Intsika Yethu Local Municipality
Annual Financial Statements
for the year ended June 30, 2024

General Information

Legal form of entity	Intsika Yethu Municipality is South Africa Category B Municipality (Local Municipality) established under paragraph 151 of the constitution of the republic of South Africa as defined by the Municipality Structures Act, 1998 (Act No. 117 of 1998). The municipality's operation are governed by the: - Municipal Finance Management Act, 2003 (Act No. 56 of 2003 - Municipal Systems Act 2000; and - Various other Acts and Regulation.
Nature of business and principal activities	Intsika Yethu Municipality is a local municipality performing the functions set out in the Constitution. (Act no 108 of 1996)
Mayoral committee	
Hon. Mayor	Cllr Mdleleni K
Speaker of the Council	Cllr Zicina Y
Chief Whip	Cllr Ntsaluba N
Executive Committee	Cllr Bongani Divilias Mpengesi (Corporate Services)
	Cllr Vuyokazi Gladys Matomela (LED)
	Cllr Myolisi Toni (Budget & Treasury)
	Cllr Azipheli Tshangana Nkota (Planning & Development)
	Cllr Magaga N
	Cllr Melekile Skotana (Infrastructure)
	Cllr Mlokoti (Governance & Administration)
Section 79 Committees	
MPAC Members	Cllr Makade L
Women's Caucus Chairperson	Cllr Magaga N
Public Participation Chairperson	Cllr Yamile M
Rules And Ethics Chairperson	Cllr Mthimkhulu S
Councillors	
	Cllr Mini X
	Cllr Magazi P
	Cllr Xoxo N
	Cllr Danster V
	Cllr Mcaleni N
	Cllr Twani S
	Cllr Mnqaqeni NG
	Cllr Nyandana N
	Cllr Jada N (Passed away in May 2024)
	Cllr Ngwane M
	Cllr Bhomoyi X
	Cllr Mdumata M
	Cllr Gadeni NP
	Cllr Malusi Z
	Cllr Cekiso Z
	Cllr Ngamlana L
	Cllr Mrwetyana M
	Cllr Ndondo S
	Cllr Mnqanqeni NG
	Cllr Sonkosi N
	Cllr Gulubela M

General Information

	Cllr Mfamana M Cllr Mzizana N Cllr Mfana L Cllr Mpofu N Cllr Sindile N Cllr Ludaka NM Cllr Mgqamqho NT Cllr Bani N
Traditional Leaders Participating in Intsika Yethu Council	
	Zulu S (Resigned In September 2023) Nkwenkwezi L Sabata M
Grading of local authority	3
Accounting Officer	Mr Mthembu Mabono
Chief Finance Officer (CFO)	Ms Noncedo Combo
Main office	ERF. 201 Main Street Cofimvaba 5380
Satellite Office	ERF. 72 Main Street Tsomo 5400
Postal address	Private Bag X 1251 Cofimvaba 5380
Bankers	First National Bank
Auditors	Auditor- General of South Africa Registered Auditors
Attorneys	Keitgley Sigadla Inc Zilwa Attorneys
Telephone Number	(047) 532 4255
Facsimile Number	(047) 532 4255

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

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
DORA	Division of Revenue Act
MPAC	Municipal Public Accounts Committee
SALGA	South African Local Government Association
SCM	Supply Chain Management
DSRAC	Department Of Sports, Recreation, Arts And Culture
AFS	Annual Financial Statements
EXCO	Executive Committee
MIG	Municipal Infrastructure Grant
LGSETA	Local Government Services Sector Education and Training Authority
PAYE	Pay As You Earn
MDRG	**Municipal Disaster Recovery Grant**
UIF	Unemployement Insurance Fund
INEP	Integrated National Electrification Programme

Accounting Officer's Responsibilities and Approval

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

The annual financial statements have been prepared in accordance with 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 June 30, 2025 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future. Furthermore, the Accounting Office certifies that the remuneration of councilors and in-kind benefits are within the upper limits of the framework envisaged in section 219 of the constitution, read with the Remuneration of Public Office Bearers Act.

The municipality is highly dependent on grants 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, he is 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 is presented on page 5.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on August 31, 2024 and were signed by him:

Mr Mthembu Mabono
Municipal Manager

Statement of Financial Position as at June 30, 2024

Figures in Rand	Note(s)	2024	2023
Assets			
Current Assets			
Inventories	10	56,824,903	57,515,349
Operating lease Receivable	4	19,604	46,546
Receivables from exchange transactions	11	4,634,650	2,239,280
Receivables from non-exchange transactions	12	3,993,559	5,329,915
VAT receivable	13	1,426,999	-
Cash and cash equivalents	14	66,092,101	61,022,328
		132,991,816	**126,153,418**
Non-Current Assets			
Investment property	2	76,293,978	77,101,740
Property, plant and equipment	3	535,534,625	498,556,537
		611,828,603	**575,658,277**
Non-Current Assets		611,828,603	575,658,277
Current Assets		132,991,816	126,153,418
Total Assets		**744,820,419**	**701,811,695**
Liabilities			
Current Liabilities			
Payables from exchange transactions	5	57,412,269	30,552,891
Payables from exchange transactions (non-exchange)	6	3,190,566	1,773,516
VAT payable	7	-	1,459,196
Consumer deposits	8	5,138,811	3,734,326
Employee benefit obligation	9	1,266,000	1,380,000
Unspent conditional grants and receipts	15	15,825,605	4,226,983
Provisions	16	726,160	964,507
		83,559,411	**44,091,419**
Non-Current Liabilities			
Employee benefit obligation	9	16,969,000	15,404,000
Provisions	16	2,772,375	2,627,844
		19,741,375	**18,031,844**
Non-Current Liabilities		19,741,375	18,031,844
Current Liabilities		83,559,411	44,091,419
Total Liabilities		**103,300,786**	**62,123,263**
Assets		744,820,419	701,811,695
Liabilities		(103,300,786)	(62,123,263)
Net Assets		**641,519,633**	**639,688,432**
Accumulated surplus		641,519,633	639,688,432
Total Net Assets		**641,519,633**	**639,688,432**

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023
Revenue			
Revenue from exchange transactions			
Service charges	18	1,455,149	1,379,875
Construction contracts	31	27,896,000	9,979,625
Rental of facilities and equipment	19	1,192,741	1,335,244
Interest on outstanding debtors	24	1,718,575	1,297,402
Agency services	21	1,086,856	890,164
Licences and permits	22	2,162,953	1,793,397
Operational Revenue	26	534,954	478,461
Sale of Goods and Rendering of Services	27	338,414	647,505
Interest received - investment	28	8,435,517	5,336,310
Total revenue from exchange transactions		**44,821,159**	**23,137,983**
Revenue from non-exchange transactions			
Property rates	29	16,585,178	13,596,234
Fines Penalties and Forfeits	23	535,899	540,921
Government grants & subsidies	31	277,815,763	246,964,750
Licences and permits	20	142,586	173,690
Interest, Dividends and Rent on Land	25	5,005,526	3,693,031
Total revenue from non-exchange transactions		**300,084,952**	**264,968,626**
		44,821,159	23,137,983
		300,084,952	264,968,626
Total revenue		**344,906,111**	**288,106,609**
Expenditure			
Employee related costs	32	(157,908,701)	(137,732,110)
Remuneration of councillors	33	(19,337,602)	(17,986,235)
Depreciation and amortisation	34	(32,056,355)	(31,160,730)
Finance costs	35	(8,458)	(6,938)
Impairment Loss	37	(17,651,926)	(10,588,328)
Construction Contracts Expenditure	39	(25,695,970)	(8,240,459)
Contracted services	40	(31,905,655)	(20,225,039)
Transfers and Subsidies	30	(3,584,990)	(4,162,631)
Loss on disposal of assets and liabilities		(1,136,695)	(14,635,918)
Inventory Consumed	17	(5,434,698)	(2,802,934)
Operational cost	38	(48,174,525)	(33,676,090)
Total expenditure		**(342,895,575)**	**(281,217,412)**
		-	-
Total revenue		344,906,111	286,367,443
Total expenditure		(342,895,575)	(281,217,412)
Operating surplus/deficit		-	-
Surplus before taxation		2,010,536	5,150,031
Taxation		-	-
Surplus for the year		**2,010,536**	**5,150,031**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	638,070,081	638,070,081
Adjustments		
Correction of errors 45	18,394,409	18,394,409
(Deficit) for the year	(21,926,089)	(21,926,089)
Balance at July 1, 2022 as restated*	**634,538,401**	**634,538,401**
Changes in net assets		
Surplus for the year	5,150,031	5,150,031
Total changes	5,150,031	5,150,031
Balance at July 1, 2023	**639,509,097**	**639,509,097**
Changes in net assets		
Surplus for the year	2,010,536	2,010,536
Total changes	2,010,536	2,010,536
Balance at June 30, 2024	**641,519,633**	**641,519,633**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023
Cash flows from operating activities			
Receipts			
Cash received from customers		36,376,200	14,259,578
Cash received from grants		317,394,581	250,427,055
Interest received		8,435,517	5,336,310
		362,206,298	270,022,943
Payments			
Cash paid to suppliers		(277,481,849)	(223,791,456)
Interest paid		(8,458)	(6,938)
Vat payment		-	(764,300)
		(277,490,307)	(224,562,694)
Total receipts		362,206,298	270,022,943
Total payments		(277,490,307)	(224,562,694)
Net cash flows from operating activities		**35,061,823**	**53,828,931**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(71,030,004)	(45,740,964)
Proceeds from sale of property, plant and equipment	3	1,829,216	220,001
Proceeds from sale of investment property	2	(267,283)	-
Net cash flows from investing activities		**(69,468,071)**	**(45,520,963)**
Net increase/(decrease) in cash and cash equivalents		**(34,406,248)**	**8,307,968**
Cash and cash equivalents at the beginning of the year		61,022,328	61,083,042
Cash and cash equivalents at the end of the year	14	**26,616,080**	**69,391,010**

The accounting policies on pages 14 to 34 and the notes on pages 35 to 72 form an integral part of the annual financial statements.

