effective interest rate.		
35. Bulk purchases		
Electricity - Eskom	123 757 103	102 967 924
36. Contracted services		
Outsourced Services		
Catering services	-	9 561
Debt collection costs	40 680	1 637 281
Drivers licence cards	102 779	89 428
Security services	420 209	763 454
Consultants and Professional Services		
Business and advisory	1 523 905	3 111 184
Legal cost	936 263	1 319 043
Contractors		
Distribution of electricity commission	1 245 773	723 106
Electrical	-	37 050
Maintenance of buildings and facilities	3 795	4 944
Maintenance of unspecified assets	3 458 918	1 356 523
Transportation	630 121	128 947
	8 362 443	9 180 521
37. Inventory Consumed		
Consumables	8 877 691	8 209 188
Consumables - Standard Rated	723 212	491 690
Consumables - Zero Rated (Fuel)	3 495 033	7 709 922
Consumables - Other (Exempt)	4 663 539	7 576
	8 881 784	8 209 188
38. Transfer and subsidies		
Other subsidies		
South African Local Government Association	1 089 500	1 035 527

Blue Crane Route Local Municipality (EC 102)

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Figures in Rand	2024	2023
39. Operational costs		
Advertising, publicity, marketing and tenders	121 914	118 496
Assets expensed	15 141	22 150
Bank charges, facility and card fees	144 375	220 964
Courier and delivery services	1 666	1 967
Entertainment	4 810	1 724
External audit fees	3 918 420	3 127 194
Hire charges	312 704	212 817
Insurance underwriting: Premiums	2 083 860	1 483 218
Motor vehicle licences and registration	217 433	258 419
Printing, publications and books	311 228	582 958
Professional bodies, memberships and subscriptions	5 945	7 718
Registration fees - Seminars, conferences and workshops	19 626	27 295
Remuneration to ward committee	668 000	699 019
Resettlement costs	18 556	-
Skills development levy	995 562	929 886
Software licences	142 712	284 905
Title deed search fees	6 193	17 595
Telephone, fax, telegraph and telex	2 354 710	2 234 944
Transportation costs	35 530	24 012
Travel and subsistence	2 277 101	1 676 794
Uniforms and protective clothing	495 461	547 769
Workman's compensation fund	690 845	607 452
	14 841 792	13 087 296
40. Auditors' remuneration		
Audit Fees	3 918 420	3 127 194
An amount of R904 804 was outstanding at 30 June 2024.		
41. Net cash flows from operating activities		
Deficit	(56 390 250)	(27 014 314)
Adjustments for:		
Depreciation and amortisation	53 785 980	48 310 684
Actuarial gain	(1 926 000)	(3 238 514)
Fair value adjustments	(1 293 447)	-
Finance costs - Finance leases	15 089	45 802
Finance costs - MWRF	1 360 157	-
Finance costs - Landfill site	3 188 777	2 908 529
Impairment deficit	5 086 245	1 447 694
Debt impairment	52 493 433	30 231 185
Movement in long service awards liability	2 494 000	2 575 514
Movements in provisions	(12 256 760)	1 642 285
Movement in VAT provisions	(7 926 246)	-
Non-cash donations and other in-kind benefits	(1 334 366)	(1 556 534)
Changes in working capital:		
Inventories	(773 443)	129 098
(Increase)/decrease in other receivables from exchange transactions	(30 888 096)	(22 579 840)
(Increase)/decrease in other receivables from non-exchange transactions	(14 885 238)	(12 010 256)
Payables from exchange transactions	60 328 751	20 932 993
Net decrease in VAT payable	(61 160)	393 395
Increase in trade and other payables from non-exchange	9 767	(997 864)
Unspent conditional grants and receipts	22 498 283	(11 943 922)
Consumer deposits	(41 833)	45 503
Other receivables from exchange transactions	(183 949)	(5 805 439)
	73 299 694	23 515 999

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42. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	40 251 498	38 856 958
Total capital commitments		
Already contracted for but not provided for	40 251 498	38 856 958

This committed expenditure relates to Infrastructure projects and will be financed by Government Grants.

