Amahlathi Local Municipality
(Registration number EC 124)
Annual Financial Statements
for the year ended 30 June 2024

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of services to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Mayoral committee	
Executive Mayor	NC Nongqayi
	P Qaba (EXCO)
	XM Tokwe (EXCO)
	T Balindlela (EXCO)
	B Xongwana (EXCO)
	NA Kato-Manyika (EXCO)
Speaker	NP Mlahleki
Councillors	ZA Qonto (MPAC Chair)
	PM Onceya-Sauti
	A Hobo - removed 1 March 2024
	N Ngxakangxaka
	RB Pickering
	N Mbulana
	M Gantsho
	NV Mjandana
	NC Mkiva
	N Nyangwa
	N Charlie
	NZ Klaas
	M Busakwe
	ZE Mfulana - removed 1 May 2024
	X Neti
	M Nqini
	M Neku
	NO Sidinana - removed 1 May 2024
	PA Simandla
	N Ncevu
	ME Maweni
	N Salaze
	O Mgunculu
	P Budaza - from 1 April 2024
Traditional leaders	NJ Ulana
Grading of local authority	Grade 3
Chief Finance Officer (CFO)	L. Manjingolo (resigned 31 August 2023)
	B Mashiyi (Acted 1 September 2023 - 31 May 2024)
	C Samuels (Acting)
Accounting Officer	Dr Z Shasha
Registered office	12 Maclean Street
	Stutterheim
	4930

General Information

Business address	Cnr Brownlee & Dragoon Street Stutterheim 4930
Postal address	Private Bag X4002 Stutterheim 4930
Auditors	Auditor General of South Africa

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Abbreviations used:

EPWP	Expanded Public Works Programme
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
INEP	Integrated National Electrification Programme Grant
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant

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 were given unrestricted access to all financial records and related data.

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the 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.

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report will be presented at the conclusion of the audit.

The annual financial statements set out on pages 7 to 99, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2024 and were signed by him.

Dr Z Shasha
Accounting Officer

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2024.

1. Review of activities

Main business and operations

The municipality is engaged in the provision of services to communities in a sustainable manner to promote social and economic development, and to promote a safe and healthy environment and operates in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the municipality was R 5 929 929 (2023: deficit R 39 691 251).

2. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus (deficit) of R 255 323 098 and that the municipality's total assets exceed its liabilites by R 255 323 098.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. All impairments were measured and judged in line with past performances.

3. Subsequent events

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

4. Accounting Officers' interest in contracts

The accounting officer has no interest in contracts awarded, either direct or indirect.

5. Accounting policies

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

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Dr Z Shasha	South African

7. Corporate governance

General

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

8. Non-compliance with applicable legislation

In terms of section 65 (2)(e) of the Municipal Finance Act (No. 56 of 2003), all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement. Due to cash flow constraints, the municipality, could not settle all money owing within the prescribed period.

Amahlathi Local Municipality
(Registration number EC 124)
Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Report

The annual financial statements set out on pages 7 to 99, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2024 and were signed on its behalf by:

Dr Z Shasha
Accounting Officer

Statement of Financial Position as at 30 June 2024

Figures in Rand	Notes	2024	2023 Restated*
Assets			
Current Assets			
Inventories	3	3 044	6 237
Consumer debtors	4	27 195 799	16 343 012
Receivables from non-exchange transactions	5	30 077 803	25 797 081
Cash and cash equivalents	6	22 980 213	15 637 585
VAT receivable	7	10 768 611	8 950 584
Other statutory receivables	8	845 349	1 055 817
Prepayments	9	625 343	1 765 021
		92 496 162	**69 555 337**
Non-Current Assets			
Biological assets	10	4 470 314	6 213 921
Investment property	11	11 679 234	11 682 570
Property, plant and equipment	12	421 112 829	397 166 168
Intangible assets	13	20 155	46 091
Heritage assets	14	610 183	610 183
		437 892 715	**415 718 933**
Total Assets		**530 388 877**	**485 274 270**
Liabilities			
Current Liabilities			
Finance lease obligation	15	222 266	227 671
Payables from exchange transactions	16	183 734 975	162 942 267
Consumer deposits	17	1 736 950	1 699 185
Employee benefit obligations	18	16 156 782	16 027 185
VAT payable	19	10 945 169	7 592 853
Unspent conditional grants and receipts	20	15 782 968	7 226 108
Provisions	21	878 983	353 263
		229 458 093	**196 068 532**
Non-Current Liabilities			
Finance lease obligation	15	-	222 266
Employee benefit obligations	18	29 539 914	31 728 153
Provisions	21	16 067 772	7 862 150
		45 607 686	**39 812 569**
Total Liabilities		**275 065 779**	**235 881 101**
Net Assets		**255 323 098**	**249 393 169**
Accumulated surplus		255 323 098	249 393 169
Total Net Assets		**255 323 098**	**249 393 169**

* See Note 46

Statement of Financial Performance

Figures in Rand	Notes	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	62 808 426	51 747 423
Rental of facilities and equipment		500 304	283 304
Interest received - debtors		7 740 079	5 460 729
Licences and permits		2 481 738	2 272 473
Miscellaneous other revenue		688 405	567 085
Administration and management fees received		10 733	1 664
Insurance refunds		4 750	1 573 775
Interest received - investment	23	3 455 509	1 613 439
Fair value adjustments		-	1 207 943
Actuarial gains	24	6 466 387	4 264 216
Inventories reversal		184	-
Total revenue from exchange transactions		**84 156 515**	**68 992 051**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	24 168 893	23 330 964
Other revenue	26	11 884 357	-
Interest received - debtors	27	7 437 534	5 877 382
Transfer revenue			
Government grants & subsidies	28	184 329 074	162 594 160
Fines, Penalties and Forfeits		12 478	19 583
Motor vehicle registration		1 381 973	1 343 000
Total revenue from non-exchange transactions		**229 214 309**	**193 165 089**
Total revenue		**313 370 824**	**262 157 140**
Expenditure			
Employee related costs	29	(136 206 071)	(135 793 661)
Remuneration of councillors	30	(13 595 241)	(13 662 315)
Vending management fee	31	(239 575)	(281 231)
Depreciation and amortisation	32	(24 778 719)	(23 640 980)
Impairment loss on assets	33	(1 161 270)	(2 389 410)
Finance costs	34	(15 523 956)	(13 901 415)
Lease rentals on operating lease		(33 084)	(8 199)
Debt Impairment	35	(25 872 214)	(29 141 767)
Bulk purchases	36	(51 809 374)	(43 193 741)
Contracted services	37	(11 588 498)	(12 022 588)
Loss on disposal of assets		(453 804)	-
Fair value adjustments	38	(1 743 607)	-
Inventory loss		-	(196 295)
General Expenses	39	(24 435 482)	(27 616 789)
Total expenditure		**(307 440 895)**	**(301 848 391)**
Surplus (deficit) for the year		**5 929 929**	**(39 691 251)**

* See Note 46

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	285 144 039	285 144 039
Adjustments		
Prior year adjustments 46	3 940 381	3 940 381
Balance at 01 July 2022 as restated*	**289 084 420**	**289 084 420**
Changes in net assets		
Surplus for the year	(39 691 251)	(39 691 251)
Total changes	(39 691 251)	(39 691 251)
Balance at 01 July 2023 as restated*	**249 393 169**	**249 393 169**
Changes in net assets		
Surplus for the year	5 929 929	5 929 929
Total changes	5 929 929	5 929 929
Balance at 30 June 2024	**255 323 098**	**255 323 098**

* See Note 46

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		69 544 143	48 583 060
Grants		192 885 933	166 740 098
Interest income		3 455 509	12 951 550
		265 885 585	228 274 708
Payments			
Employee costs		(149 734 792)	(148 198 170)
Suppliers		(58 161 838)	(31 718 761)
Finance costs		(46 872)	(10 047 464)
		(207 943 502)	(189 964 395)
Net cash flows from operating activities	41	**57 942 083**	**38 310 313**
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(50 310 960)	(32 713 152)
Cash flows from financing activities			
Finance lease payments		(288 495)	(191 482)
Net increase/(decrease) in cash and cash equivalents		**7 342 628**	**5 405 679**
Cash and cash equivalents at the beginning of the year		15 637 585	10 231 906
Cash and cash equivalents at the end of the year	6	**22 980 213**	**15 637 585**

The accounting policies on pages 16 to 46 and the notes on pages 47 to 96 form an integral part of the annual financial statements.

* See Note 46

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	53 993 628	4 020 362	**58 013 990**	62 808 426	**4 794 436**	FinPerf01
Rental of facilities and equipment	195 858	151 401	**347 259**	500 304	**153 045**	FinPerf02
Interest received (trading)	5 531 040	1 807 233	**7 338 273**	7 740 079	**401 806**	FinPerf03
Agency services	1 828 785	-	**1 828 785**	-	**(1 828 785)**	FinPerf04
Licences and permits	2 251 676	670 678	**2 922 354**	2 481 738	**(440 616)**	FinPerf05
Miscellaneous other revenue	5 633 992	206 519	**5 840 511**	688 405	**(5 152 106)**	FinPerf06
Administration and management fees received	-	-	**-**	10 733	**10 733**	FinPerf07
Operational revenue	666 549	(539 666)	**126 883**	4 750	**(122 133)**	FinPerf08
Interest received from current and non-curent investment	1 158 300	2 551 997	**3 710 297**	3 455 509	**(254 788)**	FinPerf09
Total revenue from exchange transactions	**71 259 828**	**8 868 524**	**80 128 352**	**77 689 944**	**(2 438 408)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	24 424 282	-	**24 424 282**	24 168 893	**(255 389)**	FinPerf10
Other Revenue	-	-	**-**	11 884 357	**11 884 357**	FinPerf11
Interest, Dividends and Rent on Land	6 318 000	870 528	**7 188 528**	7 437 534	**249 006**	FinPerf09
Transfer revenue						
Government grants & subsidies	169 746 746	30 532 108	**200 278 854**	184 329 074	**(15 949 780)**	FinPerf12
Fines, Penalties and Forfeits	27 378	-	**27 378**	12 478	**(14 900)**	FinPerf13
Motor vehicle registration	-	-	**-**	1 381 973	**1 381 973**	FinPerf14
Total revenue from non-exchange transactions	**200 516 406**	**31 402 636**	**231 919 042**	**229 214 309**	**(2 704 733)**	
Total revenue	**271 776 234**	**40 271 160**	**312 047 394**	**306 904 253**	**(5 143 141)**	
Expenditure						
Personnel	(134 985 030)	-	**(134 985 030)**	(136 206 071)	**(1 221 041)**	FinPerf15
Remuneration of councillors	(14 328 580)	-	**(14 328 580)**	(13 595 241)	**733 339**	FinPerf16
Administration	(247 100)	-	**(247 100)**	(239 575)	**7 525**	FinPerf17
Depreciation and amortisation	(26 000 000)	-	**(26 000 000)**	(24 778 719)	**1 221 281**	FinPerf18
Impairment loss/ Reversal of impairments	-	-	**-**	(1 161 270)	**(1 161 270)**	
Finance costs	(4 500 000)	(9 654 751)	**(14 154 751)**	(15 523 956)	**(1 369 205)**	FinPerf19
Lease rentals on operating lease	-	-	**-**	(33 084)	**(33 084)**	FinPerf20
Debt Impairment	(27 000 000)	-	**(27 000 000)**	(25 872 214)	**1 127 786**	FinPerf21
Bulk purchases	(51 432 794)	-	**(51 432 794)**	(51 809 374)	**(376 580)**	FinPerf22
Contracted Services	(18 230 000)	(125 700)	**(18 355 700)**	(11 588 498)	**6 767 202**	FinPerf23
General Expenses	(28 814 550)	5 677 615	**(23 136 935)**	(24 435 482)	**(1 298 547)**	FinPerf24
Total expenditure	**(305 538 054)**	**(4 102 836)**	**(309 640 890)**	**(305 243 484)**	**4 397 406**	
Operating surplus	**(33 761 820)**	**36 168 324**	**2 406 504**	**1 660 769**	**(745 735)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Loss on disposal of assets and liabilities	-	-	-	(453 804)	**(453 804)**	FinPerf25
Fair value adjustments	-	-	-	(1 743 607)	**(1 743 607)**	FinPerf26
Actuarial gains/losses	-	-	-	6 466 387	**6 466 387**	FinPerf26
Inventories losses/write-downs	-	-	-	184	**184**	FinPerf27
	-	**-**	**-**	**4 269 160**	**4 269 160**	
Surplus before taxation	**(33 761 820)**	**36 168 324**	**2 406 504**	**5 929 929**	**3 523 425**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(33 761 820)**	**36 168 324**	**2 406 504**	**5 929 929**	**3 523 425**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	211 321	(205 268)	**6 053**	3 044	**(3 009)**	FinPos01
Receivables from non-exchange transactions	11 184 980	2 135 487	**13 320 467**	30 077 803	**16 757 336**	FinPos02
Statutory receivables	-	-	**-**	845 349	**845 349**	FinPos03
VAT receivable	18 630 314	5 848 433	**24 478 747**	10 768 611	**(13 710 136)**	FinPos04
Prepayments	-	-	**-**	625 343	**625 343**	FinPos05
Consumer debtors	28 187 980	4 790 125	**32 978 105**	27 195 799	**(5 782 306)**	FinPos06
Cash and cash equivalents	8 896 553	1 849 708	**10 746 261**	22 980 213	**12 233 952**	FinPos07
	67 111 148	**14 418 485**	**81 529 633**	**92 496 162**	**10 966 529**	
Non-Current Assets						
Biological assets	5 005 978	1 207 943	**6 213 921**	4 470 314	**(1 743 607)**	FinPos08
Investment property	11 687 949	(1 076)	**11 686 873**	11 679 234	**(7 639)**	FinPos09
Property, plant and equipment	397 725 965	38 706 656	**436 432 621**	421 112 829	**(15 319 792)**	FinPos10
Intangible assets	119 498	(89 845)	**29 653**	20 155	**(9 498)**	FinPos11
Heritage assets	610 183	-	**610 183**	610 183	**-**	
Long-term receivables	346 551	(346 551)	**-**	-	**-**	
	415 496 124	**39 477 127**	**454 973 251**	**437 892 715**	**(17 080 536)**	
Total Assets	**482 607 272**	**53 895 612**	**536 502 884**	**530 388 877**	**(6 114 007)**	
Liabilities						
Current Liabilities						
Finance lease obligation	227 671	-	**227 671**	222 266	**(5 405)**	FinPos12
Payables from exchange transactions	174 256 103	48 227 075	**222 483 178**	183 734 975	**(38 748 203)**	FinPos13
Payables from non-exchange transactions	-	8 318 649	**8 318 649**	15 782 968	**7 464 319**	FinPos14
VAT payable	9 177 325	168 194	**9 345 519**	10 945 169	**1 599 650**	FinPos15
Consumer deposits	1 839 851	4 004	**1 843 855**	1 736 950	**(106 905)**	FinPos16
Employee benefit obligations	15 662 032	2 197 136	**17 859 168**	16 156 782	**(1 702 386)**	FinPos17
Provisions	440 703	-	**440 703**	878 983	**438 280**	FinPos18
	201 603 685	**58 915 058**	**260 518 743**	**229 458 093**	**(31 060 650)**	
Non-Current Liabilities						
Finance lease obligation	222 266	-	**222 266**	-	**(222 266)**	FinPos12
Employee benefit obligations	31 245 765	500 000	**31 745 765**	29 539 914	**(2 205 851)**	FinPos17
Provisions	7 436 169	408 369	**7 844 538**	16 067 772	**8 223 234**	FinPos18
	38 904 200	**908 369**	**39 812 569**	**45 607 686**	**5 795 117**	
Total Liabilities	**240 507 885**	**59 823 427**	**300 331 312**	**275 065 779**	**(25 265 533)**	
Net Assets	**242 099 387**	**(5 927 815)**	**236 171 572**	**255 323 098**	**19 151 526**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	242 099 387	(5 927 815)	**236 171 572**	255 323 098	**19 151 526**	FinPos19