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	See note 56
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	2,514,056	(300,000)	**2,214,056**	1,455,149	**(758,907)**	A
Construction contracts	27,896,000	-	**27,896,000**	27,896,000	**-**	
Rental of facilities and equipment	931,467	-	**931,467**	1,192,741	**261,274**	
Interest received (trading)	1,034,960	400,000	**1,434,960**	1,718,575	**283,615**	
Agency services	1,204,050	-	**1,204,050**	1,086,856	**(117,194)**	B
Licences and permits	3,200,000	-	**3,200,000**	2,162,953	**(1,037,047)**	C
Operational Revenue	14,500,000	3,000,000	**17,500,000**	534,954	**(16,965,046)**	
Sales of Goods and Rendering of Services	1,902,905	(580,250)	**1,322,655**	338,414	**(984,241)**	D
Interest received - investment	4,221,549	800,000	**5,021,549**	8,435,517	**3,413,968**	
Total revenue from exchange transactions	**57,404,987**	**3,319,750**	**60,724,737**	**44,821,159**	**(15,903,578)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	13,262,658	-	**13,262,658**	16,585,178	**3,322,520**	E
Licences and Permits (Non-exchange)	172,500	58,375	**230,875**	535,899	**305,024**	F
Transfer revenue						
Government grants & subsidies	256,816,000	31,282,696	**288,098,696**	277,815,763	**(10,282,933)**	
Fines, Penalties and Forfeits	1,120,000	(300,000)	**820,000**	142,586	**(677,414)**	G
Interest Exchange Non Transaction	2,129,636	800,000	**2,929,636**	5,005,526	**2,075,890**	
Total revenue from non-exchange transactions	**273,500,794**	**31,841,071**	**305,341,865**	**300,084,952**	**(5,256,913)**	
'Total revenue from exchange transactions'	57,404,987	3,319,750	**60,724,737**	44,821,159	**(15,903,578)**	
'Total revenue from non-exchange transactions'	273,500,794	31,841,071	**305,341,865**	300,084,952	**(5,256,913)**	
Total revenue	**330,905,781**	**35,160,821**	**366,066,602**	**344,906,111**	**(21,160,491)**	
Expenditure						
Employee related costs	(140,415,970)	(4,000,000)	**(144,415,970)**	(157,908,701)	**(13,492,731)**	
Remuneration of councillors	(20,329,744)	-	**(20,329,744)**	(19,337,602)	**992,142**	
Depreciation and amortisation	(45,000,000)	11,243,000	**(33,757,000)**	(32,056,355)	**1,700,645**	H
Finance costs	-	(5,000)	**(5,000)**	(8,458)	**(3,458)**	
Impairment Loss	(5,051,297)	-	**(5,051,297)**	(17,651,926)	**(12,600,629)**	I
Construction contracts and receivables	(27,896,000)	-	**(27,896,000)**	(25,695,970)	**2,200,030**	
Contracted Services	(27,388,400)	(4,196,000)	**(31,584,400)**	(31,905,655)	**(321,255)**	
Transfers and Subsidies	(4,700,000)	1,000,000	**(3,700,000)**	(3,584,990)	**115,010**	
Inventory Consumed	(1,920,000)	(2,000,000)	**(3,920,000)**	(5,434,698)	**(1,514,698)**	J
Loss on disposal of assets	-	-	**-**	(1,136,695)	**(1,136,695)**	
General Expenses	(36,972,045)	(7,438,000)	**(44,410,045)**	(48,174,525)	**(3,764,480)**	

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	See note 56
Total expenditure	**(309,673,456)**	**(5,396,000)**	**(315,069,456)**	**(342,895,575)**	**(27,826,119)**	
Operating surplus	21,232,325	29,764,821	**50,997,146**	2,010,536	**(48,986,610)**	
Taxation	-	-	**-**	-	**-**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**21,232,325**	**29,764,821**	**50,997,146**	**2,010,536**	**(48,986,610)**	

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	See note 56
Statement of Financial Position						
Assets						
Current Assets						
Inventories	53,419,687	(2,000,000)	**51,419,687**	56,824,903	**5,405,216**	
Operating lease asset	62,617	33,881	**96,498**	19,604	**(76,894)**	
Receivables from exchange transactions	31,419	97,412	**128,831**	4,634,650	**4,505,819**	
Receivables from non-exchange transactions	2,270,655	-	**2,270,655**	3,993,559	**1,722,904**	
VAT receivable	24,299,818	853,579	**25,153,397**	34,853,166	**9,699,769**	
Cash and cash equivalents	29,964,992	19,086,925	**49,051,917**	66,092,101	**17,040,184**	
	110,049,188	**18,071,797**	**128,120,985**	**166,417,983**	**38,296,998**	
Non-Current Assets						
Investment property	97,744,717	-	**97,744,717**	76,293,978	**(21,450,739)**	
Property, plant and equipment	528,845,390	17,714,095	**546,559,485**	535,534,625	**(11,024,860)**	
Intangible assets	434,783	7,600,000	**8,034,783**	-	**(8,034,783)**	
	627,024,890	**25,314,095**	**652,338,985**	**611,828,603**	**(40,510,382)**	
Non-Current Assets	627,024,890	25,314,095	**652,338,985**	611,828,603	**(40,510,382)**	
Current Assets	110,049,188	18,071,797	**128,120,985**	166,417,983	**38,296,998**	
Total Assets	**737,074,078**	**43,385,892**	**780,459,970**	**778,246,586**	**(2,213,384)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	26,790,215	7,499,351	**34,289,566**	57,412,269	**23,122,703**	
Other payable (non-exchange)	-	-	**-**	3,190,566	**3,190,566**	
VAT payable	3,183,747	(78,282)	**3,105,465**	33,426,167	**30,320,702**	
Consumer deposits	3,700,726	-	**3,700,726**	5,138,811	**1,438,085**	
Employee benefit obligation	2,281,038	-	**2,281,038**	-	**(2,281,038)**	
Unspent conditional grants and receipts	10,744,303	-	**10,744,303**	15,825,605	**5,081,302**	
Provisions	15,280,514	-	**15,280,514**	726,160	**(14,554,354)**	
	61,980,543	**7,421,069**	**69,401,612**	**115,719,578**	**46,317,966**	
Non-Current Liabilities						
Other financial liabilities	2,281,038	-	**2,281,038**	-	**(2,281,038)**	
Employee benefit obligation	7,819,000	-	**7,819,000**	15,643,000	**7,824,000**	
Provisions	10,525,847	-	**10,525,847**	2,772,375	**(7,753,472)**	
	20,625,885	**-**	**20,625,885**	**18,415,375**	**(2,210,510)**	
	61,980,543	7,421,069	**69,401,612**	115,719,578	**46,317,966**	
	20,625,885	-	**20,625,885**	18,415,375	**(2,210,510)**	
	-	-	**-**	-	**-**	
Total Liabilities	**82,606,428**	**7,421,069**	**90,027,497**	**134,134,953**	**44,107,456**	
Assets	737,074,078	43,385,892	**780,459,970**	778,246,586	**(2,213,384)**	
Liabilities	(82,606,428)	(7,421,069)	**(90,027,497)**	(134,134,953)	**(44,107,456)**	
Net Assets	**654,467,650**	**35,964,823**	**690,432,473**	**644,111,633**	**(46,320,840)**	

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	See note 56
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	710,951,947	29,764,821	**740,716,768**	644,111,633	**(96,605,135)**	.