43. Contingencies

Contingent liabilities

Matter: Blue Crane Route Municipality vs Municipal Workers Retirement Fund (MWRF)

Appeal was set down for 29 August 2022. The Municipality is waiting for the judgement to be issued.

2022/23

The municipality is in a process to petition the Judge President of the Supreme Court of Appeal, for this matter to be argued again.

2023/24

In May 2024, the Court issued a judgement which required the Municipality to pay R12.2 million to the MWRF. This amount was paid over to the fund.

In April 2025, Part B of the Municipality's application to the Court to set aside the interest cost of R21.6 million, will be heard.

The Municipality's legal representatives have advised that there are reasonable prospects of defending the R21.6 million claim against the Municipality.

Matter: Blue Crane Route Municipality vs M Gantsho (Former employee)

Mr Gantsho was found guilty of multiple counts of serious misconduct in 2020, and referred a dispute to the SALGBC claiming that he had been unfairly dismissed.

The matter proceeded to arbitration and a ruling was issued that he was entitled to retrospective reinstatement and back pay in the amount of R127 915. The Municipality has now referred the matter to the Labour Court requesting that the arbitration award be reviewed and set aside.

Fixed deposit of R613 992 was needed from the Labour Court to proceed with the case. See Note 10.1 It is anticipated that further cost associated with the Labour Court proceedings will amount to approximately R150 000.

2022/23

This matter is still pending in labour Court and the Municipality has good prospects of success.

2023/24

The matter relating to the contingent liability has been settled.

(See below for details relating to the Municipality's contingent asset claim relating to the matter).

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43. Contingencies (continued)

Matter: Blue Crane Route Municipality vs Q Plaatjies

The Plaintiff claims that his vehicle was damaged after colliding with a pothole as a result of the defendant not maintaining the road. Legal fees estimated at R40 000 plus the claim from the Plaintiff of R18 052.

The matter is ongoing and a plea had been filed. The Plaintiff has been missing since October 2020 so it is unclear who will be called to testify regarding the alleged.

2022/23

No further progress in this matter.

2023/24

Based on the fact that the plaintiff has not come forward since 2020, the matter has been removed.

Matter: Blue Crane Route Municipality vs DW Lackay

The plaintiff is claiming R111 440 from the Municipality for breach of duty to maintain water drainage. There are reasonable prospects of defending the claim.

2022/23

No further progress in this matter.

2022/24

The plaintiff withdrew the claim and accordingly, the matter was finalised and pleadings closed. Both parties agreed to settle the matter on the basis that each party paid its own costs, the matter has been removed.

Matter: Blue Crane Route Municipality vs C Simonse (Former employee)

Unfair dismissal dispute referred by employee, who claims she had reasonable expectation of having her contract renewed for a further 5 years.

Reasonable prospects of opposing referral. Cost around estimated at R458 044.

2022/23

No further progress in this matter.

2023/24

The Court order dated 24 April 2024, indicated that there would be no further financial implications and the matter is finalised. Costs and disbursements incurred until finalisation of the matter (including settlement amounts paid to the employee) were R1 585 000, the matter has been removed.

Summary of Contingent liabilities

MWRF	21 602 355	16 940 819
M Gantsho	-	613 992
Q Plaatjies	-	58 052
D W Lackay	-	111 440
C Simonse	-	458 044
	21 602 355	18 182 347

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43. Contingencies (continued)

Contingent assets

Matter: Blue Crane Route Municipality vs Autumn Star/Claassen

2022/23

The Municipality's legal representatives have advised that due to the age of the matter they do not foresee any chance of recovering the costs through legal processes. The matter will not be pursued further.

2023/24

The matter is ongoing. The Municipality's legal representatives have advised that an estimate of R3.6 million repayment from Autumn Star may be claimed and there are reasonable prospects of recovering the claim.