Amahlathi Local Municipality
(Registration number EC 124)
Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Cash receipts from customers	80 857 456	6 310 250	**87 167 706**	69 544 143	**(17 623 563)**	CF01
Grants	169 746 746	30 532 108	**200 278 854**	192 885 933	**(7 392 921)**	CF02
Interest income	1 158 300	2 551 997	**3 710 297**	3 455 509	**(254 788)**	CF03
	251 762 502	**39 394 355**	**291 156 857**	**265 885 585**	**(25 271 272)**	
Payments						
Employee costs	(149 313 610)	-	**(149 313 610)**	(149 734 792)	**(421 182)**	CF04
Suppliers	(60 325 465)	(3 729 900)	**(64 055 365)**	(58 161 838)	**5 893 527**	CF05
Finance costs	(4 500 000)	(2 746 646)	**(7 246 646)**	(46 872)	**7 199 774**	CF06
	(214 139 075)	**(6 476 546)**	**(220 615 621)**	**(207 943 502)**	**12 672 119**	
Net cash flows from operating activities	**37 623 427**	**32 917 809**	**70 541 236**	**57 942 083**	**(12 599 153)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(38 958 780)	(36 538 661)	**(75 497 441)**	(50 310 960)	**25 186 481**	CF07
Cash flows from financing activities						
Finance lease payments	-	-	**-**	(288 495)	**(288 495)**	CF08
Net increase/(decrease) in cash and cash equivalents	(1 335 353)	(3 620 852)	**(4 956 205)**	7 342 628	**12 298 833**	
Cash and cash equivalents at the beginning of the year	10 231 906	5 470 560	**15 702 466**	15 637 585	**(64 881)**	CF09
Cash and cash equivalents at the end of the year	**8 896 553**	**1 849 708**	**10 746 261**	**22 980 213**	**12 233 952**	
Reconciliation						

Significant Accounting Policies

Figures in Rand	Notes	2024	2023

1. Significant accounting polices

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

The impairment for trade receivables is calculated on an individual debtor basis,based on historical loss ratios,debtor type and other indicators present at the reporting date that correlate with defaults on the portfolio.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including municipality specific variables and economic factors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions.

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement 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. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

Effective interest rate

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

1.5 Biological assets

The entity recognises biological assets or agricultural produce when, and only when:
- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less costs to sell.

The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets is included in surplus or deficit for the period in which it arises.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

1.6 Investment property (continued)

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	20-30 years
Lifts	10-80 years
Air-conditioners	10-15 years
Other components	05-50 years

Compensation from third parties for the investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.7 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

Property, plant and equipment are depreciated on a straight-line basis over their expected useful lives to their estimated residual value.

Significant Accounting Policies

1.7 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Infrastructure	Straight-line	
• Roads and paving	10-80 years	
• Cemeteries	25-30 years	
• Airports	25-30 years	
Community	Straight-line	
• Capital work-in-progress	Not depreciated	
• Land	Indefinite	
• Electricity	10-60 years	
• Landfill sites	15-40 years	
Other	Straight-line	
• Buildings	15-30 years	
• Machinery and equipment	04-15 years	
• Computer equipment	03-05 years	
• Furniture and office equipment	05-07 years	
• Transport assets	04-15 years	
• Office equipment - Leased assets	03-15 years	
• Buildings airconditioning system	10-15 years	

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

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

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

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

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

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

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

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

Incomplete construction work

Incomplete construction work is stated at historical cost, depreciation only commences when the asset is available for use.

Finance leases

Asets capitalised under finance lease are depreciated over the expected useful lives on the same basis as property, plant and equipment controlled by the municipality, or where the shorter the term of the relevant lease if there is no reasonable surety terms of the asset.

Significant Accounting Policies

1.7 Property, plant and equipment (continued)

Infrastructure assets

Infrastructure assets are any assets that are part of a network or similar assets. Infrastructure assets are shown at cost less accumulated depreciation and impairment. Infrastructure assets are treated similar to all assets of the municipality in terms of the asset management policy.

1.8 Intangible assets

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

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	2-5 years

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

1.8 Intangible assets (continued)

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

1.9 Heritage assets

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

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

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

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

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Transfers

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

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

Derecognition

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

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

1.10 Financial instruments

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

Significant Accounting Policies

1.10 Financial instruments (continued)

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

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

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

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

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

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

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

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Significant Accounting Policies

1.10 Financial instruments (continued)

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

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

Classification

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

Class	Category
Trade and other receivables from exchange transactions	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost
Bank and cash	Financial asset measured at amortised cost

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

Class	Category
Trade and other payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:
- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

1.10 Financial instruments (continued)

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

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

Fair value measurement considerations

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

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

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

The 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:

Significant Accounting Policies

1.10 Financial instruments (continued)

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
- 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.

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

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

Financial liabilities

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

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

Presentation

Significant Accounting Policies

1.10 Financial instruments (continued)

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.11 Statutory receivables

Identification

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

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

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

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

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

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

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

Other charges

Significant Accounting Policies

1.11 Statutory receivables (continued)

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

Impairment losses

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

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

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

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

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

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

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

Derecognition

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

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

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

Significant Accounting Policies

1.12 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.13 Inventories

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

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

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

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

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

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

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

1.13 Inventories (continued)

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.

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

1.14 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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.

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.

1.14 Impairment of cash-generating assets (continued)

Recognition and measurement of cash generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the 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:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

Reversal of impairment loss

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

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

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

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

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

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

Significant Accounting Policies

1.14 Impairment of cash-generating assets (continued)

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

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

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

Redesignation

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

1.15 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

Identification

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

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Reversal of an impairment loss

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

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

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

Redesignation

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

Significant Accounting Policies

1.16 Employee benefits

Identification

Employee benefits

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

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

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either: (a) an entity's decision to terminate an employee's employment before the normal retirement date; or (b) an employee's decision to accept an offer of benefits in exchange for the termination of employment.

Classification of plans

A binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.

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

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

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

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

Defined benefit cost

Service cost comprises:
(a) current service cost, which is the increase in the present value of the defined benefit obligation resulting from employee service in the current period;
(b) past service cost, which is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by a plan); and
(c) any gain or loss on settlement.

Net interest on the net defined benefit liability (asset) is the change during the period in the net defined benefit liability (asset) that arises from the passage of time.

Remeasurements of the net defined benefit liability (asset) comprise: (a) actuarial gains and losses; (b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Actuarial gains and losses are changes in the present value of the defined benefit obligation resulting from: (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and (b) the effects of changes in actuarial assumptions.

1.16 Employee benefits (continued)

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

Short-term employee benefits

Short-term employee benefits include items such as the following, if expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related services:
(a) wages, salaries and social security contributions;
(b) paid annual leave and paid sick leave;
(c) bonus, incentive and performance related payments; and
(d) non-monetary benefits such as medical care, housing, cars and free or subsidised goods or services for current employees.
An entity need not reclassify a short-term employee benefit if the entity's expectations of the timing of settlement change temporarily. However, if the characteristics of the benefit change (such as a change from a non-accumulating benefit to an accumulating benefit) or if a change in expectations of the timing of settlement is not temporary, then the entity considers whether the benefit still meets the definition of short-term employee benefits

Recognition and measurement

All short-term employee benefits

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

(a) As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.

(b) As an expense, unless another Standard of GRAP requires or permits the inclusion of the benefits in the cost of an asset.

Short-term paid absences

The entity recognises the expected cost of short-term employee benefits in the form of paid absences as follows:

(a) in the case of accumulating paid absences, when the employees render service that increases their entitlement to future paid absences; and

(b) in the case of non-accumulating paid absences, when the absences occur.

The entity measures the expected cost of accumulating paid absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

Bonus, incentive and performance related payments

The entity recognises the expected cost of bonus, incentive and performance related payments when, and only when:

(a) the entity has a present legal or constructive obligation to make such payments as a result of past events; and

(b) a reliable estimate of the obligation can be made. A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments.

Post-employment benefits: Defined contribution plans

Recognition and measurement

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

Significant Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Recognition and measurement

The entity determines the net defined benefit liability (asset) with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

Recognition and measurement: Present value of defined benefit obligations and current service cost

Actuarial valuation method

The entity uses the projected unit credit method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

Actuarial assumptions: Discount rate

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

Actuarial assumptions: Salaries, benefits and medical costs

The entity measures its defined benefit obligations on a basis that reflects:

(a) the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the end of the reporting period;

(b) any estimated future salary increases that affect the benefits payable;

(c) the effect of any limit on the employer’s share of the cost of the future benefits;

(d) contributions from employees or third parties that reduce the ultimate cost to the entity of those benefits; and

(e) estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:

(i) those changes were enacted before the end of the reporting period; or

(ii) historical data, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

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

Past service cost and gains and losses on settlement

When determining past service cost, or a gain or loss on settlement, the entity remeasures the net defined benefit liability (asset) using the current fair value of plan assets and current actuarial assumptions (including current market interest rates and other current market prices), reflecting:

(a) the benefits offered under the plan and the plan assets before the plan amendment, curtailment or settlement; and

(b) the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement.

Significant Accounting Policies

1.17 Provisions and contingencies

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

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

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

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

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Significant Accounting Policies

1.17 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

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

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

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

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

1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

1.19 Revenue from exchange transactions

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

Significant Accounting Policies

1.19 Revenue from exchange transactions (continued)

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

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

Measurement

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

Sale of goods

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

1.19 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

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

Service Charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue without being invoiced.

Adjustments to provisional estimates of consumption are made in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. The tariffs are determined per category if property usage and levied monthly based on the number of refuse containers on each property, regardless of whether or not the containers are emptied during the month.

Finance income

Interest earned on investment is recognised in the statement of financial performance on the time apportionment basis taking into account the effective yield on the investment.

Tariff charges

Revenue arising from the application of the approved tariffs is recognised when the service is rendered by applying the relevant authorisation tariff. This includes the issue of licenses and permits.

Income from agency services

Income from agency services is recognised on a monthly basis once the income collected on behalf of the agents has been quantified. The income is recognised in terms of the agency agreement.

Rentals

Revenue from the rental of facilities and equipment classified as operating leases is recognised over the term of the lease agreement, where such terms spans over more than one financial year a straight-line basis is used.

1.20 Revenue from non-exchange transactions

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

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

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

Significant Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

Recognition

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

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

Measurement

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

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

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

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

Significant Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Fines

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

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

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

Public contributions

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

Revenue from public contributions is recognised when all the conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such item of property, plant and equipment are brought into use.

Where contributions have been received, but the conditions have not been met, a liability is recognised.

Gifts and donations, including goods in-kind

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

Government grants

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria or conditions attached, where conditions have not been met, a liability is raised.

Government grants that are received as compensation for expenses or losses incurred or for the purpose of giving immediate financial support with no future related costs are recognised in the statement of financial performance in the year in which they have been received.