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	See note 56
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Cash received from customers(Property rates)	10,610,543	-	**10,610,543**	16,585,178	**5,974,635**	
Cash received from grants	284,712,000	30,967,746	**315,679,746**	317,394,581	**1,714,835**	
Interest income	4,221,549	800,000	**5,021,549**	8,435,517	**3,413,968**	
Cash received from customers(Services charges)	2,312,932	-	**2,312,932**	1,455,149	**(857,783)**	
Other cash received	24,488,090	2,383,500	**26,871,590**	9,988,264	**(16,883,326)**	
	326,345,114	**34,151,246**	**360,496,360**	**353,858,689**	**(6,637,671)**	
Payments						
Cash paid to suppliers	(263,817,227)	(8,469,350)	**(272,286,577)**	(253,662,439)	**18,624,138**	
Interest paid	-	(5,000)	**(5,000)**	(8,458)	**(3,458)**	
Transfers and Subsidies paid	(4,700,000)	-	**(4,700,000)**	-	**4,700,000**	
Vat payment	-	-	**-**	6,627,860	**6,627,860**	
	(268,517,227)	**(8,474,350)**	**(276,991,577)**	**(247,043,037)**	**29,948,540**	
Total receipts	326,345,114	34,151,246	**360,496,360**	353,858,689	**(6,637,671)**	
Total payments	(268,517,227)	(8,474,350)	**(276,991,577)**	(247,043,037)	**29,948,540**	
Net cash flows from operating activities	**57,827,887**	**25,676,896**	**83,504,783**	**106,815,652**	**23,310,869**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(90,207,303)	(6,589,971)	**(96,797,274)**	(71,030,004)	**25,767,270**	
Proceeds from sale of property, plant and equipment	1,322,500	-	**1,322,500**	1,829,216	**506,716**	
Purchase of investment property	-	-	**-**	(267,283)	**(267,283)**	
Net cash flows from investing activities	**(88,884,803)**	**(6,589,971)**	**(95,474,774)**	**(69,468,071)**	**26,006,703**	
Net increase/(decrease) in cash and cash equivalents	(31,056,916)	19,086,925	**(11,969,991)**	37,347,581	**49,317,572**	
Cash and cash equivalents at the beginning of the year	60,995,188	-	**60,995,188**	61,022,328	**27,140**	
Cash and cash equivalents at the end of the year	**29,938,272**	**19,086,925**	**49,025,197**	**98,369,909**	**49,344,712**	

Reconciliation

1. Significant account policies

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

Summary of significant accounting policies

These standards are summarised as follows:

GRAP 1 - Presentation of Financial Statements
GRAP 2 - Cash Flow Statement
GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5 - Borrowing Costs
GRAP 9 - Revenue from Exchange Transactions
GRAP 11 -Construction Contracts
GRAP 12 - Inventories
GRAP 13 - Leases
GRAP 14 - Events After the Reporting Date
GRAP 16 - Investment Property
GRAP 17 - Property, Plant and Equipment
GRAP 18 - Segment Reporting
GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets
GRAP 20 - Related Party Disclosures (Revised)
GRAP 21 - Impairment of Non-cash-generating Assets
GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24 - Presentation of Budget Information in Financial Statements
GRAP 25 - Employee Benefits
GRAP 26 - Impairment of Cash-generating Assets
GRAP 31 - Intangible Assets
GRAP 103 - Heritage Assets
GRAP 104 - Financial Instruments
GRAP 108 - Statutory Receivables
GRAP 109 - Accounting by Principals and Agents
GRAP 110 - Living and Non-living Resources
IGRAP 1 - Applying The Probability Test On Initial Recognition Of Revenue
IGRAP 2 - Changes in Existing Decomissioning Restoration and Similar Liabilities
IGRAP 3 - Determining Whether an Arrangement Contains a Lease
IGRAP 4 - Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 8 - Agreements for the Construction of Assets from Exchange Transactions
IGRAP 10 - Assets Received from Customers
IGRAP 13 - Operating Leases – Incentives
IGRAP 14 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15 - Revenue – Barter Transactions Involving Advertising Services
IGRAP 16 - Intangible Assets – Website Costs
IGRAP 18 - Recognition and Derecogntion of Land
IGRAP 19 - Liabilities to Pay Levies
IGRAP 20 - Accounting for Adjustments to Revenue

Accounting policies for material transactions, events or conditions not covered by the above GRAP standards have been developed in accordance with GRAP 3. Where required, accounting policies were developed for standards of GRAP that have been issued by the Accounting Standards Board, but for which an effective date have not been determined by the Minister of Finance.

1.1 Basis of preparation

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

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

These accounting policies are consistent with the previous period.

Accounting Policies

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Significant judgements and sources of estimation uncertainty

In the application of the municipality's accounting policies, which are described below, management is required to make judgement, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered too reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates:

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

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

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 [name a key assumption] 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. 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 intangible and tangible assets are inherently uncertain and could materially change over time.They are significantly affected by a number of 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 Provisions.

Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment. This estimate is based on industry norm. This estimate is based on the pattern in which an assets future economic benefits or service potential are expected to be consumed by the municipality.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Employee benefit obligation

The present value of the employee benefit 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 employee benefit obligation. 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 9.

Effective interest rate

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

1.5 Investment property

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

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

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

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

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

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

Cost model

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

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

Item	Useful life
Property - land	indefinite
Property - buildings	30 - 50

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

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

Accounting Policies

1.5 Investment property (continued)

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements.

1.6 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 if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Initial recognition and measurement
Property, plant and equipment are initially recognised at cost on its acquisition date. 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset 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.

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

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent measurement – cost model
Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight line method, to allocate their cost or revalued amounts less their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets' future economic benefits or service potential are expected to be consumed by the municipality. 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 rates are based on the following estimated useful lives

1.6 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
Land	Not depreciated	Indefinite
Buildings (mobile offices)	Straight-line	10 - 20
Buildings (other)	Straight-line	30 - 50
Plant and machinery	Straight-line	5 - 25
Furniture and office equipment	Straight-line	7 - 20
Motor vehicles	Straight-line	10 - 15
Infrastructure Assets (Roads and paving)	Straight-line	5 - 135
Community Assets (Halls)	Straight-line	15 - 50
Community Assets (Libraries)	Straight-line	15 - 30
Parks and Recreation	Straight-line	15 - 70
Wastewater network	Straight-line	10 - 30
Electricity	Straight-line	20 - 30
Landfill sites	Straight-line	25 - 30

The estimated useful life, residual values and depreciation method are assessed at each reporting date on an indicator basis.

The useful lives, residual values and depreciation method are reviewed annually at the end of the financial year where there is any indication that the municipality's expectations about the residual amount and the useful life of an asset has changed since the preceding reporting date. Any adjustments arising from the annual review are applied prospectively.

Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

Derecognition
The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying values of assets (Cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of financial performance as a gain or loss on disposal of property, plant and equipment.

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.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or surplus when the compensation becomes receivable.

1.7 Site rehabilitation and restoration costs

Where the municipality has an obligation to rehabilitate and restore items of property, plant and equipment such obligations are referred to as "rehabilitation provisions". The cost of an item of property, plant and equipment includes the initial estimate of the costs of rehabilitation and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period.

Accounting Policies

1.7 Site rehabilitation and restoration costs (continued)

As the related asset is measured using the cost model:
- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.8 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. Financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost. The municipality determines the classification of its financial instruments at initial recognition

A financial instrument is recognised if the entity becomes a party to the contractual provisions of the instrument.

Accounting Policies

1.8 Financial instruments (continued)

Classification of financial instruments

Financial assets

A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial asset at amortised cost being a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Type of financial asset	Classification in terms of GRAP 104
Finance lease receivables	Financial asset measured at amortised cost
Long-term receivables	Financial asset measured at amortised cost
Current portion of long-term receivables	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Bank balances and cash	Financial asset measured at amortised cost

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

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

Type of financial liability	Classification in terms of GRAP 104
Long-term liabilities	Financial liability measured at amortised cost
Current portion of long-term liabilities	Financial liability measured at amortised cost
Other creditors	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

Any other financial liabilities should be classified as financial liabilities at amortised cost:

1.9 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.

1.9 Inventories (continued)

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

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

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

Other Arrengements

Redundant and slow-moving Inventories identified are written down from cost to current replacement cost, if applicable. Inventories identified to be sold by public auction are written down from cost to net realisable value with regard to their estimated economic or realisable values. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Differences arising on the measurement of such Inventory at the lower of cost and current replacement cost or net realisable value, are recognised in Surplus or Deficit in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in current replacement cost or net realisable value is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.10 Construction contracts and receivables

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

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

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

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

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

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

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

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

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

Accounting Policies

1.10 Construction contracts and receivables (continued)

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

1.11 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

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

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

1.12 Impairment of non-cash-generating assets

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.

1.12 Construction contracts and receivables (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:

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.13 Employee benefits

Identification

Employee benefits

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

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.

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Recognition and measurement

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

• Defined Contribution Plans:
The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in Surplus or Deficit in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

• Defined Benefit Plans:

Benefits
The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the municipality is associated, provide for continued membership.

Accounting Policies

1.13 Employee benefits (continued)

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the Projected Unit Credit Method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through Surplus or Deficit.

Provincially-administered Defined Benefit Plans
The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined Benefit Pension Plans
The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using 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 to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

Accounting Policies

1.13 Employee benefits (continued)

Termination benefits

Measurement

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either: terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy

. The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal.The detailed plan includes:

the location, function, and approximate number of employees whose services are to be terminated; the termination benefits for each job classification or function; and the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit 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 benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating 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.

1.14 Provisions and contingencies (continued)

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

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

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

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

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

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

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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.

1.15 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

The disclosure for commitments in the AFS includes the capital and operational commitments

Accounting Policies

1.15 Commitments (continued)

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.

1.16 Revenue from exchange transactions

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

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

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

Measurement

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

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

Sale of goods

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

Rendering of services

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

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

1.17 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.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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.

Taxes

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

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

1.17 Revenue from non-exchange transactions (continued)

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.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

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.

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.

Unspent conditional grants

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.

1.18 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.

1.19 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.

1.19 Accounting by principals and agents (continued)

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.

1.20 Comparative figures

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

1.21 Unauthorised expenditure

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

1.21 Unauthorised expenditure (continued)

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

1.22 Fruitless and wasteful expenditure

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

Fruitless and wasteful 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).