Matter: Blue Crane Route Municipality vs SAMWU

2023/24

In 2022/23 an unprotected strike occurred and an interdict against striking employees was sought. The interdict was granted and rule Nisi upheld with costs in the Municipality's favour. Bill of costs was prepared. Currently attending to taxation of the matter, whereafter costs may be recovered.

Matter: Blue Crane Route Municipality vs V Xaluva

2023/24

Building encroachment of Xaluva's boundary wall overlap onto neighbours property and multiple notices to demolish were sent as the prospects of success in the demolition application are reasonable. Costs to be recovered are estimated as R87 417, if instructed to proceed with demolition application.

Matter: Blue Crane Route Municipality vs M Gantsho (Former employee)

2023/24

The matter is still ongoing as the Municipality has good prospects of success. The Municipality was awarded partial costs by the Labour Court.

Despite demand, Mr Gantsho has refused to pay the costs. The Municipality is in the process of instructing the Sheriff to serve Mr Gantsho with a warrant of execution for the recovery of the costs amounting to R150 000.

Summary of Contingent assets

Autumn Star / Claassen	3 600 000	-
V Xaluva	87 417	-
SAMWU	144 859	-
M Gantsho	613 992	-
	4 446 268	-

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44. Related parties

No transactions were entered into with Section 56 Managers and the Councillors, except as per notes 29 and 30.

Key management information

Councillors	Description
Mr B A Manxoweni	Mayor
Mrs N P Nkonyeni	Speaker
Mr P Sonkwala	Chief Whip
Mr J M Martin	Councillor
Dr F P Brown	Councillor
Mr E L Miggels	Councillor
Mr Z S Baskiti	Councillor
Mr A B C Heynse	Councillor
Mr A Dyantyi	Councillor
Mr H C Davenport	Councillor
Mrs L E Smith-Johnson	Councillor
Mr M K Mali	Councillor
Section 56 managers	Description
M P Nini	Municipal Manager
N Delo	Chief Financial Officer
N Kubone	Director - Corporate Services
Y H Mniki	Director - Community Services
A Gaji	Former Director - Technical Services

45. Risk management

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

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

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used.

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

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45. Risk management (continued)

Financial instrument	2024	2023
Assets		
Receivables from exchange transactions	27 999 882	31 847 263
Other receivables from exchange transactions	1 637 006	1 791 023
Cash and cash equivalents	40 136 360	9 985 526
Financial instrument	2024	2023
Liabilities		
Other financial liabilities	3 103 105	4 152 640
Payables from exchange transactions	113 517 028	53 600 348
Trade and other payables from non-exchange transactions	161 685	151 918

At 30 June 2024	1 month past due	2 months past due	3 months past due	12 months past due
Financial Assets	-	-	-	-
Past due but not impaired	-	-	-	-
Receivables from exchange transactions	755 958	607 562	-	-
Other receivables from exchange transactions	-	-	1 637 006	-
Past due and impaired	-	-	-	-
Receivables from exchange transactions	6 458 125	2 844 761	4 626 975	128 950 947
Financial Liabilities	-	-	-	-
Payables from exchange transactions	113 517 028	-	-	-
Trade and other payables from non-exchange transactions	161 685	-	-	-

At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Financial Assets	-	-	-	-
Past due but not impaired	-	-	-	-
Receivables from exchange transactions	17 917 234	1 803 031	-	-
Other receivables from exchange transactions	-	-	1 791 023	-
Past due and impaired	-	-	-	-
Receivables from exchange transactions	1 803 031	1 442 382	2 875 743	93 981 612
Financial Liabilities	-	-	-	-
Payables from exchange transactions	53 600 348	-	-	-
Trade and other payables from non-exchange transactions	151 918	-	-	-

Interest rate risk

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

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

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

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46. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business for the 12 month period ending 30 June 2024.