Interest earned on investment is treated in accordance with the grant conditions. If it is payable to the founder it is recorded as part of the creditor, and if it is the municipality's interest it is recognised as interest earned in the statement of financial performance in the period in which it is received.

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

Concessionary loans received

The municipality transfers money to individuals or organisations and other sectors of government from time to time, when making these transfers the municipality does not:

-receive goods and services in return as would be expected in a purchase or sale transaction;
-expect to be repaid in future and ;
-expect a financial return as would be expected from investment;

These transfers are recognised in the statement of financial performance in the period that the events giving rise to the transfer occured.

1.21 Investment income

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

Significant Accounting Policies

1.22 Borrowing costs

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

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

1.23 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

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

Significant Accounting Policies

1.24 Comparative figures

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

1.25 Unauthorised expenditure

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of finanacial performance in the year that the expenditure was incured. 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.

1.26 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.

Fruitless and wasteful expenditure is accounted for as an expense in the ststement of financial performance. If the expenditure is not certified as irrecoverable by the council, it is treated as an asset until it is recovered or written off as irrecoverable.

If the expenditiure is not subsequently certified as irrecoverable by the council, it is treated as an asset until it is recovered or written off as irrecoverable.

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

1.28 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.

Significant Accounting Policies

1.28 Segment information (continued)

Measurement

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

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

1.29 Budget information

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

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

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

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

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

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

1.30 Related parties

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

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

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

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

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

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

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

Significant Accounting Policies

1.30 Related parties (continued)

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

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

1.31 Events after reporting date

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

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

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

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

1.32 Living and non-living resources

Living resources are those resources that undergo biological transformation.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

Agricultural activity is the management by an municipality of the biological transformation and harvest of biological assets for:

(a) sale;

(b) distribution at no charge or for a nominal charge; or

(c) conversion into agriculture produce or into additional biological assets for sale or distribution at no charge or for a nominal charge.

A bearer plant is a living plant that:

(a) is used in the production or supply of agricultural produce;

(b) is expected to bear produce for more than one period; and

(c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Biological transformation (for purposes of this Standard) comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a living resource.

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

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

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

Significant Accounting Policies

1.32 Living and non-living resources (continued)

Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

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

Group of resources means a grouping of living or non-living resources of a similar nature or function in an entity’s operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

The residual value of an asset is the estimated amount that an municipality would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Useful life is the period over which an asset is expected to be available for use by an municipality, or the number of production or similar units expected to be obtained from the asset by an municipality.

1.33 Contingent assets and liabilities

The municipality does not recognised contingent liabilities or contingent assets, but discloses them. A contingent liability is a possible outflow of resources embodying economic benefits or service potential that is subject to a future event.

A contingent asset is where an inflow of economic benefit is probable. Contingent assest and contingent liabilities are disclosed in note 39.

1.34 Value added tax (VAT)

Output VAT is levield on taxable supplies in terms of the Value Added Tax Act.

Input VAT is claimed on those supplies allowed in terms of the Value Added Tax Act.

Where input VAT exceeds output VAT the Municipality recognises a receivable for VAT. Where output VAT exceeds input VAT the Municipality would a recognise a payable for VAT.

The Municipality accounts for VAT on a payments basis.

2. New standards and interpretations

2.1 Standards and interpretations effective 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 103: Heritage Assets	01 April 2023	The impact of the is not material.
• GRAP 1: Presentation of Financial Statements	01 April 2023	The impact of the is not material.
• GRAP 2020: Improvements to the Standards of GRAP 2020	01 April 2023	The impact of the is not material.
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	The impact of the is not material.
• GRAP 1 (amended): Presentation of Financial Statements (Materiality)	01 April 2023	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements

2.2 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:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 2023 Improvements to the Standards of GRAP 2023	To be determined by Minister	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	To be determined by Minister	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	To be determined by Minister	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• iGRAP 22 Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

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

The most significant changes to the Standard affect:
- Financial guarantee contracts issued

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

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

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

3. Inventories

Rates and general	3 044	6 237

3.1 Non - Financial information

Rates and general inventories recognised as an expense during the year	178 165	205 268

Rates and general
Cleaning materials, printing and stationery materials and other smaller items.

Inventory pledged as security

None of the inventory was pledged as security for period.

4. Consumer debtors

Gross balances		
Electricity	20 020 392	11 009 381
Fire levy	17 848 350	11 989 173
Refuse	74 904 193	64 024 379
Sundry debtors	656 101	223 210
Other debtors	2 782 237	2 783 264
	116 211 273	**90 029 407**
Less: Allowance for impairment		
Electricity	(997 976)	(1 803 505)
Fire levy	(13 038 207)	(8 873 874)
Refuse	(71 895 844)	(60 484 406)
Sundry debtors	(418 606)	(141 236)
Other debtors	(2 664 841)	(2 383 374)
	(89 015 474)	**(73 686 395)**
Net balance		
Electricity	19 022 416	9 205 876
Fire levy	4 810 143	3 115 299
Refuse	3 008 349	3 539 973
Sundry debtors	237 495	81 974
Other debtors	117 396	399 890
	27 195 799	**16 343 012**

Figures in Rand	2024	2023

4. Consumer debtors (continued)

Electricity		
Current (0 -30 days)	7 106 270	3 217 012
31 - 60 days	110 137	956 993
61 - 90 days	1 597 900	520 139
91 - 120 days	3 544 146	515 264
121 - 150 days	626 031	435 218
> 150 days	7 035 908	5 364 755
	20 020 392	**11 009 381**

Fire levy		
Current (0 -30 days)	1 231 366	520 298
31 - 60 days	450	539 624
61 - 90 days	570 297	534 969
91 - 120 days	504 623	533 261
121 - 150 days	600 342	500 985
> 150 days	14 941 272	9 360 036
	17 848 350	**11 989 173**

Refuse		
Current (0 -30 days)	2 439 089	1 194 426
31 - 60 days	-	1 168 734
61 - 90 days	1 216 435	1 157 130
91 - 120 days	1 067 951	1 143 801
121 - 150 days	1 271 471	1 099 107
> 150 days	68 909 247	58 261 181
	74 904 193	**64 024 379**

Sundry debtors		
Current (0 -30 days)	14 594	6 499
31 - 60 days	-	7 375
61 - 90 days	8 199	7 602
91 - 120 days	6 934	8 238
121 - 150 days	8 315	7 904
> 150 days	618 059	185 592
	656 101	**223 210**

Other debtors		
Current (0 -30 days)	49 598	968 694
31 - 60 days	-	46 167
61 - 90 days	21 546	27 662
91 - 120 days	15 805	14 542
121 - 150 days	18 952	14 958
> 150 days	2 676 144	1 711 241
	2 782 045	**2 783 264**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(73 686 395)	(57 143 018)
Contributions to allowance	(17 355 011)	(16 543 377)
Debt impairment written off against allowance	2 025 932	-
	(89 015 474)	**(73 686 395)**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

4. Consumer debtors (continued)

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Consumer debtors past due but not impaired

At 30 June 2024, R27 195 754 (2023: R16 343 012) were past due but not impaired.

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

1 month	7 379 711	3 922 014
2 months	110 137	1 156 753
3 months and more	19 705 906	11 666 987

Consumer debtors impaired

The amount of the provision was R89 015 474 as of 30 June 2024 (2023: R73 686 393).

The ageing is as follows:

1 month	3 399 152	2 441 102
2 months and more	85 616 322	71 245 293

Reconciliation of allowance for impairment of consumer debtors

Opening balance	73 686 395	57 143 018
Provision for impairment	17 355 011	16 543 377
Amounts written off as uncollectible	(2 025 932)	-
	89 015 474	**73 686 395**

5. Receivables from non-exchange transactions

Consumer debtors - Rates	83 793 330	72 990 246
Consumer debtors - Impairment non-exchange debtors	(53 715 527)	(47 193 165)
	30 077 803	**25 797 081**

Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Property rates	30 077 803	25 797 081
Total receivables from non-exchange transactions	30 077 803	25 797 081

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

5. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Statutory receivables past due but not impaired

At 30 June 2024, R30 077 803 (2023: R25 797 081) were past due but not impaired.

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

1 month	2 145 682	1 645 807
2 months	5 088	1 155 237
3 months and more	27 927 033	22 996 037

Statutory receivables impaired

As of 30 June 2024, Statutory receivables of R53 715 527 (2023: R47 193 165) were impaired and provided for.

The ageing is as follows:

1 month	1 318 867	692 234
2 months and more	52 396 660	46 500 931

Reconciliation of provision for impairment for statutory receivables

Opening balance	47 193 165	34 594 774
Provision for impairment	8 517 201	12 598 391
Amounts written off as uncollectible	(1 994 839)	-
	53 715 527	**47 193 165**

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from non-exchange transactions past due but not impaired

At 30 June 2024, R30 077 803 (2023: R47 193 165) were past due but not impaired.

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

1 month	2 145 682	2 558 968
2 months	5 088	1 898 619
3 months and more	27 927 033	21 339 495

Receivables from non-exchange transactions impaired

The amount of the provision was R53 715 527 as of 30 June 2024 (2023: R47 193 165).

The ageing of these provisions is as follows:

1 month	1 318 867	-
2 months and more	52 396 660	47 193 165

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	47 193 165	34 594 774
Provision for impairment	8 517 201	12 598 391
Amounts written off as uncollectible	(1 994 839)	-
	53 715 527	**47 193 165**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

6. Cash and cash equivalents

Cash and cash equivalents consist of:

	2024	2023
Bank balances	656 467	678 056
Other cash and cash equivalents	22 323 746	14 959 529
	22 980 213	**15 637 585**

Cash and cash equivalents guarantees

	2024	2023
Guarantee for Department of Minerals and Energy	73 700	73 700
Guarantee for Eskom	4 848 000	4 848 000

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
First National Bank Cheque Account (Primary Bank Account): 53813535227	656 767	677 049	1 243 836	656 467	678 056	1 243 836
First National Bank Account: 62135193770	1 621	1 000	2 006	1 621	1 000	2 006
First National Bank Account: 62063171351	14 562 569	4 711 326	1 048	14 562 569	4 711 326	1 048
First National Bank: 61381739619	895 603	888 118	7 660	895 603	888 118	7 660
First National Bank Account: 74568809858	5 174 752	5 776 635	5 391 516	5 174 752	5 776 635	5 391 516
First National Bank Account: 62774381942	299 994	730 794	1 077	299 994	730 794	1 077
First National Bank Account: 62774381009	2 031	1 802	1 135	2 031	1 802	1 135
First National Bank Account: 62774381413	19 360	18 667	17 624	19 360	18 667	17 624
First National Bank Account: 62774382445	2 393	2 307	2 178	2 393	2 307	2 178
First National Bank Account: 62774382966	974 256	2 800 238	3 079 746	974 256	2 800 238	3 079 746
First National Bank Account: 62774383592	391 167	28 641	4 720	391 167	28 642	4 720
Total	**22 980 513**	**15 636 577**	**9 752 546**	**22 980 213**	**15 637 585**	**9 752 546**

7. VAT receivable

	2024	2023
VAT Input Accrual	10 768 611	8 950 584

VAT Receivable is a statutory arrangement.

VAT input accrual is the VAT charged on vatable expenditure incurred on the accrual basis, not yet receivable from SARS until trade creditors are paid.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

8. Statutory receivables

The entity had the following statutory receivables where the Framework for the Preparation and Presentation of Financial Statements have been applied, for the initial recognition:

VAT Control	845 349	1 055 817
Statutory receivable represents the VAT receivable from SARS.		
Current assets	845 349	1 055 817

9. Prepayments

Comprises

Insurance premium pre-payment	625 343	545 512
SALGA Membership fees	-	1 178 720
Contracted fees - PayDAY	-	40 788
	625 343	**1 765 020**

Prepayments comprise insurance expenditure paid in advance

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

10. Biological assets

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Trees in plantation forest	4 470 314	-	4 470 314	6 213 921	-	6 213 921

Reconciliation of biological assets - 2024

	Opening balance	Gains or losses arising from changes in fair value	Total
Trees in plantation forest	6 213 921	(1 743 607)	4 470 314

Reconciliation of biological assets - 2023

	Opening balance	Gains or losses arising from changes in fair value	Total
Trees in plantation forest	5 005 978	1 207 943	6 213 921

Non-financial information

Immature biological assets

Trees in timber plantation forest	197 607	197 607

Pledged as security

None of the biological assets are pledged as security.

Revaluation

The biological assets were revalued by Mr M Engelbrecht (B.Econ), an independent Forest Economist as at 30 June 2024. The Faustmann valuation technique was applied for the valuation of biological assets.

11. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	29 229 917	(17 550 683)	11 679 234	29 229 916	(17 547 346)	11 682 570

Reconciliation of investment property - 2024

	Opening balance	Depreciation	Total
Investment property	11 682 570	(3 336)	11 679 234

Reconciliation of investment property - 2023

	Opening balance	Depreciation	Total
Investment property	11 687 949	(5 379)	11 682 570

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. The municipality has developed a comprehensive asset register encompassing movable assets, land, buildings and infrastructure assets.