1.23 Irregular expenditure

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

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).

1.24 Segment information

A segment is an activity of an entity:

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

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

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.

1.25 Budget information

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

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

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

The approved budget covers the fiscal period from 7/1/2023 to 6/30/2024.

Accounting Policies

1.25 Budget information (continued)

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.

1.26 Related parties

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

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

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.

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

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

1.27 VAT

Value Added Tax on revenue and expenditure transactions are recorded in the books of the municipality on accrual basis of accounting, however South African Revenue Services has registered and permitted the municipality to use the payment basis.

Figures in Rand	2024	2023

2. Investment property

	2024			2023		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Investment property	85,899,842	(9,605,864)	76,293,978	85,899,842	(8,798,102)	77,101,740

Reconciliation of investment property - 2024

	Opening balance	Depreciation	Total
Investment property	77,101,740	(807,762)	76,293,978

Reconciliation of investment property - 2023

	Opening balance	Transfers	Depreciation	Total
Investment property	82,110,978	(4,377,500)	(631,738)	77,101,740

Pledged as security

All of the municipality’s investment property is held under freehold interests and no investment property had been pledged as security for any liabilities of the municipality.

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.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

There are no contractual obligations on Investment Property

2.1 ***Investment Property carried at fair value***
The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

2.2 ***Impairment of Investment Property***
The assessment was done and there was no impairment losses recognised on Investment Property of the municipality at the reporting date.

Amounts recognised in surplus or deficit

	2024	2023
Rental revenue from Investment property	1,114,892	1,309,978

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2024			2023		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings	35,976,140	(10,140,305)	25,835,835	35,976,140	(9,286,787)	26,689,353
Machinery and Equipment	11,423,019	(2,575,232)	8,847,787	11,404,424	(1,733,482)	9,670,942
Furniture and Office Equipment	4,283,725	(2,757,140)	1,526,585	4,379,888	(3,193,170)	1,186,718
Motor vehicles	42,699,342	(25,785,610)	16,913,732	45,162,339	(25,579,083)	19,583,256
Computer Equipment	5,859,971	(2,612,439)	3,247,532	5,041,247	(2,419,096)	2,622,151
Infrastructure	606,813,825	(244,218,849)	362,594,976	561,798,602	(224,709,465)	337,089,137
Community Assets	78,041,614	(13,500,518)	64,541,096	78,041,712	(11,358,784)	66,682,928
Work in progress	52,027,082	-	52,027,082	35,032,052	-	35,032,052
Total	**837,124,718**	**(301,590,093)**	**535,534,625**	**776,836,404**	**(278,279,867)**	**498,556,537**

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Buildings	26,689,353	-	-	-	-	(853,518)	-	25,835,835
Machinery and Equipment	9,670,942	54,704	(10,176)	-	-	(867,682)	-	8,847,787
Furniture and fixtures	1,186,718	689,267	(99,711)	-	-	(250,017)	-	1,526,585
Motor vehicles	19,583,256	2,310,231	(2,219,056)	-	-	(2,702,597)	(58,101)	16,913,732
Computer Equipment	2,622,151	1,568,961	(217,542)	-	-	(726,038)	-	3,247,532
Infrastructure	337,089,137	-	(152,143)	49,411,811	-	(23,707,000)	(46,801)	362,594,976
Community	66,682,928	-	-	-	1	(2,141,734)	-	64,541,096
Work in progress	35,032,052	66,406,841	-	-	(49,411,811)	-	-	52,027,082
	498,556,537	**71,030,004**	**(2,698,628)**	**49,411,811**	**(49,411,810)**	**(31,248,586)**	**(104,902)**	**535,534,625**

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Buildings	27,540,539	-	-	-	-	(851,186)	-	26,689,353
Plant and machinery	6,500,341	3,941,136	(138,993)	-	-	(631,542)	-	9,670,942
Furniture and fixtures	1,307,905	187,178	(39,244)	-	-	(269,121)	-	1,186,718
Motor vehicles	22,535,888	487,035	(692,329)	-	-	(2,684,877)	(100,668)	19,583,256
Office equipment	2,838,444	620,166	(149,605)	-	-	(686,854)	-	2,622,151
Infrastructure	332,058,972	-	(9,354,458)	37,512,904	-	(23,124,713)	(3,568)	337,089,137
Community	73,444,916	-	(4,481,290)	-	1	(2,280,698)	-	66,682,928
Work in progress	32,039,505	40,505,449	-	-	(37,512,902)	-	-	35,032,052
	498,266,510	**45,740,964**	**(14,855,919)**	**37,512,904**	**(37,512,901)**	**(30,528,991)**	**(104,236)**	**498,556,537**

Pledged as security

No portion of property, plant and equipment has been pledged as security

Other information

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

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Tenza Bridge Delayed As per initial Design/Plan the project cost amounted to R11,266.110.50 but the amount approved by MIG was R2,800,000.00. Due to financial constraints the project has been delayed and will be completed when financial resources are available.	2,863,580	2,863,580
	2,863,580	**2,863,580**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

3. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Total
Opening balance	35,032,080	35,032,080
Additions/capital expenditure	66,406,841	66,406,841
Transferred to completed items	(49,411,812)	(49,411,812)
	52,027,109	**52,027,109**

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Total
Opening balance	32,039,505	32,039,505
Additions/capital expenditure	40,505,479	40,505,479
Transferred to completed items	(37,512,904)	(37,512,904)
	35,032,080	**35,032,080**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	15,318,765	6,444,446

4. Operating lease Receivable

Current assets	19,604	46,546

Operating Leases relate to Property owned by the municipality with lease terms of 1 to 3 years (2023/24: 1 to 3 years), with an option to extend

All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period

The average escalation % of leases is between 5% to 10%, on a yearly basis

5. Payables from exchange transactions

Trade payables	15,758,448	4,597,681
Accrued leave pay	23,658,209	13,356,609
Accrued bonus	3,092,845	2,670,269
Retentions	11,035,060	5,366,265
Other payables	3,269,800	3,964,160
Other Creditors #12	597,907	597,907
	57,412,269	**30,552,891**

6. Trade and Other Payable Non-exchange Transactions

Non- Exchange Transaction Receivables with Credit Balances	3,190,566	1,773,516

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

6. Trade and Other Payable Non-exchange Transactions (continued)

7. VAT payable

VAT payable	-	(1,459,196)

8. Consumer deposits

Land Sales	5,138,811	3,734,326

Consumer deposits- Land Sales Deposits for Land Sales comprise deposits for properties sold, but not yet transferred. Transfer of these properties will be done on receipt of total payments. No Interest is paid on Consumer deposits held.

9. Employee benefit obligations

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

Carrying value		
Post-retirement Health Care Benefits Liability	(8,676,000)	(8,617,000)
Long Service Awards Liability	(9,559,000)	(8,167,000)
	(18,235,000)	**(14,981,801)**
Non-current liabilities	(16,969,000)	(15,404,000)
Current liabilities	(1,266,000)	(1,380,000)
	(18,235,000)	**(16,784,000)**

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023

9. Employee benefit obligations (continued)

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

Service cost	(731,000)	(799,000)
- Current service cost	1,493,000	1,717,000
- Gains & losses on settlement	(2,224,000)	(2,516,000)
Interest	1,922,000	1,729,000
	1,191,000	**930,000**

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these quelitying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the detined benefit obligation were carried out at 30 June 2024 by Chanan Weiss, Fellow of the Actuarial Society of South Africa. The present value of the delined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	236	229
n-service Non-members (Employees)	88	86
Continuation Members (Retirees, widowers and orphans)	6	8
Total Members	**330**	**323**

The liability in respect of past service has been estimated as follows		
In-service Members (Employees)	6,947,000	5,781,000
Continuation Members	1,729,000	2,836,000
Total liability	**8,676,000**	**8,617,000**

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

Bonitas
Keyhealth
LA Health
Samwumed

The Current-service Cost for the year ending 30 June 2024 is estimated to be R608,000, whereas the cost for the ensuing year is estimated to be 680,000.

Figures in Rand	2024	2023

9. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Long service award Obligation

Discount rate	10.97 %	11.20 %
CPI inflation rate	5.14 %	4.39 %
General earnings inflation rate	6.14 %	6.52 %
Net discount rate	4.55 %	8.45 %
Expected Retirement Age	62	62

Post retirement Benefit Obligation

Discount rate	12.58 %	12.58 %
CPI inflation rate	8.18 %	8.18 %
Medical aid contribution inflation rate	6.45 %	6.45 %
Net discount rate (medical aid contributions)	4.07 %	4.07 %
Maximum subsidy inflation rate	5.76 %	5.76 %
Expected Retirement Age	62	62

10. Inventories

Land	56,703,533	57,320,856
Materials and Supplies	121,370	194,493
	56,824,903	**57,515,349**

Inventories are disclosed at the lower of cost or net replacement cost.