The following material uncertainties may cast doubt on the going concern assumption:

1. National ESKOM electricity loadshedding, which impacted electricity sales severely. This seriously impacted the previous years as well.
2. NERSA declined Council's 18% approved tariffs for the 2024/25 financial year. NERSA only approved a 11% increase, which is insufficient to cover inflation increases for the ESKOM increase of 12.7%.
3. Debt payment ratio's not in the norm.
4. Credit payment ratio's not in the norm.
5. High level of electricity losses that occur.
6. High level of poverty within the BCRM's municipal area.
7. Contingent liabilities as disclosed in Note 43, may impact future cash flows negatively if the court rulings are not in the favour of the municipality. It should be noted that the Municipal Retirement Workers Fund (MWRF) matter already had a negative impact on the cashflow projections for the 2023/24 financial year.

The following revenue enhancement strategies are currently in place to ensure that the municipality address the above listed concerns:

1. Debt collection interventions, including services restrictions if bills are not paid, including the issuing of summonses.
2. Implementation of an electronic meter reading system to ensure accurate and timely distribution of accounts.
3. Meter audits, to establish if all service usages are being billed.
4. Installation of bulk electricity and water meters to track and monitor losses.
5. Replacement of antiquated electricity and water infrastructure to curb electricity and water losses.
6. Developing of cost covering tariffs to ensure that consumers are paying for all municipal services rendered by the Municipality.
7. Cost containing measures to prevent unnecessary expenditure.
8. Implementation of a general valuation roll and interim rolls to ensure that the new market values of property are accounted for.
9. Establishing a LED unit to attract growth opportunities for local business.
10. It is therefore important to note that the Municipality is well prepared to absorb the additional pressures.

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47. Events after the reporting date

The following events occurred after the reporting date:

Approval of the 2024/25 electricity tariffs:

On 8 July 2024, the Gauteng High Court handed down its judgement and ordered that:

- Nersa' assumption method for approval of municipal electricity tariffs is unlawful, invalid and of no force and effect.
- Nersa must consider and approve the 2024/25 electricity tariff applications, if based on the Municipality's cost of supply study.
- For the non-compliant Municipalities:

(a) Nersa is prohibited from considering and approving electricity tariffs for the 2024/25 and subsequent financial years where the Municipality's application for the approval of electricity tariffs is not based on a cost of supply study.

(b) Municipalities are not entitled to levy electricity tariffs upon consumers until Nersa has approved an application supported by a cost of supply study. Until such time as Nersa has approved an application supported by a cost of supply study, the Municipality must continue levying electricity on the same tariff applicable during the 2023/24 financial year.

(c) Municipalities are afforded 60 days from the date of the court order (i.e. until 6 September 2024) to supplement electricity applications with cost of supply studies. Nersa must consider and approve such electricity applications if they are legally compliant and based on the Municipality's cost of supply study.

The Municipality was negatively impacted by this court judgement against Nersa.

Nersa took this matter under review. This means that the matter is still **sub judice**, pending legal proceedings.

The Municipality subsequently submitted its cost of supply study to Nersa as prescribed by Nersa and is currently waiting for Nersa to respond accordingly.

Approval of the 2023/24 indigent debtor write-offs

On 25 July 2024, Council approved the write-off of R12.6m relating to indigent debtors. See note 31 for further details.

48. Unauthorised expenditure

Unauthorised expenditure - current	12 255 420	-
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During the year, the Municipality was ordered to pay an amount of R12 256 420 (capital and interest) in respect of monies owed to the Municipal Workers Union Retirement Fund (MWURF). The court order was executed in March 2024, at which point, no further adjustments to the Municipality's budget could be made for the 2023/24 financial year.

49. Fruitless and wasteful expenditure

Opening balance as previously reported	344 909	51 409
Add: Fruitless and wasteful expenditure identified - current	16 288 656	295 000
Add: Fruitless and wasteful expenditure identified - prior period	-	(1 500)
Less: Amount written off - current	(165 501)	-
Closing balance	16 468 064	344 909

Fruitless and wasteful expenditure incurred in the current year comprised of the following:

1. MWRF - Interest on long outstanding debt - R8 451 151
2. Eskom - Interest charged on overdue accounts - R6 869 589
3. SARS - Interest and penalties relating to VAT - R599 524
4. AGSA - Interest charged on overdue accounts - R137 520
5. SARS - Interest and penalties relating to payroll submissions - R65 371