Notes to the Annual Financial Statements

Figures in Rand

12. 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	6 933 932	-	6 933 932	6 933 932	-	6 933 932
Buildings	88 603 766	(37 920 761)	50 683 005	73 742 969	(35 218 564)	38 524 405
Machinery and equipment	6 769 356	(4 634 583)	2 134 773	5 430 528	(4 344 142)	1 086 386
Furniture and office equipment	1 796 283	(1 754 367)	41 916	1 792 184	(1 732 121)	60 063
Transport assets	27 330 444	(20 983 986)	6 346 458	27 300 779	(20 106 490)	7 194 289
Computer equipment	3 154 476	(2 248 244)	906 232	2 823 760	(2 023 494)	800 266
Roads	431 454 328	(208 022 931)	223 431 397	407 858 714	(189 181 177)	218 677 537
Electricity	44 126 528	(21 230 857)	22 895 671	44 126 528	(20 183 959)	23 942 569
Work-in-progress	91 918 929	(1 062 821)	90 856 108	90 265 036	(1 062 822)	89 202 216
Office equipment - leased	670 233	(324 160)	346 073	670 233	(189 746)	480 487
Cemeteries	1 256 961	(955 684)	301 277	1 256 961	(875 506)	381 455
Airports	1 127 000	(896 138)	230 862	1 127 000	(873 316)	253 684
Landfill sites	21 919 744	(5 914 619)	16 005 125	14 052 663	(4 423 784)	9 628 879
Total	**727 061 980**	**(305 949 151)**	**421 112 829**	**677 381 287**	**(280 215 121)**	**397 166 168**

Notes to the Annual Financial Statements

Figures in Rand

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	6 933 932	-	-	-	-	-	6 933 932
Buildings	38 524 405	-	-	14 860 797	(2 702 197)	-	50 683 005
Machinery and equipment	1 086 386	1 368 596	(18 690)	-	(301 519)	-	2 134 773
Furniture and office Equipment	60 063	4 097	-	-	(22 244)	-	41 916
Transport Assets	7 194 289	557 300	(427 643)	-	(977 488)	-	6 346 458
Computer Equipment	800 266	403 805	(7 472)	-	(290 367)	-	906 232
Roads	218 677 537	-	-	23 595 393	(17 812 143)	(1 029 390)	223 431 397
Electricity	23 942 569	-	-	-	(967 284)	(79 615)	22 895 671
Work-in-progress	89 202 216	40 110 082	-	(38 456 190)	-	-	90 856 108
Office equipment - leased assets	480 487	-	-	-	(134 414)	-	346 073
Cemeteries	381 455	-	-	-	(28 133)	(52 045)	301 277
Airports	253 684	-	-	-	(22 822)	-	230 862
Landfill sites	9 628 881	7 867 080	-	-	(1 490 836)	-	16 005 125
	397 166 170	**50 310 960**	**(453 805)**	**-**	**(24 749 447)**	**(1 161 050)**	**421 112 829**

Notes to the Annual Financial Statements

Figures in Rand

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Transfers received	Depreciation	Impairment loss	Total
Land	6 933 932	-	-	-	-	6 933 932
Buildings	41 198 366	-	-	(2 673 961)	-	38 524 405
Machinery and equipment	1 341 139	-	-	(254 753)	-	1 086 386
Furniture and office equipment	76 350	12 159	-	(28 446)	-	60 063
Transport assets	7 752 424	527 635	-	(1 085 770)	-	7 194 289
Computer equipment	457 733	537 958	-	(195 425)	-	800 266
Roads	223 718 409	-	14 042 540	(16 694 003)	(2 389 409)	218 677 537
Electricity	24 909 410	-	-	(966 841)	-	23 942 569
Work-in-progress	71 609 355	31 635 400	(14 042 540)	-	-	89 202 216
Office equipment - leased assets	614 533	-	-	(134 046)	-	480 487
Cemeteries	409 511	-	-	(28 056)	-	381 455
Airports	276 443	-	-	(22 759)	-	253 684
Landfill sites	11 119 391	-	-	(1 490 510)	-	9 628 881
	390 416 996	**32 713 152**	**-**	**(23 574 570)**	**(2 389 409)**	**397 166 170**

Pledged as security

No property, plant and equipment assets were pledged as security.

Assets subject to finance lease (Net carrying amount)

Office equipment - leased assets	346 073	480 487

Figures in Rand	2024	2023

12. Property, plant and equipment (continued)

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

	2024	2023
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Electricity	27 363 343	27 363 343
Landfill Site	514 323	514 323
	27 877 666	**27 877 666**

	2024	2023
Details of projects that are taking a significantly longer period of time to complete than expected		
Amahlathi Highmast Lights Highmast lights were erected and completed but still needs to be commissioned by Eskom to meet the intended purpose of the project. No impairment losses have been recognised in relation to these assets.	6 862 128	6 862 128
Electricity WIP Project requires funding. No impairment losses have been recognised in relation to these assets.	4 260 139	4 260 139
LV Networks Project requires funding. No impairment losses have been recognised in relation to these assets.	14 430 793	14 430 793
Upgrade Cathcart Substation Project requires funding. No impairment losses have been recognised in relation to these assets.	1 519 748	1 346 708
Upgrade Electricity Infrastructure Project requires funding. No impairment losses have been recognised in relation to these assets.	463 575	463 575
KKH Waste Site Contractor defaulted on the project. No impairment losses have been recognised in relation to these assets.	514 323	514 323
	28 050 706	**27 877 666**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	53 638 968	27 683 249	7 879 999	89 202 216
Additions/capital expenditure	26 474 182	13 635 900	-	40 110 082
Transferred to completed items	(23 595 393)	-	(14 860 797)	(38 456 190)
	56 517 757	**41 319 149**	**(6 980 798)**	**90 856 108**

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	45 953 263	25 656 093	-	71 609 356
Additions/capital expenditure	21 728 245	2 027 156	7 879 999	31 635 400
Transferred to completed items	(14 042 540)	-	-	(14 042 540)
	53 638 968	**27 683 249**	**7 879 999**	**89 202 216**

Notes to the Annual Financial Statements

Figures in Rand

12. Property, plant and equipment (continued)

Maintenance of property, plant and equipment

Maintenance of property, plant and equipment by condition - 2024

	Preventative Maintenance		Corrective Maintenance		
	Condition Based	Total	Planned	Total	Total
Buildings	-	-	307 485	307 485	307 485
Machinery and equipment	-	-	395	395	395
Transport assets	264 899	264 899	1 689 636	1 689 636	1 954 535
Roads	37 177	37 177	896 557	896 557	933 734
Electricity	696 185	696 185	46 069	46 069	742 254
	998 261	**998 261**	**2 940 142**	**2 940 142**	**3 938 403**

Maintenance of property, plant and equipment by condition - 2023

	Preventative Maintenance		Corrective Maintenance		
	Condition Based	Total	Planned	Total	Total
Buildings	-	-	84 741	84 741	84 741
Machinery and equipment	-	-	14 000	14 000	14 000
Transport assets	74 687	74 687	1 919 333	1 919 333	1 994 020
Roads	-	-	167 501	167 501	167 501
Electricity	475 639	475 639	71 603	71 603	547 242
	550 326	**550 326**	**2 257 178**	**2 257 178**	**2 807 504**

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

13. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 183 429	(1 163 274)	20 155	1 183 428	(1 137 337)	46 091

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software, other	46 091	(25 936)	20 155

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	1 183 428	(1 137 337)	46 091

Pledged as security

No intangible assets were pledged as security:

14. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	610 183	-	610 183	610 183	-	610 183

Reconciliation of heritage assets 2024

	Opening balance	Total
Historical monuments	610 183	610 183

Reconciliation of heritage assets 2023

	Opening balance	Total
Historical monuments	610 183	610 183

Pledged as security

No heritage assets were pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

15. Finance lease obligation

Minimum lease payments due		
- within one year	240 413	288 495
- in second to fifth year inclusive	-	240 413
	240 413	528 908
less: future finance charges	(18 146)	(78 971)
Present value of minimum lease payments	**222 267**	**449 937**

Present value of minimum lease payments due		
- within one year	222 266	227 671
- in second to fifth year inclusive	-	222 266
	222 266	**449 937**

Non-current liabilities	-	222 266
Current liabilities	222 266	227 671
	222 266	**449 937**

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

Office equipment leases

The discount rate used in calculating the present value of the minimum lease payments is the implicit interest rate in the lease, if this is practicable to determine; if not, it is the prime interest rate. Due to the nature of the information provided the implicit rate for copiers could not be determined, as the cost of the copiers is not provided in the agreement. Any initial direct costs of leases are added to the amount recognised as an asset. Only the terms and payment amount are provided. The office equipment finance lease has an implicit interest rate ranging between 7.50% - 19% per annum, by taking into account the market values of the office equipment at initial recognition

16. Payables from exchange transactions

Trade payables	174 857 971	155 291 487
Consumer debtors with credit balances	2 527 080	2 188 252
Accruals	72 219	422 873
Salary control	1 141 930	785 094
Other payables	491 937	159 385
Retention creditors	4 638 598	4 091 892
Agency fees payable	5 240	3 284
	183 734 975	**162 942 267**

17. Consumer deposits

Electricity	1 736 950	1 699 185

Consumer deposits are made of deposits from consumers for electricity connections, for those making use of conventional electricity.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

18. Employee benefit obligations

Defined benefit plans - General information

Defined benefit plan

The defined benefit plan comprises of the Post Retirement Medical Aid.

Post retirement medical aid plan

The municipality operates six accredited medical aid schemes, namely:
Bestmed
Bonitas
Discovery LA Health
Hosmed
Keyhealth
Samwu

Pensioners continue on the option they belonged to on the day of retirement.

The independent valuars, One Pangaea Expertise and Solutions carried out a statutory valuation on 30 June 2024.

Long service awards

The Long service bonus for the portion of the next interval already renderd by the employee. The employee receives a leave pay and percentage of salary amount for reaching certain interval (5 years, 10 years, 15 years etc). This provision is accrued in terms of the collective bargain agreement. The long service bonus plans are defined benefit plans. As at perdiod ended 30 June 2024, 258 (2023: 270) employees were eligble for long service bonuses.

Provision for bonus

A bonus provision is raised for the amount which the Municipality is obligated to pay employees.

Accrual for leave gratuity

Leave gratuity is raised for the amount which the Municipality is obligated to pay employees in lieu of annual leave, if they are to leave the Municipality.

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

Carrying value		
Non-current portion of post retirement benefits	(22 310 890)	(24 439 633)
Non-current portion of long service awards	(7 229 024)	(7 288 520)
Current portion of post retirement benefits	(887 357)	(1 231 877)
Current portion of long service awards	(1 308 433)	(919 079)
Provision for bonus	(3 392 506)	(4 090 990)
Accrual for leave gratuity	(10 568 486)	(9 785 239)
	(45 696 696)	**(47 755 338)**
Non-current liabilities	(29 539 914)	(31 728 153)
Current liabilities	(16 156 782)	(16 027 185)
	(45 696 696)	**(47 755 338)**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

18. Employee benefit obligations (continued)

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

	2024	2023
Opening balance	47 755 336	46 907 797
Service cost	1 925 612	2 040 101
Interest cost	4 141 146	3 853 951
Net actuarial gains	(6 466 387)	(4 264 216)
Payments from the plan	(1 743 775)	(1 411 982)
Utilised during the year	(5 142 397)	(5 314 822)
Current year provision	5 227 160	5 944 507
	45 696 695	**47 755 336**

Net expense recognised in the statement of financial performance are as follows:

	2024	2023
Service cost	1 925 612	2 040 150
- Current service cost	1 925 612	2 040 150
Net interest on the net defined benefit liability	4 141 146	3 853 951
Remeasurements of the net defined benefit liability (asset)	(6 466 387)	(4 264 216)
- Actuarial gains and losses arising from:	(6 466 387)	(4 264 216)
- As result of changes in demographic and financial assumptions	(6 466 387)	(4 264 216)
Bonus provision	3 392 505	4 090 990
Leave provision	1 834 655	1 853 517
	4 827 531	**7 574 392**

Calculation of actuarial gains

	2024	2023
Actuarial (gains) losses – Obligation	(6 466 387)	(4 264 216)

Key assumptions used

Assumptions used at the reporting date:

	2024	2023
Discount rates used - Post retirement medical aid plan	12,23 %	13,25 %
Discount rates used - Long service awards	10,15 %	10,60 %
Net discount rates used - Post retirement medical aid plan	4,16 %	4,11 %
Net discount rates used - Long service awards	4,23 %	4,03 %
Consumer price index - Post retirement medical aid plan	6,24 %	7,28 %
Consumer price index - Long service awards	4,68 %	5,32 %
Expected increase in salaries	5,68 %	6,32 %
Expected increase in healthcare costs	7,74 %	8,78 %
Pre-retirement age	SA 85-90 L	SA 85-90 L
Post-retirement age	PA (90) - 1	PA (90) -1
Normal retirement age	65 years	65 years
Spouse age difference (male older than female)	3 years	3 years
Female members - Post retirement medical aid plan	80	80
Male members - Post retirement medical aid plan	72	72
Female members - Long service awards	100	100
Male members - Long service awards	158	170
	-	-

Other assumptions	**2024**	**2023**	**2022**	**2021**	**2020**
Post Retirement Benefits	23 198 247	25 671 509	25 088 416	30 027 000	25 981 000
Long Service Awards	8 537 457	8 207 599	8 572 838	8 197 000	7 628 000
	-	-	-	-	-

The amounts for the current and previous four years.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

19. VAT payable

VAT Output Accrual	10 945 169	7 592 853

VAT payable is statutory arrangements.