Inventory pledged as security

No inventory was pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

11. Receivables from exchange transactions

	2024	2023
Insurance	996,069	709,678
Sundry debtors	417,609	417,609
Property Rental Debtor	821,851	576,981
Refuse	2,399,121	535,012
	4,634,650	**2,239,280**

Consumer receivables from exchange transaction 2024 Refuse:	Current	31-60 days	61-90 days	+91 days	Total
Gross Balances	216,250	171,482	235,330	12,353,931	12,976,993
Less: Provision for Impairment	(152,023)	(151,187)	(221,486)	(10,053,176)	(10,577,872)
Total	**64,227**	**20,295**	**13,844**	**2,300,755**	**2,399,121**

The ageing of these receivables is as follows:

Rental:	Current	31-60 days	61-90 days	+91 days	Total
Gross Balances	82,797	81,446	100,158	3,893,950	4,158,351
Less: Provision for impairment	(38,958)	(41,813)	(56,167)	(3,199,562)	(3,336,500)
	43,839	**39,633**	**43,991**	**694,388**	**821,851**

Other Receivables	Current	Total
Insurance	996,069	996,069
Sundry Debtors	417,609	417,609
	1,413,678	**1,413,678**

Consumer receivables from exchange transaction 2023 Refuse:	Gross Balance	Provision for Impairment	Net Balances
Sercive Debtors:	-	-	-
Refuse	9,719,060	(9,184,048)	535,012
Other Receivables:	-	-	-
Property Rental Debtors	4,483,104	(4,134,345)	576,981
Failed Payments Received	167,789	-	-
Prepayments and Advances:	-	-	-
Insurance	709,678	-	709,678
Sundry Debtors	417,609	-	417,609
	15,497,240	**(13,318,393)**	**2,239,280**

Ageing of Receivables from Exchange Transactions	0 -30 Days	31 -60 Days	61 - 90 Days	+ 90 Days	Total
Refuse:	-	-	-	-	-
Gross Balances	195,380	197,434	182,154	9,144,092	9,719,060
Less: Provision for Impairment	(142,685)	(151,619)	(144,647)	(8,745,096)	(9,184,047)
	52,695	**45,815**	**37,507**	**398,996**	**535,013**
Rental					
Gross Balances	103,097	101,751	93,745	4,580,530	4,879,123
Less: Provision for Impairment	(59,988)	(53,091)	(54,676)	(4,134,387)	(4,302,142)

Notes to the Annual Financial Statements

Figures in Rand				2024	2023

11. Receivables from exchange transactions (continued)

	43,109	**48,660**	**39,069**	**446,143**	**576,981**

Other Receivables

Prepayments and Advances:

Insurance	709,678	-	-	-	709,678

Sundry Debtors					
Other Debtors	417,609	-	-	-	417,609

Trade and other receivables past due but not impaired

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

12. Receivables from non-exchange transactions

	2024	2023
Fines	1,453,508	1,236,818
Property Rates	2,540,051	4,093,097
	3,993,559	**5,329,915**

The ageing of these receivables is as follows:

Consumer receivables from Non exchange transaction 2024	Current	31 - 60 days	61 - 90 Days	+90 Days	Total
Rates					
Gross Balance	1,580,459	1,417,020	1,581,989	47,458,624	52,038,092
Less: Provision for Impairment	(1,200,673)	(1,190,431)	(1,360,586)	(45,746,351)	(49,498,041)
	379,786	**226,589**	**221,403**	**1,712,273**	**2,540,051**

Fines	Current	31 - 60 days	61 - 90 Days	+90 Days	Total
Gross Balance	2,907,017	-	-	-	2,907,017
Less: Provision for Impairment	(1,453,508)	-	-	-	(1,453,508)
	1,453,509	**-**	**-**	**-**	**1,453,509**

Consumer receivables from Non exchange transaction 2023	Gross Balances	Provision for Impairment	Net Balances
Property Rates:	36,350,656	(32,257,559)	4,093,097
Fines	2,473,637	(1,236,819)	1,236,818
	38,824,293	**(33,494,378)**	**5,329,915**

The ageing of these receivables is as follows:

Consumer receivables from Non exchange transaction 2023	Current	31 - 60 Days	61 - 90 Days	+ 90 Days	Total
Property Rates:					
Gross Balances	1,959,782	1,048,512	974,024	32,368,338	36,350,656
Less: Provision for Impairment	(1,468,552)	(778,940)	(776,403)	(29,233,665)	(32,257,560)
	491,230	**269,572**	**197,621**	**3,134,673**	**4,093,096**

Fines:	Current	31 - 60 Days	61 - 90 Days	+ 90 Days	Total
Gross Balances	2,473,637	-	-	-	2,473,637
Less: Provision for Impairment	(1,236,819)	-	-	-	(1,236,819)
	1,236,818	**-**	**-**	**-**	**1,236,818**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

12. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Rates- Municipal Property Rates Act (MPR Act) section 2 states that a local municipality may levy a rate on property in it's area.

Fines - Fines are issued in terms of the National Road Traffic Regulations of 2000 and the National Road Traffic Act 93 of 1996.

Determination of transaction amount

Rates - Rates are amounts determined in terms of section 11 of the Municipal Property Rates Act and the approved policy of the municipality.

Fines - All fines are governed by the specific regulation which is applicable to the offence.

Interest or other charges levied/charged

Rate - Consumer receivables from rates are billed monthly. Interest is charged on 60 days + overdue consumer receivables at a rate of 16.5% per annum.

Fines - No interest or other charges are raised on outstanding fines.

Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed for indicators of impairment. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under revlew are of good credit quality. The municipality continuously monitors consumers and identified groups by reference to annual payment rates and incorporates this information in to its credit risk control. No external credit rating is performed. Traffic fines are recognised in accordance with IGRAP 1.

Receivables from non-exchange transactions past due but not impaired

At June 30, 2024, R - (2023: R 3,601,867) were past due but not impaired.

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

0 - 30 Days	-	4,433,419
31 - 60 Days	-	1,048,512
61 - 90 Days	-	974,024
+90 Days	-	32,368,338

13. VAT receivable

VAT receivable	1,426,999	-

Value Added Tax on revenue and expenditure transactions are recorded in the books of the municipality on accrual basis of accounting.

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	66,092,101	61,022,328

14. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	June 30, 2023	June 30, 2022	June 30, 2024	June 30, 2023	June 30, 2022
FNB- Primary Bank- 62022331003 (Primary)	1,113,529	2,350,670	1,994,963	1,113,529	2,350,670	2,082,817
FNB- 62101651398 (MIG)	22,354,234	2,965,567	8,972,287	22,354,234	2,965,567	8,972,287
FNB- Money Market - 620223323316 (INEP)	2,620,616	475,438	6,735,501	2,620,616	475,438	6,735,501
FNB- Money Market - 62090678320 (FMG)	148,321	6,340	8,937	148,321	6,340	8,937
ABSA - 32 Day Call Account - 961149096	945,695	893,149	860,948	945,695	893,149	860,948
FNB - Money Market - 62027101245	11,190,455	5,151,699	4,821,521	11,190,455	5,151,699	4,821,521
FNB - Money Market - 62160167500	77,662	7,019,713	25,750,425	77,662	7,019,713	25,750,425
FNB - Money Market - 62026740549	3,536,945	21,850,605	11,850,605	3,536,945	21,850,605	11,850,605
FNB - Traffic Account - 63054019617	4,013,822	213,312	-	4,013,822	213,312	-
NEDBANK - FIXED DEPOSIT-037881052066	10,090,822	10,095,836	-	10,090,822	10,095,836	-
STANDARD BANK FIXED DEPOSIT - 088795101	10,000,000	10,000,000	-	10,000,000	10,000,000	-
Total	**66,092,101**	**61,022,329**	**60,995,187**	**66,092,101**	**61,022,329**	**61,083,041**

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2024	2023
Unspent conditional grants and receipts		
Department of Sports, Recreation, Arts and Culture	-	36,665
Expanded Public Works Programme Integrated Grant	1	324
Integrated National Electrification Programme Grant	(1)	-
Municipal Disaster Response Grant	15,825,605	4,189,995
Municipal Infrastructure Grant	-	(1)
	15,825,605	**4,226,983**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

16. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Interest	Utilised during the year	Total
Landfill site	2,627,844	144,531	-	2,772,375
Performance Bonus	964,507	-	(238,347)	726,160
	3,592,351	**144,531**	**(238,347)**	**3,498,535**

Reconciliation of provisions - 2023

	Opening Balance	Interest	Additions	Total
Landfill site	2,490,847	136,997	-	2,627,844
Performance Bonus	916,193	-	48,314	964,507
	3,407,040	**136,997**	**48,314**	**3,592,351**

Non-current liabilities	2,772,375	2,627,844
Current liabilities	726,160	964,507
	3,498,535	**3,592,351**

Environmental rehabilitation provision

In terms of the licencing of the landfill refuse sites, the municipality will incur licencing and rehabillitation cost of R 4 996 076 (2023: R 4 996 076) to restor the sites at the end of their useful lives. Provision has been made for the net present value of the future cost. Using the average inflation interest rate which have been determined at 5.5% over the last 10 years.

The municipality will incur rehabillitation cost on its dumping/landfill site in the period 2034/35. Provision has been made for the net present value of this cost.

17. Inventory Consumed

Consumables	765,954	535,456
Finished Goods	587,013	2,230,268
Materials and Supplies	4,081,731	37,210
	5,434,698	**2,802,934**
	5,434,698	2,802,934
	-	-
	-	-

18. Service charges

Refuse removal	1,455,149	1,379,875

The amount disclosed above for revenue from Services Charges are in respect of services rendered which are billed to the consumers on a monthy basis according to approved tariffs.