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50. Irregular expenditure		
Opening balance as previously reported	8 828 414	8 828 414
Add: Irregular expenditure - current	7 204 614	12 636 784
Less: Amount recovered/written off by Council	(4 602 806)	(12 636 784)
Closing balance	11 430 222	8 828 414

51. Segment information

REPORTABLE SEGMENTS FOR THE YEAR ENDED AT 30 JUNE 2024

Identification of segments

For management purposes, the Municipality is organised and operates in four key functional segments (or business units). Revenue and expenditure relating to these business units are allocated at a transaction level. Cost relating to the governance and administration of the Municipality are not allocated to these business units.

The four key business units comprise of:

Community and Public safety which includes community and social services, sport and recreation, public safety, health and refuse removal services.

Technical Services which includes Water, electricity, Sewerage/Sanitation and roads services

Corporate services which includes Human resources, Legal services and administration function.

Financial services which includes the Budget and Treasury office, Supply chain management, Assets management, Revenue and Expenditure.

Governance and Administration which includes the Offices of the Accounting Officer, Mayor and Municipal Council.

Management does not have at present reliable separate financial information that monitors geographically the performance. The cost to implement such a system will be excessive but will be considered in future as a full electronic costing system should be implemented.

Aggregated segments

The municipality's segments were aggregated on the basis of the two main types of services delivered. This is also the two directories of service delivery at the Municipality, which is Technical services and Community Services. All the other administration and financial services are grouped together as "Other services".

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51. Segment information (continued)

Types of services by segment

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

Reportable segment	Services
Technical Services	Water, Electricity, Sewerage and Public Works
Community Services	Refuse, Public Safety, Traffic, Library and Parks
Other Services	Finance, Council and All Administration Sections

Segment surplus or deficit, assets and liabilities

2024

	Community and Public Safety	Technical services	Other services	Total
Revenue				
External revenue from Non-exchange transactions	-	126 462 596	24 774 943	151 237 539
External revenue from Exchange transactions	930 036	1 824 406	161 022 039	163 776 481
Interest revenue	-	11 721 245	2 333 472	14 054 717
Total segment revenue	930 036	140 008 247	188 130 454	329 068 737
Entity's revenue				329 068 737
Expenditure				
Employee related costs	9 775 471	54 384 983	42 465 655	106 626 109
Material and bulk purchases	-	-	123 757 103	123 757 103
Debt impairment	-	20 064 088	32 429 345	52 493 433
Depreciation and amortisation	-	50 684 605	3 101 375	53 785 980
Interest expense	-	19 501 981	201 636	19 703 617
Remuneration of councillors	-	4 951 126	-	4 951 126
Total other segment expenditure	(8 026 070)	18 671 414	22 526 083	33 171 427
Total segment expenditure	1 749 401	168 258 197	224 481 197	394 488 795
Total segmental surplus/(deficit)				(65 420 058)

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51. Segment information (continued)

				1 926 000
Actuarial gains (losses)				1 293 447
Cost adjustment on landfill site				(5 086 245)
Impairment loss				
Entity's surplus (deficit) for the period				(1 866 798)

Assets

Current assets	(1 399 293)	40 009 807	57 574 598	96 185 112
Non-current assets	1 251 304	689 685 593	165 306 543	856 243 440
Total segment assets	(147 989)	729 695 400	222 881 141	952 428 552
Total assets as per Statement of financial Position				952 428 552

Liabilities

Current liabilities	41 986 319	(100 807 893)	236 769 320	177 947 746
Non-current liabilities	-	59 932 579	-	59 932 579
Total segment liabilities	41 986 319	(40 875 314)	236 769 320	237 880 325
Total liabilities as per Statement of financial Position				237 880 325

2023

Revenue

External revenue from Non-exchange transactions	2 300 000	21 505 355	109 408 272	133 213 627
External revenue from Exchange transactions	9 711 921	133 675 628	3 297 340	146 684 889
Interest revenue	-	1 588 789	7 829 642	9 418 431
Total segment revenue	12 011 921	156 769 772	120 535 254	289 316 947
Entity's revenue				289 316 947