VAT output accrual is VAT charged on vatable services earned on the accrual basis, but not due to SARS until payments are received from consumers.

20. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Waste grant	1 471 802	2 526 108
Disaster recovery grant	14 311 166	4 700 000
	15 782 968	**7 226 108**

Movement during the year

Balance at the beginning of the year	7 226 108	3 080 170
Grants received during the year	192 885 933	166 740 098
Income recognition during the year	(184 329 073)	(162 594 160)
	15 782 968	**7 226 108**

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

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

See note 28 for reconciliation of grants from National/Provincial Government.

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

21. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Increased during the year	re-measurement	Total
Provision for landfill sites	8 215 414	864 261	7 867 080	16 946 755

Reconciliation of provisions - 2023

	Opening Balance	Increased during the year	Total
Provisions for landfill sites	7 876 873	338 541	8 215 414

	2024	2023
Non-current liabilities	16 067 772	7 862 151
Current liabilities	878 983	353 263
	16 946 755	**8 215 414**

Environmental rehabilitation provision

The municipality has an obligation to restore three landfill sites situated in Stutterheim, Erf 80, Cathcart, Erf 474 and Keiskammahoek, Erf 1. The Stutterheim and Keiskammahoek sites are currently licenced and used for general waste disposal (nonhazardous) purposes. The Cathcart site was previously licenced and the permit expired in 2013. The municipality has approached the Department of Environmental Affairs (DEA) with the view of obtaining assistance to renew the licence for the site.

An environmental specialist was appointed to assist the municipality with the management of the landfill sites. The environmental specialist has undertaken site visits and prepared preliminary designs and costing of works to be completed.

Where appropriate a discounting rate of 10.25% (2023: 4.30%) was used.

The remaining site life:
- Cathcart landfill site is approximately +/-4 years.
- Stutterheim landfill site is approximately +/- 4 years.
- Keiskammahoek landfill site is approximately +/-4 years.

22. Service charges

	2024	2023
Sale of electricity	45 966 943	35 730 781
Fire levy	4 958 794	4 727 895
Refuse removal	11 558 281	11 106 980
Other service charges	324 408	181 767
	62 808 426	**51 747 423**

23. Investment revenue

	2024	2023
Interest revenue		
Bank	3 455 509	1 613 439

Interest is earned on municipal investments and municipal primary account as disclosed in note 6.

24. Actuarial gains

	2024	2023
Actuarial gain on employee benefits	6 466 387	4 264 216

Actual gains comprise of gain on employee benfits relating to Post Retirement Medical Aid Plans and Long Service Awards.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

25. Property rates

Rates received

Property rates	24 168 893	23 330 964

Valuations

Residential	1 167 646 000	1 167 646 000
Commercial	232 813 755	232 813 755
State	749 894 877	749 894 877
Municipal	357 165 101	357 165 101
Small holdings and farms	2 530 143 423	2 530 143 423
Public service infrastructure	61 696 346	61 696 346
Vacant land	101 478 403	101 478 403
Properties used for multi purpose	4 744 500	4 744 500
Industrial properties	45 197 500	45 197 500
	5 250 779 905	**5 250 779 905**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2020. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on a monthly basis as per the approved tariffs with interest at prime plus 1% per annum is levied rates outstanding monthly.

The new general valuation will be implemented effective 1 July 2025.

26. Other revenue

Eskom interest reversal	11 884 357	-

Eskom as creditor waived its right to collect the interest portion of its debt. The interest waived is regarded as revenue from a non exchange transaction.

27. Interest from non exchange receivables

Interest - Receivables	7 437 534	5 877 382

28. Government grants & subsidies

Operating grants		
Equitable share	131 533 000	124 987 000
Library grant	1 200 000	1 200 000
Municipal infrastructure grant (MIG)	1 538 500	-
Expanded public works programme (EPWP)	1 310 000	1 568 000
Financial management grant (FMG)	2 200 000	2 200 000
LG Seta mandatory grant	249 785	248 249
Human settlements grant	111 149	135 849
	138 142 434	**130 339 098**
Capital grants		
Municipal infrastructure grant (MIG)	29 231 500	31 701 000
Waste grant	1 054 306	554 062
Disaster recovery grant	15 900 834	-
	46 186 640	**32 255 062**
	184 329 074	**162 594 160**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

28. Government grants & subsidies (continued)

Equitable Share

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

Operating and maintenance cost of municipalities.

Finance management grant (FMG)

Current-year receipts	2 200 000	2 200 000
Conditions met - transferred to revenue	(2 200 000)	(2 200 000)
	-	-

The grant is received to ensure sound and sustainable management of the fiscal and financial affairs of the municipality. To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

Library grant

Current-year receipts	1 200 000	1 200 000
Conditions met - transferred to revenue	(1 200 000)	(1 200 000)
	-	-

To transform urban and rural community infrastructure, facilities and services through a recapitalised programme.

Expanded public works works programme (EPWP)

Current-year receipts	1 310 000	1 568 000
Conditions met - transferred to revenue	(1 310 000)	(1 568 000)
	-	-

The grant is provided to expand the Public Works programme and job creation efforts.

Waste grant

Balance unspent at beginning of year	2 526 108	3 080 170
Conditions met - transferred to revenue	(1 054 306)	(554 062)
	1 471 802	**2 526 108**

Conditions still to be met - remain liabilities (see note 20).

To support in respect of waste management activities.

Disaster recovery grant

Balance unspent at beginning of year	4 700 000	4 700 000
Current-year receipts	25 512 000	-
Conditions met - transferred to revenue	(15 900 834)	-
	14 311 166	**4 700 000**

Conditions still to be met - remain liabilities (see note 20).

For floods intervention.

Figures in Rand	2024	2023

28. Government grants & subsidies (continued)

Staff training (LGSETA)

Current-year receipts	249 785	248 249
Conditions met - transferred to revenue	(249 785)	(248 249)
	-	-

Conditions still to be met - remain liabilities (see note 20).

The grant was obtained from the Sectoral Education Training Authority (SETA) for training of staff. In terms of the Skills Development Act regarding monies by SETA's published in Government Notice 990 in Government Gazette No. 34940, LGSETA is required to disburse in quarterly intervals.

Human settlements grant

Current-year receipts	111 149	98 799
Conditions met - transferred to revenue	(111 149)	(98 799)
	-	-

Conditions still to be met - remain liabilities (see note 20).

For skills development.

Municipal Infrastructure Grant

Current-year receipts	30 770 000	31 701 000
Conditions met - transferred to revenue	(30 770 000)	(31 701 000)
	-	-

Conditions still to be met - remain liabilities (see note 20).

The grant was received from the Department of Cooperative Governance and Traditional Affairs. The purpose of the grant is to provide specific finance for basic Municipal Infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

29. Employee related costs

Basic	93 124 703	92 128 934
Bonus	6 854 435	8 101 741
Medical aid - company contributions	4 897 665	6 011 442
UIF	595 676	558 379
Defined contribution plans	1 925 611	628 119
Cellphone and other allowances	1 937 292	939 008
Overtime payments	1 621 769	1 113 025
Acting allowances	224 734	262 962
Travel allowance	5 863 362	5 544 098
Housing benefits and allowances	2 522 375	2 641 761
Industrial council levy	35 812	35 317
Pension fund contribution	15 466 467	15 742 697
Bonus provision	(698 485)	232 658
Leave provision	1 834 655	1 853 520
	136 206 071	**135 793 661**

Figures in Rand	2024	2023

29. Employee related costs (continued)

Remuneration of Municipal Manager

Annual Remuneration	1 211 883	792 664
Travel Allowance	240 000	186 877
Contributions to UIF, Medical, Pension Funds and other contributions	2 262	40 096
Cellphone allowance	16 800	13 200
Backpay	56 089	-
	1 527 034	**1 032 837**

Remuneration of Chief Finance Officer

Annual Remuneration	171 367	974 129
Travel Allowance	20 000	120 000
Contributions to UIF, Medical, Pension Funds and other contributions	377	13 914
Cellphone allowance	2 800	16 800
Backpay	74 270	-
Leave	82 097	212 459
	350 911	**1 337 302**

Mr L Manjingolo resigned on 31 August 2023.

Mr B Mashiyi has been appointed acting Chief Financial Officer for the period 1 September 2023 till 31 May 2024.

Mr C Samuels has been appointed acting Chief Financial Offier since 1 June 2024.

Remuneration of Director Corporate Services

Annual Remuneration	1 210 197	1 051 536
Cellphone allowance	16 800	33 600
Contributions to UIF, Medical, Pension Funds and other contributions	2 262	13 106
Backpay	78 606	-
	1 307 865	**1 098 242**

Remuneration of Director Planning and Development

Annual Remuneration	988 106	629 972
Travel Allowance	180 000	120 000
Contributions to UIF, Medical, Pension Funds and other contributions	2 262	7 930
Cellphone allowance	16 800	11 200
Backpay	45 849	-
	1 233 017	**769 102**

Remuneration of Director Engineering Services

Annual Remuneration	1 178 051	540 849
Travel Allowance	-	30 000
Bonus	-	33 333
Contributions to UIF, Medical, Pension Funds and other contributions	2 262	26 810
Cellphone allowance	16 800	9 800
Acting allowance	2 393	-
Backpay	28 677	-
Leave	-	57 245
	1 228 183	**698 037**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

29. Employee related costs (continued)

Remuneration of Director Community Services

Annual Remuneration	979 690	321 144
Travel Allowance	180 000	45 000
Contributions to UIF, Medical, Pension Funds and other contributions	2 262	9 569
Cellphone allowance	16 800	5 918
Backpay	24 384	-
	1 203 136	**381 631**

30. Remuneration of councillors

Mayor	1 033 383	951 259
Speaker	819 300	811 550
Councillors' salaries	7 823 444	7 157 703
Councillors' allowances	3 919 114	4 741 803
	13 595 241	**13 662 315**

Additional information

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

The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

31. Vending management fee

Management fees - third party	239 575	281 231

32. Depreciation and amortisation

Property, plant and equipment	24 749 447	23 574 570
Investment property	3 336	5 379
Intangible assets	25 936	61 031
	24 778 719	**23 640 980**

33. Impairment loss on assets

Impairments

Property, plant and equipment	1 161 270	2 389 410

34. Finance costs

Interest expense	4 199 693	3 853 951
Interest on overdue accounts	11 324 263	10 047 464
	15 523 956	**13 901 415**

35. Debt impairment

Debt impairment	25 872 214	29 141 767

36. Bulk purchases

Electricity - Eskom	51 809 374	43 193 741

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

37. Contracted services

Outsourced Services		
Administrative and Support Staff	8 906	-
Animal Care	540 000	135 000
Burial Services	14 000	60 810
Catering Services	432 639	187 537
Cleaning Services	12 280	3 284
Professional Staff	58 916	151 261
Electrical	1 021 547	1 145 523
Consultants and Professional Services		
Business and Advisory	2 954 727	2 530 462
Legal Cost	1 542 654	3 979 788
Contractors		
Event Promoters	968 774	629 007
Graphic Designers	-	53 903
Maintenance of Buildings and Facilities	307 485	84 741
Maintenance of Equipment	395	14 000
Maintenance of Unspecified Assets	3 465 702	2 806 319
Safeguard and Security	260 473	240 953
	11 588 498	**12 022 588**

38. Fair value adjustments

Biological assets - (Fair value model)	(1 743 607)	1 207 943

The biological assets were revalued by Mr M Engelbrecht (B.Econ), an independent Forest Economist as at 30 June 2024. The Faustmann valuation technique was applied for the valuation of biological assets.