19. Rental of facilities and equipment

Invetment Property	1,147,504	1,309,978
Other Fixed Assets: Property Plant and Equipment	1,504	1,353
Ad-hoc Rental Income from Other Fixed Assets	43,733	23,913
	1,192,741	**1,335,244**

Figures in Rand	2024	2023

19. Rental of facilities and equipment (continued)

Premises	-	-
Garages and parking	-	-
Facilities and equipment	1,192,741	1,335,244

Rental income generated are at market related premiums.All rental income recognised is therefore market related.

20. Licences and permits

Trading	142,586	173,690

21. Agency services

Vehicle Registration	1,086,856	890,164

The municipality has a service level agreement with the Department of Transport to act as an agent for it in collection the revenue.

The municipality is party to a principal /agent agreement.

The municipality is an agent on behalf of the Eastern Cape Provincial Department of Transport in collecting motor vehicle licences at an agency fee of 19%, VAT inclusive.

There were no significant changes in the agreement which occurred during the reporting period.

No material risks were identified on the agreement for the municipality.

The municipality does not incur any expenses on behalf of the principal

22. Licences and permits

Road and Transport	2,162,953	1,793,397

The Municipality earns revenue from applications for driver's and learner'slicences, issuing of public driver permits, driver's and learner's licences, issue of roadworthy certificates, business and hawkers licenses.

23. Fines, Penalties and Forfeits

Law Enforcement Fines	57,850	21,176
Pound Fees Fines	44,669	62,295
Municipal Traffic Fines	433,380	457,450
	535,899	**540,921**

24. Interest from exchange receivables

Outstanding Billing Debtors	1,718,575	1,297,402

25. Interest from non-exchange receivables

Outstanding Billing Debtors	5,005,526	3,693,031

26. Other revenue

Operational Revenue	534,954	478,461

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

27. Sale of Goods and Rendering of Services

Building Plan Approval	23,171	61,509
Sale of goods	291,139	560,373
Entrance Fees	8,045	15,281
Cemetery and Burial	8,569	9,130
Clearance Certificates	1,021	1,212
Application Fees	6,469	-
	338,414	**647,505**

28. Investment revenue

Interest revenue		
Bank	8,435,517	5,336,310
	-	-
	8,435,517	5,336,310

29. Property rates

Rates received

Business and Commercial Properties	5,107,763	3,060,465
Residential Properties	1,045,563	552,582
Public Service Purposes Properties	10,403,299	9,965,264
Vacant Land	28,553	17,923
	16,585,178	**13,596,234**

30. Transfer and subsidies

Other subsidies		
Allocation in kind	3,584,990	4,162,631
Grants paid to ME's	-	-
Other subsidies	3,584,990	4,162,631

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

31. Government grants & subsidies

Operating grants		
Equitable share	197,942,000	187,928,000
Department of Sports, Recreation, Arts and Culture	536,665	982,687
CHDM Grant	316,200	500,089
Municipal Infrastructure Grant	3,108,682	2,749,349
Local Government Financial Management Grant	2,100,000	2,100,000
Expanded Public Works Programme Integrated Grant	1,749,323	2,397,446
LG SETA	257,185	246,966
	206,010,055	**196,904,537**
Capital grants		
Municipal Disaster Recovery Grant	27,355,390	-
Municipal Infrastructure Grant	44,450,318	50,060,213
	71,805,708	**50,060,213**
	206,010,055	196,904,537
	71,805,708	50,060,213
	277,815,763	**246,964,750**

Equitable Share

This grant has been used to fund operational expenses within the municipality.

Department of Sports, Recreation, Arts and Culture

Balance unspent at beginning of year	36,665	519,084
Current-year receipts	500,000	500,000
Conditions met - transferred to revenue	(536,665)	(982,419)
	-	**36,665**

Conditions still to be met - remain liabilities (see note 15).

Expanded Public Works Program - Grant Transfer

Balance unspent at beginning of year	324	-
Current-year receipts	1,749,000	2,398,000
Conditions met - transferred to revenue	(1,749,323)	(2,397,676)
	-	**324**

Conditions still to be met - remain liabilities (see note 15).

The Expanded Public Works Programme (EPWP) is an conditional grant and it was received from Department of Public Works for the purpose of the Extended Public Works Programme.

Integrated National Electrification Programme Grant

Current-year receipts	27,896,000	9,980,000
Conditions met - transferred to revenue	(27,896,001)	(9,980,000)
	-	**-**

Conditions still to be met - remain liabilities (see note 15).

The Integrated Electrification Programme is a conditional grant. The purpose of the grant is to facilitate the development of the electrical infrastructure grid as part of the Integrated National Electrification Programme.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

31. Government grants & subsidies (continued)

Local Government Financial Management Grant

	2024	2023
Current-year receipts	2,100,000	2,100,000
Conditions met - transferred to revenue	(2,100,000)	(2,100,000)
	-	-

Conditions still to be met - remain liabilities (see note 15).

The Financial Management Grant is a conditional grant . The purpose of the grant is to promote and support municipal financial management reforms and assist municipalities with the implementation of MFMA. The focus of the FMG Grant is to build awareness and undertake training on MFMA Reforms including budgeting, reporting and financial processes.

Integrated National Electrification Programme Grant

Conditions still to be met - remain liabilities (see note 15).

Provide explanations of conditions still to be met and other relevant information.

Municipal Disaster Response Grant

	2024	2023
Balance unspent at beginning of year	4,189,995	(5)
Current-year receipts	38,991,000	4,190,000
Conditions met - transferred to revenue	(27,355,390)	-
	15,825,605	**4,189,995**

Conditions still to be met - remain liabilities (see note 15).

The Disaster Grant is a conditional grant , the purpose of which is to provide all South Africans with at least a basic level of service through the provision of grant finance to cover the maintainance costs of access roads and related infrastructure. This grant is used for contingency measures put in place for disasters within the municipal area and creation of jobs..

Municipal Infrastructure Grant

	2024	2023
Balance unspent at beginning of year	-	3,936,562
Current-year receipts	47,559,000	48,873,000
Conditions met - transferred to revenue	(47,559,000)	(52,809,563)
	-	-

Conditions still to be met - remain liabilities (see note 15).

The Municipal Infrastructure Grant is a conditional grant , the purpose of which is to provide all South Africans with at least a basic level of service through the provision of grant finance to cover the capital cost of fund access roads and related infrastructure.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

32. Employee related costs

Basic	92,251,397	85,153,011
Bonus	7,038,042	6,844,624
Medical aid - company contributions	8,943,968	8,195,139
UIF	675,654	665,604
Bargaining Council	44,985	43,004
SDL	1,183,594	1,108,379
Leave Pay	9,508,061	1,687,275
Long Service Award	515,270	607,899
Defined contribution plans	2,641,401	1,010,515
Travel, motor car, subsistence and other allowances	10,792,553	9,384,714
Overtime payments	3,631,629	3,393,689
Acting allowances	1,477,011	2,026,122
Housing benefits and allowances	1,253,083	1,139,268
Pension	15,001,620	13,917,923
Cellular and Telephone	1,185,855	933,708
Standby Allowance	952,785	957,262
Accommodation, Travel and Incidental	811,793	663,974
	157,908,701	**137,732,110**

Remuneration of Municipal manager

Annual Remuneration	1,018,272	804,764
Car Allowance and Insurance	241,097	542,885
Medical	89,271	15,601
Termination Benefits	-	73,285
Cellular and Telephone	145,546	-
Housing Benefits	201,924	-
	1,696,110	**1,436,535**

Remuneration of Chief Finance Officer (Former)

Annual Remuneration	-	845,623
Car Allowance and Insurance	-	608,714
Performance Bonuses	-	46,124
Contributions to UIF, Medical and Pension Funds	-	17,228
Leave pay	-	151,420
	-	**1,669,109**

Remuneration of Chief Finance Officer (Acting during the year from 01/07/2023 to 31/12/2023)

Annual Remuneration	461,248	-
Car Allowance and Insurance	106,108	-
Contributions to UIF, Medical and Pension Funds	103,805	-
	671,161	**-**

Remuneration of Chief Finance Officer (Appointed during the year 04/01/2024

Annual Remuneration	461,249	-
Car and Other Allowance	114,130	-
Contributions to UIF, Medical and Pension Funds	59,475	-
Cellular and Telephone	37,003	-
Housing Benefits	96,770	-
	768,627	**-**

Figures in Rand	2024	2023

32. Employee related costs (continued)

Remuneration of the Director Corporate Services

	2024	2023
Annual Remuneration	922,498	538,124
Car and Other Allowance	228,260	370,311
Contributions to UIF, Medical and Pension Funds	118,950	10,000
Cellular and Telephone	74,007	-
Housing Benefits	193,542	-
	1,537,257	**1,603,737**

Remuneration of Directors Infrastructure and Planning

	2024	2023
Annual Remuneration	922,498	845,623
Car and Other Allowance	228,260	604,052
Performance Bonuses	-	46,124
Contributions to UIF, Medical and Pension Funds	118,950	17,086
Leave Pay	-	90,852
Cellular and Telephone	74,007	-
Housing Benefits	193,542	-
	1,537,257	**1,603,737**

Remuneration of Director Local Economic Development

	2024	2023
Annual Remuneration	922,498	461,249
Car and Other Allowance	228,260	318,842
Contributions to UIF, Medical and Pension Funds	118,950	46,124
Cellular and Telephone	74,007	-
Housing Benefits	193,542	-
	1,537,257	**826,215**