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51. Segment information (continued)

Expenditure

Employee related costs	20 391 332	28 755 231	46 494 682	95 641 245
Material Bulk Purchases	363 293	105 000 941	191 555	105 555 789
Debt impairment	3 005 880	15 611 821	11 613 485	30 231 186
Depreciation and amortisation	(14 750 525)	68 164 312	(5 103 102)	48 310 685
Interest expense	2 928 821	471 760	286 649	3 687 230
Remuneration of councillors	-	-	4 547 206	4 547 206
Total other segment expenditure	2 893 129	6 120 543	19 910 990	28 924 662
Total segment expenditure	14 831 930	224 124 608	77 941 465	316 898 003
Total segmental surplus/(deficit)				(27 581 056)
Actuarial gains (losses)				3 238 514
Impairment Loss				(1 447 694)
Entity's surplus (deficit) for the period				1 790 820

Assets

Current assets	1 152 910	(9 789 181)	67 597 726	58 961 455
Non-current assets	1 938 362	163 771 662	738 502 224	904 212 248
Total segment assets	3 091 272	153 982 481	806 099 950	963 173 703
Total assets as per Statement of financial Position				963 173 703

Liabilities

Current liabilities	20 194 179	(54 806 315)	113 617 907	79 005 771
Non-current liabilities	-	-	59 564 369	59 564 369
Total segment liabilities	20 194 179	(54 806 315)	173 182 276	138 570 140
Total liabilities as per Statement of financial Position				138 570 140

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

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52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Contribution for the year	1 089 500	1 035 527
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No contributions were outstanding at year end.

PAYE, UIF and SDL

Opening balance	1 521 510	1 002 071
Current year subscription / fee	15 019 295	14 386 870
Amount paid - current year	(15 060 905)	(13 867 431)
	1 479 900	1 521 510

The net outstanding amount of R1 414 529 which includes PAYE, UIF and SDL was paid in July 2024 to SARS.

Pension/provident/annuity fund and Medical Aid

Opening balance	1 230 650	-
Current year subscription / fee	21 776 270	21 523 600
Amount paid - current year	(23 006 920)	(20 292 950)
	-	1 230 650

VAT

VAT payable	(1 349 650)	(1 410 810)
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VAT output payables and VAT input receivables are shown in note .

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

VAT returns for August 2020, January 2024 and June 2024 were submitted by the due dates, however these returns have since been reassessed by SARS and have not been finalised.

Councillors' arrear consumer accounts

No municipal charges for Councillors were outstanding for more than 90 days at 30 June 2024:

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident

3 Quotations not obtained	2 069 099	906 354
Emergency	5 209 527	3 068 576
Advertising in local news paper and radio stations	4 307	2 053
Sole provider	2 825	181 211
	7 285 758	4 158 194

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53. Actual versus Budget: Explanation of material variances greater than 10% versus budget

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
FINANCIAL PERFORMANCE					
Revenue					
Property rates		2 463 990	9 %	The municipality budgeted conservative for property rates, given the pending game farm court cases	
Service charges		(27 041 393)	-17 %	Electricity revenue realised much less than the budget as the bulk purchases	
Interest Earned - External Investments		2 507 707	62 %	The municipality received disaster management grant s to the value of R 33,6 m during the financial year, which was not gazetted at the time of preparations of the final budget	
Interest earned - outstanding debtors		2 574 322	22 %	Debtor collection rate lower then the norm of 95%	
Grants and subsidies		(27 773 065)	-23 %	Unspend disaster grant funding. The municipality applied for a rollover.	
Other own revenue		3 178 634	-77 %	Less bad debt recovered during the year, due to the fact that Smith Tabata's contract came to and end in August 2023	
Expenditure					
Employee costs		(3 842 782)	4 %	As per high court ruling the municipality needed to pay MWRF contributions to the value of R 3,8 m in capital	
Remunerationof Councillors		22 694	- %	N/A	
Debt impairment		(25 316 063)	48 %	Debtor collection rate lower then the norm of 95%. The municipality did not anticipated the decline in revenue, although credit control processes were implemented	
Depreciation and amortisation		8 304 583	(17)%	Impairment of assets that the municipality was not aware of when the adjustment budget was approved	
Finance charges		(16 214 145)	(82)%	Interest accrued on outstanding Eskom account as well as high court ruling pertaining the MWRF that the municipality needed to pay interest to the value of R 8 m	
Bulk purchases		(16 067 743)	(6)%	Due to the inpredictability of Eskom Load shedding, the municipality was unable to accurately calculate electricity purposes	