39. General expenses

Advertising	356 617	296 631
Audit fees	3 449 626	2 712 584
Bank charges	568 819	104 969
Consumables	162 571	159 490
Insurance	898 314	1 265 754
Fuel and oil	3 262 436	2 245 222
Postage and courier	10 100	39 891
Printing and stationery	646 138	653 363
Project maintenance costs	1 296 955	404 460
Royalties and license fees	329 384	266 050
Subscriptions and membership fees	1 233 074	1 494 381
Telephone and fax	2 343 903	3 414 592
Training	428 838	318 198
Electricity, sanitation and water	3 769 282	4 298 950
Uniforms	136 565	259 190
Free basic electricity	282 433	180 626
Skills development levy	1 088 854	1 085 433
Other expenses	4 171 573	8 417 005
	24 435 482	**27 616 789**

40. Auditors fees

Fees	3 449 626	2 712 584

Figures in Rand	2024	2023

41. Cash generated from operations

Surplus (deficit)	5 929 929	(39 691 251)
Adjustments for:		
Depreciation and amortisation	24 778 719	23 640 980
Loss on sale of assets and liabilities	453 804	-
Fair value adjustments	1 743 607	(1 207 943)
Finance costs	15 523 956	-
Impairment deficit	1 161 270	2 389 410
Debt impairment	25 872 214	29 141 767
Movements in retirement benefit assets and liabilities	(3 191 841)	847 541
Movements in provisions	8 731 342	338 541
Inventory losses or write-downs	(184)	196 295
Other revenue	(11 884 357)	-
Actuarial Gains	(6 466 387)	-
Changes in working capital:		
Inventories	3 193	205 268
Consumer debtors	(36 984 950)	(24 949 614)
Other receivables from non-exchange transactions	-	(7 291 994)
Statutory receivables	210 468	-
Prepayments	1 139 678	(1 765 021)
Payables from exchange transactions	20 792 708	50 583 953
VAT	1 534 289	(1 357 731)
Unspent conditional grants and receipts	8 556 860	7 226 108
Consumer deposits	37 765	4 004
	57 942 083	**38 310 313**

42. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At amortised cost	Total
Consumer debtors	27 195 799	27 195 799
Cash and cash equivalents	22 980 213	22 980 213
Prepayments	625 343	625 343
	50 801 355	**50 801 355**

Financial liabilities

	At amortised cost	Total
Finance lease obligation	222 266	222 266
Payables from exchange transactions	183 734 975	183 734 975
	183 957 241	**183 957 241**

2023

Financial assets

	At amortised cost	Total
Consumer debtors	16 343 012	16 343 012
Cash and cash equivalents	15 637 585	15 637 585
Prepayments	1 765 021	1 765 021

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

42. Financial instruments disclosure (continued)

	33 745 618	**33 745 618**

Financial liabilities

	At amortised cost	Total
Finance lease obligation	449 937	449 937
Payables from exchange transactions	162 942 267	162 942 267
	163 392 204	**163 392 204**

43. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	24 963 521	27 637 960

Total capital commitments		
Already contracted for but not provided for	24 963 521	27 637 960

Total commitments

Total commitments		
Authorised capital expenditure	24 963 521	27 637 960

This committed expenditure relates to property, plant and equipment and will be financed by a combination of Municpal Infrastructure Grant, Disaster Recovery Grant and internally generated funds.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

44. Contingencies

2024

Contingent liabilities:

The total contingent liabilities status at the end of June 2024 amount to R7 613 641.91.The municipality has six pending legal cases relating to claims for outstanding payments and 5 claims relating to damages or loss suffered. The summary of the matters as at 30 June 2024 are as follows

Case Number 1797/2021
The applicant instituted a claim against the municipality relating to an outstanding payment which amounts to R2 304,760.77. The municipality is awaiting the plaintiff's discovery. The likelihood of the municipality to losing the case is medium to low.

Case Number 3400/2019
The applicant instituted a claim against the municipality relating to an outstanding payment which amounts to R603 670.30. The case is still pending and the likelihood of the municipality losing the case is low.

Case Number 454/2021
The applicant instituted a claim against the municipality relating to an outstanding payment which amount to R1 227 668.85. The case is still pending and the likelihood of the municipality losing the case is medium to low.

Case Number 2389/2020
The applicant instituted a claim against the municipality relating to damages/loss suffered which amount to R1 035 719.32. The case is still pending. The likelihood of the municipality loosing this case is low.

Case Number 1570/2022
The applicant instituted a claim relating to damages into a motor vehicle which amount to R62 235.92. The case is still pending. The likelihood of the municipality to loose the case is medium to low.

Case Number 456/2023
The applicant instituted a claim relating to loss of rental income amounting to R878 190.00. The likelihood of the municipality losing this case is low.

Case Number 64/2024
The applicant instituted an action against the municipality claiming an outstanding payment of R137 120.85. The case is still pending. The likelihood of the municipality losing the case is medium to low.

Case Number 1378/2023
The applicant instituted an action against the municipality claiming an amount of R400 000.00. The case is still pending. The likelihood of the municipality losing this case is low.

Case Number 02/2023
The applicant instituted action against the municipality claiming an amount of R17 085.90. The case is still pending and the likelihood of the municipality losing the case is low

Case Number 130/2023
Applicant instituted an action against the municipality claiming outstanding payment of R69 000.00. The case is still pending. The likelihood of the municipality losing this case is low.

Case Number 576/2024
The applicant instituted an action against the municipality for loss of rental income amounting to R878 190.00. The case is still pending and the likelihood of the municipality losing this case is low

2023

Contingent liabilities:

The total contingent liabilites for the year 2023 is R13 327 668 (Contingencies: R8 412 769 and Legal fees: R4 914 899) and the details are as follows.

Figures in Rand	2024	2023

44. Contingencies (continued)

The Municipality has legal cases relating to claims for outstanding payments. Capital claimed R4 736 624 and Legal Fees is R1 491 044.

Case Number EL456/2023

Application to oppose the claim for loss of rental income for an alleged breach of contract by Municipality to install electricity. Total amount claimed including legal fees is R2 000 000. This case is still pending and the likelihood of the municipality losing this case is low.

Case Number: 1570/2022:

Claim for damages arising out of motor vehicle collision. Total amount claimed including legal fees is R150 000. This case is still pending and the likelihood of the municipality losing this case is medium to low.

Case Number A303:

An unfair dismissal dispute to the SALGBC claiming that they had reasonable expectation that they would be permanently appointed. R700 000 for back-pay costs. This case is still pending and the likelihood of the municipality losing this case is medium to low

Case Number A339:

An unfair dismissal dispute to the SALGBC. Total amount claimed including legal fees is R1 000 000. This case is still pending and the likelihood of the municipality losing this case is low

Case Number 735/2022:

The Municipality is seeking an order declaring the standardisation policy unlawful. Legal fees R750 000. This case is still pending and the likelihood of the municipality losing this case is low.

Case Number: 2389/2020
There's a claim for damages for a breach of contract. Total amount claimed including legal fees is R2 500 000. This case is still pending and the likelihood of the municipality losing this case is medium to low.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

45. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note 6
Councillors	Refer to general information page
Members of key management and close family members	Dr Z Shasha - Municipal Manager Vacant - Chief Financial Officer S Nweba - Director Development and Planning N Nqulo - Director Corporate Services A Noholoza - Director Community Services N Dlova - Director Engineering Services

Refer to note 30 for Management remuneration disclosure.

Related party balances

	2024	2023
Companies owned by people / spouses / partners / associate in the service of the state		
ICT Choice	-	94 179

No expenditure was incurred during the year under review

Remuneration of management

Notes to the Annual Financial Statements

Figures in Rand

45. Related parties (continued)

Management class: Councillors

2024

Name	Councillors' salaries	Telephone allowance	Travel allowance	3G card	Subsistence	Backpay	Total
NC Nongqayi (Mayor)	686 073	45 600	228 691	4 008	24 679	44 332	1 033 383
NP Mlahleki (Speaker)	548 859	45 600	182 953	4 008	1 127	36 754	819 301
P Qaba (EXCO)	514 556	45 600	171 519	4 008	2 636	32 384	770 703
XM Tokwe (EXCO)	514 556	45 600	171 519	4 008	-	29 483	765 166
T Balindlela (EXCO)	287 061	45 600	95 687	4 008	-	16 448	448 804
B Xongqana (EXCO)	514 556	45 600	171 519	4 008	24 341	29 483	789 507
NA Kato-Manyika (EXCO)	514 556	45 600	171 519	4 008	-	39 218	774 901
PM Onceya-Sauti	278 633	45 600	92 878	4 008	-	15 965	437 084
A Hobo	144 300	31 200	48 100	2 740	-	12 440	238 780
N Ngxakangxaka	217 117	45 600	72 372	4 008	-	12 440	351 537
RB Pickering	217 117	45 600	72 372	4 008	-	12 440	351 537
N Mbulana	217 117	45 600	72 372	4 008	-	12 440	351 537
M Gantsho	217 117	45 600	72 372	4 008	-	12 440	351 537
NV Mjandana	217 117	45 600	72 372	4 008	-	12 440	351 537
N Nyangwa	217 117	45 600	72 372	4 008	-	12 440	351 537
NC Mkiva	217 117	45 600	72 372	4 008	-	12 440	351 537
N Charlie	217 117	45 600	72 372	4 008	-	12 440	351 537
ZA Qonto	278 633	45 600	92 878	4 008	6 618	17 905	445 642
NZ Klaas	217 117	45 600	72 372	4 008	-	12 440	351 537
M Busakwe	217 117	45 600	72 372	4 008	-	12 440	351 537
ZE Mfulana	180 708	38 400	60 236	3 374	-	12 440	295 158
X Neti	217 117	45 600	72 372	4 008	-	12 440	351 537
M Nqini	217 117	45 600	72 372	4 008	-	12 440	351 537
M Neku	217 117	45 600	72 372	4 008	-	12 440	351 537
NO Sidinana	180 708	38 400	60 236	3 374	-	12 440	295 158
PA Simandla	217 117	45 600	72 372	4 008	-	12 440	351 537
N Ncevu	217 117	45 600	72 372	4 008	-	12 440	351 537
ME Maweni	217 117	45 600	72 372	4 008	-	12 440	351 537
N Salaze	217 117	45 600	72 372	4 008	-	12 440	351 537

Notes to the Annual Financial Statements

Figures in Rand

45. Related parties (continued)

O Mgunculu	217 117	45 600	72 372	4 008	-	22 777	361 874
P Budaza	54 612	10 800	18 204	951	-	-	84 567
NJ Ulana	-	6 000	3 600	-	15 456	-	25 056
P Zwelakhe-Gayika	-	6 000	3 600	-	24 428	-	34 028
	8 605 917	**1 362 000**	**2 875 835**	**118 655**	**99 285**	**533 549**	**13 595 241**

2023

Name	Councillors' salaries	Telephone allowance	Travel allowance	3G card	Subsistence	Other benefits received	Total
NC Nongqayi (Mayor)	643 314	40 800	214 438	3 600	695	48 412	951 259
NP Mlahleki (Speaker)	500 674	40 800	166 891	3 600	556	99 029	811 550
P Qaba (EXCO)	454 608	40 800	153 475	3 600	278	50 845	703 606
XM Tokwe (EXCO)	494 506	40 800	164 835	3 600	-	55 197	758 938
T Balindlela (EXCO)	275 875	40 800	91 959	4 800	-	38 293	451 727
B Xongqana (EXCO)	494 506	40 800	164 835	3 600	-	55 197	758 938
NA Kato-Manyika (EXCO)	494 506	40 800	164 835	3 600	-	68 639	772 380
PM Onceya-Sauti	267 776	40 800	89 259	3 600	-	24 577	426 012
A Hobo	208 657	40 800	69 552	3 600	-	50 154	372 763
N Ngxakangxaka	208 657	40 800	69 552	3 600	-	28 962	351 571
RB Pickering	208 657	40 800	69 552	3 600	-	28 962	351 571
N Mbulana	208 657	40 800	69 552	3 600	-	28 962	351 571
M Gantsho	208 657	40 800	69 552	3 600	-	19 151	341 760
NV Mjandana	208 657	40 800	69 552	3 600	-	19 151	341 760
N Nyangwa	208 657	40 800	69 552	3 600	-	19 151	341 760
NC Mkiva	208 657	40 800	69 552	3 600	-	28 962	351 571
ZA Qonto	250 974	40 800	83 658	3 600	2 270	31 974	413 276
N Charlie	208 657	40 800	69 552	3 600	-	19 151	341 760
NZ Klaas	208 657	40 800	69 552	3 600	-	28 962	351 571
M Busakwe	208 657	40 800	69 552	3 600	-	19 151	341 760
ZE Mfulana	208 657	40 800	69 552	3 600	-	19 151	341 760
X Neti	208 657	40 800	69 552	3 600	-	19 151	341 760
M Nqini	208 657	40 800	69 552	3 600	-	28 962	351 571
M Neku	208 657	40 800	69 552	3 600	-	19 151	341 760
NO Sidinana	208 657	40 800	69 552	3 600	-	19 151	341 760

Notes to the Annual Financial Statements

Figures in Rand

45. Related parties (continued)

PA Simandla	208 657	40 800	69 552	3 600	-	19 151	341 760
N Ncevu	208 657	40 800	69 552	3 600	-	28 962	351 571
ME Maweni	208 657	40 800	69 552	3 600	-	19 151	341 760
N Salaze	208 657	40 800	69 552	3 600	-	19 151	341 760
O Mgunculu	233 044	40 800	77 681	3 600	-	101 035	456 160
N Pose	-	-	-	-	-	23 253	23 253
NP Tikazayo	-	-	-	-	-	9 811	9 811
SC Matini	-	-	-	-	-	9 811	9 811
DS Gxekwa	-	-	-	-	-	9 811	9 811
GD Mxosa	-	-	-	-	-	9 811	9 811
GP Noxeke	-	-	-	-	-	9 811	9 811
M Mjikelo	-	-	-	-	-	24 803	24 803
MN Ngcofe	-	-	-	-	-	9 811	9 811
N Monti	-	-	-	-	-	23 253	23 253
NJ Ulana	18 768	6 000	6 000	-	-	-	30 768
TR Desi	-	-	-	-	-	9 811	9 811
VW Tshaka	-	-	-	-	-	9 811	9 811
X Mngxaso	-	-	-	-	-	9 811	9 811
X Nqata	-	-	-	-	-	12 591	12 591
CT Ngxingolo	-	-	-	-	-	9 811	9 811
NA Nkonya-Mtati	-	-	-	-	-	9 811	9 811
P Zwelakhe-Gayika	-	500	500	-	-	-	1 000
	8 301 691	**1 230 500**	**2 769 406**	**109 200**	**3 799**	**1 247 719**	**13 662 315**

46. Prior period errors

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:

Statement of financial position

2022

	Note	As previously reported	Correction of error	Restated
Receivables from exchange transactions		6 486 025	1 048 097	7 534 122
VAT receivable/payable		(407 600)	781 934	374 334
Prepayments		-	2 428 137	2 428 137
Property, plant and equipment		389 848 764	566 619	390 415 383
Payables from exchange transactions		(108 587 736)	(1 836 317)	(110 424 053)
Unspent conditional grants		(3 887 412)	807 242	(3 080 170)
Consumer depostis		(1 839 851)	144 669	(1 695 182)
Accumulated surplus		(285 144 039)	(3 940 381)	(289 084 420)
		(3 531 849)	**-**	**(3 531 849)**