Remuneration of Director Community Services

	2024	2023
Annual Remuneration	922,498	942,088
Car Allowance	228,260	550,482
Contributions to UIF, Medical and Pension Funds	118,950	15,681
Cellular and Telephone	74,247	-
Housing Benefits	197,807	-
	1,541,762	**1,508,251**

33. Remuneration of councillors

	2024	2023
Mayor	1,007,882	935,673
Chief Whip	772,967	768,850
Executive Committee Members	4,818,574	4,454,077
Speaker	813,419	751,983
Councillors	11,924,760	11,075,652
	19,337,602	**17,986,235**

Figures in Rand	2024	2023

33. Remuneration of councillors (continued)

Mayor

Annual Remuneration	784,302	890,000
Car Allowance	172,571	-
Cell phone Allowance	42,800	37,485
SDL	8,209	8,188
	1,007,882	**935,673**

Chief Whip

Annual Remuneration	718,358	695,910
Cell phone Allowance	42,800	61,900
In-kind Benefits	6,000	5,500
SDL	5,809	5,540
	772,967	**768,850**

Executive Committee Members

Annual Remuneration	4,776,818	4,413,222
SDL	41,756	40,855
	4,818,574	**4,454,077**

Speaker

Annual Remuneration	626,739	709,055
Car Allowance	138,057	-
SDL	5,823	5,528
Cell phone Allowance	42,800	37,400
	813,419	**751,983**

Councillors (Sec 79)

Annual Remuneration	9,189,541	8,995,376
Car Allowance	1,665,601	1,576,900
SDL	106,946	105,109
In-kind Benefits	64,000	66,000
Travelling Allowance	898,672	332,267
	11,924,760	**11,075,652**

In-kind benefits

The Mayor and Speaker are full-time Councillors and each is provided with an office and secretarial support at the cost of the Municipality. The Mayor and Speaker utilise official Council transportation when engaging in official duties..

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

33. Remuneration of councillors (continued)

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.

34. Depreciation and amortisation

Property, plant and equipment	31,248,593	30,528,991
Investment property	807,762	631,739
	32,056,355	**31,160,730**

35. Interest paid

Overdue Accounts	8,458	6,938

36. Auditors Fees

Fees	5,354,286	4,964,079

37. Impairment Losses

Debt impairment	17,651,926	10,588,328

38. General expenses

Advertising	647,800	660,967
Auditors remuneration	5,354,286	4,964,079
Bank charges	290,816	149,388
Commission paid	2,816,125	2,391,391
Computer expenses	6,261,783	2,171,617
Consulting and professional fees	3,411,854	3,434,492
Public Participation Programs	2,182,793	835,177
Personnel Agency Fees [Personal Recruitment Cost]	67,152	28,059
Hire	440,606	751,138
Insurance	1,717,680	604,618
Conferences and seminars	65,786	-
Licences	324,956	289,701
Supplier Development Programme	334,776	224,575
Fuel and oil	4,955,800	2,732,472
Printing and stationery	122,855	-
Telephone and fax	1,113,773	851,160
Travel Agency and Visa's	121,700	105,816
Travel and Subsistence	2,101,117	1,052,326
Uniforms	886,619	220,988
Contribution to Provisions	144,531	136,997
Environmental Levy	-	15,050
Traditional Councillors and Ward committee Memmbers	3,363,067	4,225,449
Incentives Scheme	2,361,075	422,064
Municipal Services	8,544,099	6,660,666
Workman's Compensation Fund	300,000	400,000
Drivers licences and Permits	243,476	339,268
	48,174,525	**33,667,458**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

39. Construction Contracts Expenditure

Construction cost paid towards electrification	25,695,970	8,240,459

Contract between IYM and Department of Energy an amount of R 27,896,000 (2023: R 9,979,625) was recognized by the municipality as revenue during the current financial year. As the outcome of a construction contract can be estimated reliably, contract revenue and contract cost associated with the construction contract are recognized by reference to the stage of completion of the contract at reporting date. The municipality determines the stage of completion of contract in progress by the accumulative actual work performed i.e. contract cost divided by price. During the year 2024 a total contract cost to the amount of R 25,695,970 (2023: R 8,240,459) was recognized. Retention was withheld for this construction contract during the year 2024 amounting to R 2,013,618 (2023: R 588,433)

40. Contracted services

Outsourced Services		
Administrative and Support Staff	473,651	408,776
Animal Care	28,638	26,517
Business and Advisory	2,645,392	1,282,419
Catering Services	500,778	596,258
Cleaning Services	119,201	-
Personnel and Labour	542,131	793,628
Researcher	-	40,435
Security Services	2,000,289	1,022,247
Electrical	164,368	209,039
Consultants and Professional Services		
Business and Advisory	8,224,856	6,221,108
Infrastructure and Planning	807,785	1,173,504
Legal Cost	1,045,010	2,006,661
Contractors		
Maintenance of Buildings and Facilities	3,015,281	2,657,142
Maintenance of Equipment	299,706	62,321
Maintenance of Plant and Machinery	4,453,922	3,314,534
Maintenance Roads Infrastructure	7,584,647	353,500
Plants, Flowers and Other Decorations	-	56,950
Presented previously	-	-
Outsourced Services	6,474,448	4,379,319
Consultants and Professional Services	10,077,651	9,401,273
Contractors	15,353,556	6,444,447
	31,905,655	**20,225,039**

41. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	3,638,601	3,638,601
Cash and cash equivalents	66,092,101	66,092,101
	69,730,702	**69,730,702**

Financial liabilities

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

41. Financial instruments disclosure (continued)

	At amortised cost	Total
Trade and other payables from exchange transactions	30,749,157	30,749,157

2023

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	1,932,469	1,932,469
Cash and cash equivalents	61,022,328	61,022,328
	62,954,797	**62,954,797**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	30,552,891	30,552,891

42. Commitments

Authorised capital expenditure

	2024	2023
Already contracted for but not provided for		
• Property, plant and equipment	22,108,599	1,747,819
• Other	-	2,025,969
	22,108,599	**3,773,788**

	2024	2023
Total capital commitments		
Already contracted for but not provided for	22,108,599	3,773,788

Authorised operational expenditure

	2024	2023
Already contracted for but not provided for		
• Procurement of Financial Reporting and AFS Tools	4,689	150,973
• Town and Regional Planners	172,500	434,400
• Supply and Delivery of Double Cab Bakkie	39,182	504,540
• Rental of Multi-Function Printing Solution	1,287,532	11,068
• Valuation Roll	275,000	-
• Installation and Maintenance (IT)	1,364,326	-
• Fleet Tracking Services	179,763	325,052
• Financial Support System	239,577	-
• Revitalisation Plan	172,090	-
• Installation, Monitoring of Alarm System and 24 Hours Armed Response	2,410,328	4,493,227
• Municipality Assets for a Period of Two Years	-	1,555,983
• Other commitments	-	436,059
	6,144,987	**7,911,302**

	2024	2023
Total operational commitments		
Already contracted for but not provided for	6,144,987	7,911,302

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

43. Contingencies

Contigent liabilities

Asanda Bokoto /IYM 05/2020 On 20 Jan 2020, Plaintiff suing IYM claiming R100 000 in damages. Plaintiff alleges that on 7 July 2019, IYM Traffic Officer, Mr. M. Mtiya assaulted him while acting within the scope of his employment (vicarious liability	100,000	-
Freshman Sixabhayi // IYM & Minister of Police –Case No. EC/COF/RC 24/2023 Plaintiff claiming R280 000.00 from both defendants. He alleges that on 6-11-2023 his vehicle which had been stopped and impounded by IYM Traffic Officer, Mr. L. Songelwa, and kept at Tsomo SAPS Offices for being un-roadworthy was stolen from the offices. That IYM Traffic Officer failed to open a case or register the vehicle at SAPS when he arranged for its storage. As a result, Plaintiff alleges that his vehicle is missing even though there is information that the said vehicle was released by SAPS at his behest.	280,000	-
JG Afrika // IYM Plaintiff claiming R987 847.86 for what is invoiced as professional fees not paid for services purportedly rendered during surfacing of Tsomo roads	987,848	987,489
Pentecost Genius School (Case 17/2021) The plaintiff suing the municipality for damages of R65 876 .35 for their demolished structure. The matter was set down for hearing in March 2023 and was on the date further postponed.	-	65,876
Dalakuthethwa Wakeni (Case RC08/2021) The plaintiff is suing the municipality for the amount of R367 975.5 as he alleges that he was unlawfully removed as a Councillor and he claims because of this he was deprived from his monthly emoluments. The matter has not been set down for hearing.	-	367,976
	1,367,848	**1,421,341**

Contingent assets

Kuhlemcebo Engineers (Case 742/2023) The Municipality is suing Kuhlemcebo Engineers in respect of a payment made to the contractor for services not delivered by them during the implementation of the electrification project, valued at R2 278 252.84. After the summons was served, the respondent did not oppose action. The matter will proceed by way of default judgment.	2,278,253	2,278,253