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53. Actual versus Budget: Explanation of material variances greater than 10% versus budget (continued)

Contracted services	1 717 598	(21)%	The municipality used less contractual services during the year
Other expenditure	12 226 010	(77)%	The Municipality tries to implement stricter cost containment measures when it comes to miscellaneous expenditure

FINANCIAL POSITION

Total Current Assets	79 915 412	83 %	More cash due to disaster grant funding received in the financial year. Debtors not collected as per the norm
Total Current Liabilities	(12 221 393)	(1)%	Unspent conditional Disaster grants and outstanding Eskom liability
Total Non-Current Liabilities	(153 985 860)	87 %	N/A

54. VAT input accrual

Vat inputs	14 504 843	3 237 687
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55. VAT output accrual

VAT outputs	971 666	2 944 837
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56. Interest earned - outstanding debtors

Interest charged on overdue debtors accounts - Exchange	7 215 028	5 973 958
Interest charged on overdue debtors accounts - Non-Exchange	4 331 983	2 265 019
	11 547 011	8 238 977

The amount of R11 547 011 (2023: R8 238 977) is included under revenue arising from exchange and non-exchange transactions.

57. Accounting by principals and agents

The Municipality is a party to a principal-agent arrangement.

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

The Municipality has entered into a Principal-Agent relationship with a service provider (Contour Technology), for the provision of online hosted infrastructure for connection to the Contour Online Vending system. Contour Technology has agreements in place with vendors to sell electricity to the community.

Contour Technology collects the proceeds of the sales from these vendors, and pays it over to the Municipality in arrears. On a monthly basis, Contour Technology invoices the Municipality for these services which is calculated as a percentage of the total revenue collected from the vendor.

Municipality as Principal

Revenue recognised

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57. Accounting by principals and agents (continued)

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R24 202 749 (2023: R21 120 146).

Additional information

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Reconciliation of the carrying amount of receivables

Contour Technology

Opening balance	4 059 256	2 507 760
Revenue that principal is entitled to	24 837 147	21 660 957
Expenditure incurred - Agent fees	(634 398)	(540 811)
Cash received from Agent	(22 998 815)	(19 568 650)
	5 263 190	4 059 256

All categories

Opening balance	4 059 256	2 507 760
Revenue that principal is entitled to	24 837 147	21 660 957
Expenditure incurred - Agent fees	(634 398)	(540 811)
Cash received from Agent	(22 998 815)	(19 568 650)
	5 263 190	4 059 256

Fees Paid

Due to the nature of the service level agreement with the service provider, the Municipality pays the service provider a commission, which is based on the amount of revenue generated by the vendors, who sell electricity to the community.

Revenue collected by the service provider, is transferred in full to the Municipality, and thereafter the service provider invoices the Municipality, a commission based on the amount of revenue collected.

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

No resources (including assets or liabilities) of the Municipality are under the custodianship of Contour Technology.

Either party may terminate the arrangement if either fails to cure a material breach, ceases operation without a successor or seeks protection under bankruptcy, receivership, trust deed, creditors arrangement, composition, or comparable proceeding, or if any such proceeding is instituted against that party (and not dismissed within 60 days thereafter).

The service level agreement is silent on specific costs associated with termination.

See note 18 for other Principal and Agent disclosures.