46. Prior period errors (continued)

2023

	Note	As previously reported	Correction of error	Restated
Receivables from exchange transactions		14 892 173	1 450 839	16 343 012
VAT receivable		1 809 507	7 141 077	8 950 584
Cash and cash equivalents		15 702 466	(64 881)	15 637 585
Statutory receivable		-	1 055 817	1 055 817
Prepayments		-	1 765 021	1 765 021
Inventory		6 053	184	6 237
Investment property		11 687 411	(4 841)	11 682 570
Property, plant and equipment		396 743 402	422 766	397 166 168
Intangible assets		68 387	(22 296)	46 091
Payables from exchange transactions		(162 576 716)	(365 551)	(162 942 267)
Consumper deposits		(1 843 855)	144 670	(1 699 185)
Unspent conditional grants		(8 318 649)	1 092 541	(7 226 108)
VAT payable		-	(7 592 853)	(7 592 853)
Accumulated surplus		(244 370 676)	(5 022 493)	(249 393 169)
		23 799 503	**-**	**23 799 503**

Receivables from exchange transactions

Balance previously reported	14 892 173
Correction of balance as at 30 June 2022	
- Effect on Accumulated Surplus	1 048 097
Correction of ANCA billing	
- Effect on Service charges	350 210
'- Effect on VAT accrual	52 532
Restated 30 June 2023 balance	**16 343 012**

VAT receivable

Balance previously reported	1 809 507
Correction of ANCA Billing	(52 532)
Correction in Prepayments	(76 474)
Correction of VAT on Retention	533 725
Correction of Accruals	34 879
Effect on Trade and other receivables	166 200
Reclassification to statutory receivable	6 535 280
Restated 30 June 2023 balance	**8 950 585**

Cash and cash equivalents

Balance previously reported	15 702 466
Correction of cash on hand balance	
Effect on payables from exchange transaction	(64 881)
Restated 30 June 2023 balance	**15 637 585**

Statutory receivable

Effect on VAT receivable - reclassification	(6 535 280)
Effect on VAT payable - reclassification	7 591 097
	1 055 817

Prepayments

Correction of expenditure captured in the incorrect financial year	
- Effect on contracted services	35 467
- Effect on general expenditure	1 653 080
- Effect on VAT accrual	76 474

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

46. Prior period errors (continued)

Restated 30 June 2023 balance		**1 765 021**

Inventory		
Balance previously reported		6 053
Correction of inventory adjustment at 30 June 2023		
- Effect on inventory loss		184
Restated 30 June 2023 balance		**6 237**

Investment property		
Balance previously reported		11 687 411
Correction of 2023 depreciation calculation		
- Effect on depreciation and amortisation		(4 841)
Restated 30 June 2023 balance		**11 682 570**

Property, plant and equipment		
Balance previously reported		396 743 402
Correction of 2023 depreciation and estimated useful lives		
- Effect on accumulated surplus		568 228
- Effect on depreciation and amortisation		(145 880)
- Effect on impairment		418
Restated 30 June 2023 balance		**397 166 168**

Intangible assets		
Balance previously reported		68 387
Correction of 2023 depreciation calculation		
- Effect on Depreciation and amortisation		(22 296)
Restated 30 June 2023 balance		**46 091**

Payables from exchange transactions		
Balance previously reported		(162 576 716)
Correction of balances as at 30 June 2022		
- Effect on accumulated surplus		526 167
- Effect on VAT accrual		-
Correction of VAT on Retention		
- Effect on VAT accrual		(533 725)
Correction of cash on hand		64 881
Correction of expenditure captured in the incorrect financial year		
- Effect on VAT accrual		(34 879)
- Effect on contracted services		(19 838)
- Effect on general expenditure		(368 157)
Restated 30 June 2023 balance		**(162 942 267)**

Consumber deposits		
Balance previously reported		(1 843 855)
Correction of balance as at 30 June 2022		
Effect on Accumulated surplus		144 670
Restated balance at 30 June 2023		**(1 699 185)**

VAT payable		
Balance previously reported		-
Reclassification from VAT receivable		(7 591 097)
Effect on accumulated surplus		(1 756)
Restated 30 June 2023 balance		**(7 592 853)**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

46. Prior period errors (continued)

Accumulated surplus

Balance previously reported		(244 370 676)
Correction of receivables balance at 30 June 2022		(1 048 097)
Correction of depreciation and estimated useful lives		(568 228)
Correction of VAT payable/receivable		37 370
Correction of consumer deposits		(144 669)
Correction of trade and other payables		(1 409 515)
Correction of unspent conditional grants		(807 242)
Effect on surplus/deficit for the year		(1 082 112)
Restated 30 June 2023 balance		**(249 393 169)**

Unspent conditional grants

Balance previously reported	-	(8 318 649)
Correction of grant related revenue		
Effect on Accumulated surplus	-	807 242
Effect on Government grant recepts	-	285 298
Restated 30 June 2023 balance	**-**	**(7 226 109)**

Statement of financial performance

2023

	Note	As previously reported	Correction of error	Restated
Service charges		(51 397 213)	(350 210)	(51 747 423)
Interest received - debtors from exchange transactions		(11 338 111)	5 877 382	(5 460 729)
Administration and management fees		(33 176)	31 512	(1 664)
Actuarial gains		-	(4 264 216)	(4 264 216)
Interest received - debtors from non-exchange transactions		-	(5 877 382)	(5 877 382)
Government grants and subsidies		(162 308 861)	(285 299)	(162 594 160)
Employee related costs		135 383 396	410 265	135 793 661
Depreciation and amortisation		23 467 961	173 019	23 640 980
Impairment loss		2 389 828	(418)	2 389 410
Finance costs		10 047 464	3 853 951	13 901 415
Contracted services		12 071 625	(49 037)	12 022 588
Inventory loss		196 479	(184)	196 295
General expenditure		28 218 284	(601 495)	27 616 789
Surplus for the year		**(13 302 324)**	**(1 082 112)**	**(14 384 436)**

Cash flow statement

2023

	Note	As previously reported	Correction of error	Restated
Cashflow from operating activities				
Suppliers		(31 653 878)	(64 883)	(31 718 761)

Revenue and expenditure classification

Interest on receivables from exchange and non-exchange transactions was previously disclosed under interest on receivables from exchange transactions.

Acturial gains/losses and interest costs associated with employee benefits was previously accounted for as employee related costs.

46. Prior period errors (continued)

Expenditure captured in the correct financial year

During the prior year audit, it was identified that certain expenditure line items were not recorded in the correct financial year. The relevant expenditure have been correctly classified as pre-paid expenditure and accruals.]

This affects the Trade and other payables, prepayments and accumulated surplus for the 2022 and 2023 financial year in the Statement of Financial Posistion.

This error affects the General expenditure and contracted services in the 2023 Statement of Financial Performance.

This has no affect on the Cash Flow Statement.

VAT on Retention liability

Retention liability was recorderd excluding VAT.

This affects the Trade and other payables, VAT receivable and accumulated surplus for the 2022 and 2023 financial year in the Statement of Financial Posistion

This has no affect on the Statement of Financial Performance.

This has no affect on the Cash Flow Statement.

Incorrect depreciation calculation

Depreciation on certain assets during was not correctly calculated during the 2023 financial year and the estimated useful lifes of certain assets was not in line with the relevant accounting polices.

This affects the Property, plant and equpment, Investment property, Intangible assets and accumulated sursplus for the 2022 and 2023 financial year in the Statement of Financial Position.

This affects the depreciation in the Statement of Financial Performance

This has no affect on the Cash Flow Statement.

Trade and other payables as at 30 June under/overstated

Upon investigating prior year expenditure as result of the general ledger expenditure, it was noted that other payables balances and consumer deposit balances was under or overstated.

This affects the Trade and other payables, Consumer deposits and accumulated sursplus for the 2022 and 2023 financial years in the Statement of Financial Position

This has no affect on the Statement of Financial Performance.

This has no affect on the Cash Flow Statement.

47. Risk management

Financial risk management

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	2024	2023
Consumer debtors	27 195 799	16 343 012
Cash and cash equivalents	22 980 213	15 637 585
Prepayments	625 343	1 765 021

Market risk

Risk from biological assets

The municipality is exposed to financial risks arising from changes in wood prices. The municipality does not anticipate that wood prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in wood prices. The municipality reviews its outlook for wood prices regularly in considering the need for active financial risk management.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

47. Risk management (continued)

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments, projected grant receipts and cash forecasting. Cash flow forecasts are prepared and borrowing facilities are monitored.

At 30 June 2024	1 month past due	2 months past due	3 months and more past due	Total past due
Past due but not impaired	-	-	-	-
Receivables from exchange transactions - Consumer debtors	7 379 711	110 137	19 705 906	27 195 754
Receivables from non-exchange transactions - Consumer debtors	2 145 682	5 088	27 927 033	30 077 803
Past due impaired	-	-	-	-
Receivables from exchange transactions - Consumer debtors	3 399 152	450	85 615 872	89 015 474
Receivables from non-exchange transactions - Consumer debtors	1 318 867	6 044	52 390 616	53 715 527

At 30 June 2023	1 month past due	2 months past due	3 months and more past due	Total past due
Past due but not impaired	-	-	-	-
Receivables from exchange transactions - Consumer debtors	3 922 014	1 156 753	11 666 987	16 343 012
Receivables from non-exchange transactions - Consumer debtors	1 645 807	1 155 237	22 996 037	25 797 081
Past due impaired	-	-	-	-
Receivables from exchange transactions - Consumer debtors	2 441 103	1 638 331	69 606 961	73 686 395
Receivables from non-exchange transactions - Consumer debtors	692 234	617 485	45 883 446	47 193 165

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Payables from exchange transactions	183 734 975	-	-	-

At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Payables from exchange transactions	162 942 267	-	-	-

Figures in Rand	2024	2023

48. Going concern

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

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

The municipality is facing a number of financial risks that negatively impact its ability to sustain its current level of operations in the near fufture, before taking into account government grants. The key financial risks identified include:

- An inability to pay creditors within due dates.
- Negative key financial ratios.
- Net current liability was realised.

There is a material uncertainty related to existing conditions that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The actions taken by management to mitigate the impact of these risks include:
- Management maintains detailed financial plans and manages working capital elements as necessary.
- Budget controls are in place to ensure that over-expenditure is eliminated.
- The treasury will continue to provide funding to the municipality in the foreseeable future.
- Council of the municipality has approved cost containment policy in line with the MFMA: Cost Containment Regulations.

49. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:
- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

50. Unauthorised expenditure

Opening balance as previously reported	324 323 571	288 102 218
Add: Unauthorised operating expenditure - current	-	36 221 353
Less: Amount written off - current	(162 420 679)	-
Closing balance	**161 902 892**	**324 323 571**

Unauthorised expenditure written off during the year relate to investigations conducted on unauthorised expenditure incurred during the 2017, 2018, 2019, 2020, 2021 and 2022 financial years. No disciplinary actions or criminal proceedings were instituted as a result of the unauthorised expenditure investigated.

51. Fruitless and wasteful expenditure

Opening balance as previously reported	7 326 735	12 021 917
Add: Fruitless and wasteful expenditure identified - current	10 680 148	10 346 986
Less: Amount written off - current	(7 536 510)	(15 042 168)
Closing balance	**10 470 373**	**7 326 735**

Fruitless and wasteful expenditure is presented inclusive of VAT

52. Irregular expenditure

Opening balance as previously reported	115 735 454	114 925 943
Add: Irregular expenditure - current	23 947 770	16 673 396
Less: Amount written off - current	(1 182 340)	(15 863 885)
Closing balance	**138 500 884**	**115 735 454**

Figures in Rand	2024	2023

52. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
Irregular expenditure on payroll	Due processes were not followed before standardisation of salaries were paid	15 261 673	15 104 977
Irregular expenditure on contracts	SCM processes were not followed	5 488 290	55 770
Supplier failed to honour the SARS arrangement		2 576 606	1 512 649
Travel allowance policy not implemented correctly		526 657	-
Supplier not tax compliant		94 544	-
		23 947 770	**16 673 396**

Cases under investigation

There are no cases currently under investigation.

Scope limitation

The limitation of scope relates to the burning down of municipal buildings during the second quarter of the 2018/19 financial year. There are 14 contracts that were awarded during the first and second quarter of 2018/19 financial year which were affected by the fire. Efforts made by the municipality to recreate the lost documentation proved to be impracticable. The contracts affected amount to R34,429,654. No expenditure has been incurred on these contracts for the current and prior year.

A majority of the contracts affected relates to capital projects which are funded through the municipal infrastructure grant.

Due to the event of the fire as mentioned and the subsequent effort to recreate the lost documents that proved to be impracticable, we cannot determine whether the expenditure incurred on these contracts is irregular or not.

Amount written-off

During the prior financial year, council adopted the council committee recommendation to write-off an amount of R 1 182 340 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable. These amounts relate to the 2018, 2019, 2020 and 2023 financial years.

SCM processes not followed	1 182 340	15 863 885

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

53. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	(1 178 720)	(1 483 137)
Current year subscription / fee	1 178 720	1 483 137
Amount paid - current year	-	(1 178 720)
	-	**(1 178 720)**

There were no prepaid expenditure relating Contributions to organised local government at year end.

Material electrical distribution losses

Losses identified - current period	18 355 470	18 162 409

The municipality lost 9 372 845 kwh (2023: 10 753 357 kwh) representing 35.31% (2023: 42.07%) of total bulk purchases of electricity from Eskom during the year. The losses are attributed to normal losses and illegal connections.

Audit fees

Opening balance	1 157 093	1 650 861
Current year audit fees and interest charges	3 645 704	3 298 775
Amount paid - current year	(4 480 889)	(3 792 543)
	321 908	**1 157 093**

PAYE and UIF

Opening balance	5 471 007	-
Current year subscription / fee	23 150 075	21 462 949
Amount paid - current year	(27 633 406)	(15 991 942)
	987 676	**5 471 007**

Pension and Medical Aid Deductions

Opening balance	2 826 400	-
Current year subscription / fee	34 805 505	32 418 899
Amount paid - current year	(32 752 814)	(29 592 499)
	4 879 091	**2 826 400**

VAT

VAT receivable	10 768 611	8 950 584

VAT output payables and VAT input receivables are shown in note 7 .

Councillors' arrear consumer accounts

No Councillors had arrear accounts outstanding for more than 90 days at 30 June 2024:

30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
P Qaba	211	1 157	1 368

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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

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 Accounting Officer and noted by Council. The expenses incurred as listed hereunder have been condoned.

The reasons for the deviations can be summaries as follows:

	Emergency	Impractical	Sole Supplier	Total
Budget and Treasury	-	-	205 025	205 025
Community Services	-	-	12 310	12 310
Corporate Services	-	98 700	10 712	109 412
Engineering Services	103 819	509 399	-	613 218
	103 819	**608 099**	**228 047**	**939 965**

Incident		
Abakwagasela Investments	-	38 100
ADH Scales	-	98 612
Amathole Locksmith	-	3 200
Assessment Toolbox	-	14 575
Bose Tyres	-	219 305
Buffalo Toyota	7 612	16 775
Carthcart Farm Services	-	6 991
Caseware Africa	205 025	200 877
Datnis Nissan	21 855	-
ELB Engineering Services	-	34 093
Eyabantu Professional Services	9 413	18 522
Garden to Floors	-	219 052
H.S. Enterprise	-	8 510
JEB Power Projects	38 606	-
Kariega Consulting	-	5 198
Kgolo Institute	-	161 000
Lighting Structures	19 784	-
Management Integrity Evaluation	10 712	5 806
MC Cormic Agric cc	-	22 182
MCR Hydraulic cc	-	13 594
Meyers Motors	-	23 719
Microsoft Ireland Operations Limited	-	940 670
North and Robertson	36 018	-
Dibela Holdings (Pty) Ltd	83 800	-
Peugair Border CC	193 017	816 436
Rencor Engineering	76 199	134 459
Soma Workplace (Pty) Ltd	178 211	47 713
Sondlo & Knopp Advertising	-	129 186
Square Deal Engineering	-	108 775
Stutt Delta Garage	34 186	639 059
Truvelo Africa Electronics	12 310	-
The Assessment Toolbox	-	21 862
Titan Wheels	5 930	74 492
Work Dynamics	7 287	-
Yande Engineering	-	37 829
	939 965	**4 060 592**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

54. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of two major functional areas: electricity, solid waste removal. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Segment surplus or deficit, assets and liabilities

2024

	Electricity	Solid waste removal	Total
Revenue			
Revenue from non-exchange transactions	-	1 054 306	1 054 306
Revenue from exchange transactions	46 291 305	11 558 281	57 849 586
Total segment revenue	**46 291 305**	**12 612 587**	**58 903 892**
Other unallocated revenue			26 995 698
Interest received - debtors			7 740 079
Interest received - investments			3 455 509
Property rates			24 168 893
Interest received from non exchange transactions			7 437 534
Government grants and subsidies			183 274 768
Fines penalties and forfeits			12 478
Motor vehicle registration			1 381 973
Total revenue reconciling items			**254 466 932**
Entity's revenue			**313 370 824**
Expenditure			
Employee related costs	4 295 049	11 767 457	16 062 506
Vending management fee	239 575	-	239 575
Depreciation and amortisation	967 284	1 490 835	2 458 119
Bulk purchases	51 809 374	-	51 809 374
Contracted services	1 390 870	277 559	1 668 429
General expenses	50 491	148 893	199 384
Total segment expenditure	**58 752 643**	**13 684 744**	**72 437 387**
Total segmental surplus/(deficit)			**(13 533 495)**
Interest expense			(15 523 956)
Employee costs			(120 143 565)
Councillors remuneration			(13 595 241)
Depreciation and amortisation			(22 320 600)
Contracted services			(9 920 069)
Debt impairment			(25 872 214)
General expenses			(24 236 098)
Impairment losses on non-current assets			(1 161 270)
Lease rentals on operating lease			(33 084)
Loss on disposal of assets and liabilities			(453 804)
Fair value adjustments			(1 743 607)
Total expenditure reconciling items			**(235 003 508)**
Entity's surplus (deficit) for the period			**5 929 929**

Notes to the Annual Financial Statements

Figures in Rand

54. Segment information (continued)

Assets			
Segment assets	35 013 661	22 275 556	57 289 217
Unallocated assets			473 099 660
Total assets as per Statement of financial Position			**530 388 877**
Liabilities			
Segment liabilities	-	27 395 060	27 395 060
Unallocated liabilities			247 670 719
Total liabilities as per Statement of financial Position			**275 065 779**

2023

	Electricity	Solid waste removal	Total
Revenue			
Revenue from non-exchange transactions	-	554 062	554 062
Revenue from exchange transactions	35 562 337	11 106 980	46 669 317
Total segment revenue	**35 562 337**	**11 661 042**	**47 223 379**
Other unallocated revenue			14 694 504
Interest received - debtors			5 460 729
Interest received - investments			1 613 439
Property rates			23 330 964
Interest received from non-exchange transactions			5 877 382
Government grants and subsidies			162 594 160
Fines, penalties and forfeits			19 583
Motor vehicle registration			1 343 000
Total revenue reconciling items			**214 933 761**
Entity's revenue			**262 157 140**
Expenditure			
Employee related costs	3 019 014	11 780 107	14 799 121
Vending management fee	281 231	-	281 231
Depreciation and amortisation	966 841	1 476 485	2 443 326
Bulk purchases	43 193 741	-	43 193 741
Contracted services	853 152	349 546	1 202 698
General expenses	39 217	139 264	178 481
Total segment expenditure	**48 353 196**	**13 745 402**	**62 098 598**
Total segmental surplus/(deficit)	**(12 790 859)**	**(2 084 360)**	**(14 875 219)**
Total revenue reconciling items			214 933 761
Interest expense			(13 901 415)
Employee costs			(120 994 540)
Councillors remuneration			(13 662 315)
Depreciation and amortisation			(21 197 654)
Contracted services			(10 819 890)
Debt impairment			(29 141 767)
General expenses			(27 438 308)
Impairment Losses on non-current assets			(2 389 410)
Lease rentals on operating lease			(8 199)
Inventory losses			(196 295)
Total expenditure reconciling items			(239 749 793)
Entity's surplus (deficit) for the period			**(39 691 251)**

Notes to the Annual Financial Statements

Figures in Rand

54. Segment information (continued)

Assets			
Segment assets	35 231 288	23 727 669	58 958 957
Unallocated assets			426 315 313
Total assets as per Statement of financial Position			**485 274 270**
Liabilities			
Segment liabilities	-	7 453 779	7 453 779
Unallocated liabilities			228 427 322
Total liabilities as per Statement of financial Position			**235 881 101**

Information about geographical areas

The municipality's operations throughout Amahlathi Municipality in 3 towns in the Eastern Cape, ie., Stutterheim, Cathcart and Keiskamahoek. Segments were not organised on the basis of the differences in geographical areas of operation an the cost to develop such information would be excessive.

55. Accounting by principals and agents

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

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R1 381 121 (2023: R1 343 000).

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 payables

MV Licences and registration		
Opening balance	5 841	484 684
Amount received on behalf of the principal	6 986 319	6 213 773
Amounts transferred to the principal	(5 605 527)	(5 349 616)
Amounts recognised as revenue for services rendered	(1 381 973)	(1 343 000)
	4 660	**5 841**

All categories		
Opening balance	5 841	484 684
Expenses incurred on behalf of the principal	6 986 319	6 213 773
Cash paid on behalf of the principal	(5 605 527)	(5 349 616)
Amounts transferred to the principal	(1 381 973)	(1 343 000)
	4 660	**5 841**

The resources have been recognised/have not been recognised by the agent in its financial statements. [Choose as appropriate]

The remittance of resources during the period [State details].

The expected timing of remittance of remaining resources by the agent to the entity, are [State timing and details].

The expected timing of remittance of remaining resources by the agent to third parties, are [State timing and details].

55. Accounting by principals and agents (continued)

Resource or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]

The resource and/or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]

56. Budget differences

Material differences between budget and actual amounts

Statement of Financial Performance

56. Budget differences (continued)

FinPerf01
Favourable variance is as result of the smart meter installation programme and identification of faulty meters.

FinPerf02
Variance not material.

FinPerf03
Variance is as result of the indigent debt write-off during the year. Decreasing the outstanding debtors.

FinPerf04
Variance is as result of the classification difference between budget schedules and GRAP.

FinPerf05
Variance is as result of demand for licences and permits being higher than estimated.

FinPerf06
Variance is largely as result of classification difference between budget schedules and GRAP as well as Eskom interest expenditure credit note received during the year.

FinPerf07
Variance not material

FinPerf08
Variance is as result of the demand for other services being less than estimated.

FinPerf09
Variance is as result of the Disaster Recovery Grant being unspent at year end. Grant funds were invested for longer periods than estimated.

FinPerf10
Variance not material

FinPerf11
Variance is result of the interest waiver by Eskom, not included in the municipal budget.

FinPerf12
Variance is as result of the Disaster Recovery Grant being unspent at year end and not recognised.

FinPerf13
Variance not material

FinPerf14
Variance is as result of the difference between the budget schedules and GRAP classifications.

FinPerf15
Variance is as result of the current service and interest costs of employee benefits

FinPerf16
Variance is not material

FinPerf17
Variance is not material

FinPerf18
Variance is as result of unbundling not being accounted for. Depreciation is less than actual

FinPerf19
Variance is as result of no agreement being reached with Eskom during the 2023/24 financial year.

56. Budget differences (continued)

FinPerf20
Variance is as result of the difference between the budget schedules and GRAP classifications. Included under General expenses budget

FinPerf21
Variance is as result of bad debts written off during the year.

FinPerf22
Variance not material.

FinPerf23
Variance is as result of the municipality implementing cash management processes and reducing expenditure.

FinPerf24
Variance not material

FinPerf25
Variance is as result of a motor vehicle accident which occured on 30 June 2024

FinPerf26
Variance is due to significant biological asset fair value adjustment

FinPerf27
Variance not material.

Statement of Financial Position

FinPos01
Variance is as result of the municipality no longer keeping high value inventory

FinPos02
Increase in gross debtors due to more customers struggling to settle their debts due to prevailing economic challenges.

FinPos03
Variance is as result of the difference between budget schedules and GRAP classifications. Statutory receivables as part of VAT receivables budget

FinPos04
Variance is as result of the municipality having less creditors at year end. This is supported by the favourable Payables variance.

FinPos05
Variance is as result of the difference between budget schedules and GRAP classifications. Prepayments were budgeted as part of debtors receivables.

FinPos06
Variance is as result of higher collection rate than estimated due to the effectiveness of disconnections.

FinPos07
Variance is as result of the Disaster Recovery Grant being unspent at year end.

FinPos08
Variance is as result of opening balances not accurately adjusted during the adjustments budget.

FinPos09
Variance not material.

56. Budget differences (continued)
FinPos10
Variance is largely as result of the corrections done to Accumulated depreciations and Disaster Recovery Grant being unspent at year end.

FinPos11
Variance is as result of opening balances not accurately adjusted during the adjustments budget.

FinPos12
Variance not material.

FinPos13
Variance is as result of the municipality implementing cash management processes and reducing expenditure and trade payables at year end.

FinPos14
Variance is as result of a portion of the Disaster Recovery Grant being unspent at year end.

FinPos15
Variance is as result of the rising debtors outstanding balances, resulting in an increased output VAT accrual.

FinPos16
Variance not material.

FinPos17
Variance is as result of the difference in budget schedule and GRAP classifications as well as increased current and interest costs on employee benefits.

FinPos18
Variance is as result of the increase provisions for landfill sites.

FinPos19
Variance is as result of correction of prior perdiod errors and current year surplus.

Cash Flow Statement
CF01
Variance is as result of the municipality not meeting the collection rate target..

CF02
Variance is as result of the reduction in MIG Grant not being reflected in the cashflow during the adjustments budget.

CF03
Variance is as result of the municipality being able to invest grant funds for longer periods.

CF04
Variance not material

CF05
Variance is as result of the municipality implementing cash management processes and reducing expenditure.

CF06
Variance is as result of large portion of Finance costs relating to Eskom outstanding balance which does not form part of the debt relief programme.

CF07
Variance is largely as result of the portion of the Disaster Recovery grant being unspent.

CF08
Variance is as result of lease repayments not being budgeted for under operating activities.

56. Budget differences (continued)

CF09.
Variance is as result of a correction of error adjustment.