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

44. Related parties

Relationships	
Accounting Officer	M.Mabono -Refer to note 35
Chief Financial Officer	N.Combo (Appointed January 2024)- Refer to Note 35
Director Infrastructure Planning and Development	K.Clock -Refer to Note 35
Director Corporate Services	B.Zantsi - Refer to Note 35
Director Community Services	K.Roto - Refer to Note 35
Director Local Economic Development	S. Mbotshane - Refer to note 35
Honorable Mayor	K. Mdleleni - Refer to note 36
Speaker	Y.Zicina - Refer to Note 36
Chief Whip	N.Ntsaluba - Refer to note 36
Exco Councillors	B.Mpengesi
	V.Matomela
	M.Toni
	A.Tshangana-Nkota
	N.Mafanya
	M.Skotana
	N.Mlokoti (Resigned in June 2024)
Womens Caucus Chairperson	N.Magaga
MPAC Chairperson	L.Makade
Public Participation Chairperson	M.Yamile
Rules And Ethics Chairperson	S.Mthimkhulu
Councillors	M.Ngwane
	X.Mini
	N.Bani
	P.Magazi
	X.Bomoyi
	N.Xoxo
	V.Danster
	N.Mcaleni
	M.Mdumata
	N.Gadeni
	Z.Malusi
	S.Twani
	N.Nyandana
	Z.Cekiso
	L.Ngamlana
	M.Mrwetyana
	S.Ndondo
	N.Mnqanqeni
	N.Jada(Passed Away In May 2024)
	N.Sonkosi
	M.Gulubela
	M.Mfamana
	N.Mzizana
	L.Mfana
	N.Mpofu
	N.Sindile
	N. Ludaka
	N.Mgqamqho
Traditional Leaders To Participate In Intsika Yethu Municipal Council	M.Sabata
	L.Nkwenkwezi
	S.Zulu (Resigned In September 2023)

45. Prior period errors

The correction of the error(s) results in adjustments as follows:

Notes to the Annual Financial Statements

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

Statement of financial position

2023

	Note	As previously reported	Correction of error	Restated
Inventories		53,137,849	4,377,500	57,515,349
Investment Property		81,410,258	(4,308,518)	77,101,740
Accumulated surplus		640,204,720	863,712	641,068,432
		774,752,827	**932,694**	**775,685,521**

Inventories
Increase is as a result of land parcels identified by Council for resale and transferred from IP to Inventory land.

Investment Property
Decrease is as a result of land parcels identified by Council for resale and transferred from IP to Inventory land and the IP was overbudgeted.

Accumulated surplus
The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated above

Statement of financial performance

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Transfers and subsidies		256,944,375	-	(9,979,625)	246,964,750
Construction contracts		-	-	9,979,625	9,979,625
Operational Cost		33,405,485	270,605	-	33,676,090
Surplus for the year		**290,349,860**	**270,605**	**-**	**290,620,465**

Transfers and subsidies
Previously was classified as transfers and subsidies and now it is classified as Construction contracts.

Construction contracts
Previously was classified as transfers and subsidies and now it is classified as Construction contracts.

Operational Cost
Restatement of payables to allocate expenditure to the correct period.

2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

47. Risk management

Capital risk management

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in the Statement of Changes in Net Assets.

Gearing Ratio

	2024	2023
Cash and cash equivalents	66,982,868	61,022,328
Net Debt	66,982,868	61,022,328
Equity	642,439,456	640,204,720
	10 %	**9 %**

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

The Gearing Ratio of the municipality is currently negative, due to the municipality having no debt. If the value is negative, then this means that the municipality has net cash, i,e cash at hand exceeds debt.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

Liquidity risk

Liquidity Risk Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

The maturity analysis below shows the remaining contractual maturities of the entity's financial liabilities based on the remaining period as at the reporting date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

The entity manages liquidity risk through an ongoing review of future commitments and credit facilities..

At June 30, 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	30,749,157	-	-	-
Payables from non-exchange transactions	3,190,566	-	-	-

At June 30, 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	14,526,013	-	-	-
Payables from non-exchange transactions	1,773,516	-	-	-

47. Risk management (continued)

Credit risk

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made. Trade and Other Receivables There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

Financial instrument	2024	2023
Receivables from Exchange Transactions	18,549,022	15,497,240
Bank, Cash and cash Equivalents	66,092,101	61,022,328

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

Market risk

Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Stanc Bank, No investments with a tenure exceeding twelve months are made, Long term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note

Notes to the Annual Financial Statements

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.

49. Unauthorised, Irregular and Fruitless and Wasteful Expenditure

Unauthorised expenditure	28,855,566	10,004,643
Irregular expenditure	91,265,061	69,842,569
Fruitless and wasteful expenditure	39,370,790	39,362,333
Closing balance	**159,491,417**	**119,209,545**

50. Unauthorised expenditure

Opening balance as previously reported	10,004,643	35,245,976
Add: Unauthorised expenditure - current	18,850,923	10,004,643
Approved/ Condoned by Council	-	(35,245,976)
Closing balance	**28,855,566**	**10,004,643**

The current year's unauthorised expenditure is as a result of the assessment conducted for immovable assets classified as "in bad condition" and duly impaired. For non cash items and cash alike, the anauthorised expenditure results from basic services and employee costs, such as other allowances, overtime, standby that were under budgeted for. Unauthorised expenditure has been tabled to Council and was referred to MPAC.

51. Fruitless and wasteful expenditure

Opening balance as previously reported	39,362,332	19,263,620
Add: Fruitless and wasteful expenditure identified - current	8,458	685,429
Add: Fruitless and wasteful expenditure identified - prior period	-	19,413,283
Closing balance	**39,370,790**	**39,362,332**

Fruitless and wasteful expenditure is presented inclusive of VAT.The AGSA raised findings querying the existence of infrastructure assets which were capitalised to work-in-progress since the commencement of the prodamme. Of the total of R21 705 237.80 raised as a finding, R5 313 219.39 was incurred in 2018/19 from a different service provider and was in fact verifiable and accurately capitalised in terms of that supplier's service level agreement.

The remaining R16 281 839.16 (excl.VAT) did not meet the requirements to be recognised as an asset. The municipality appointed engineers to assess and investigate the work done on site relating to the project. The outcome of this investigation is still pending.

Transfers and Subsidies: Free Basic Services(Electricity) payments made for households who are not beneficiaries of Indigent. Fees to the amount of R678 491 were paid over to Eskom for individuals who no longer qualifies for subsidy. Eskom was instructed to delete the old data, upload the new data as per the approved Indigent Register and a formal correspondence will be sent to Eskom for recovery of the fruitless expenditure

52. Irregular expenditure

Opening balance as previously reported	69,842,569	46,626,088
Add: Irregular expenditure - current	21,422,492	23,216,481
Closing balance	**91,265,061**	**69,842,569**

Disciplinary steps taken/criminal proceedings

Prior years Irregular Expenditure was referred to MPAC for investigation by Council, furthermore council recommended that MPAC support be sourced through an appointment of a service provider.

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 (SALGA)

Current year subscription / fee	1,726,047	1,715,155
Amount paid - current year	(1,726,047)	(1,715,155)
	-	**-**

Audit fees

Opening balance	-	5,498
Current year subscription / fee	5,354,286	5,714,188
Amount paid - current year	(5,354,286)	(5,719,686)
	-	**-**

PAYE and UIF

Opening balance	(3,104)	(4,647)
Current year subscription / fee	25,835,774	23,816,121
Amount paid - current year	(25,835,674)	(23,814,578)
	(3,004)	**(3,104)**

Pension and Medical Aid Deductions

Opening balance	3,626	-
Current year subscription / fee	39,071,028	36,409,796
Amount paid - current year	(39,050,845)	(36,406,170)
	23,809	**3,626**

VAT

VAT receivable	34,853,166	17,560,757
VAT payable	(33,426,167)	(19,019,953)
	1,426,999	**(1,459,196)**

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

All VAT returns have been submitted throughout the year.

Councillors' arrear consumer accounts

At the reporting date no Councilor was in arrear on their municipal accounts.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

54. Deviation from supply chain management regulations

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

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

Payday Software

The Municipality has access to use Payday Software Systems for its management of leaves and processing of salanes; however, the licence, support and training has lapsed. The normal process of getting this service is impractical as Payday Software Systems is the Sole provider of the right to issue licence, support, and training on their system. It is against this background that its impractical for follow normal processes to get these services.

Incurred during the year	311,580	116,887

55. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of Six major functional areas: Community Services, Corporate Services, Finances, Mayor and Council, Municipal Managers Offices, Planning (LED), Technical and Services/Planning. 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.

The municipality’s operations are in the Eastern Cape Province.

Separate financial and other relevant information on geographical areas in which the municipality operates is not available. The cost to develop the necessary information would be excessive.

Althought the municipality operations in a number of georgraphic areas (i.e wards), the georgraphic information is not considered relevant to management for decision making. The goods and services provided to the community throughout the entire municipal area are based on similar tariffs and service standards.Therefore,the municipality has assessed that it operates in a single georgraphic area.

Aggregated segments

The municipality operates throughout the Eastern Cape Province. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Eastern Cape Province were sufficiently similar to warrant aggregation.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

55. Segment information (continued)

Types of goods and/or services by segment

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

Reportable segment	**Goods and/or services**
Community services	This segment consists of all services for community and social development services
Corporate Services	This segment consists of all services for corporate safety
Town Planning and Development Services	This segment do the planning and development of all services such as Road Transport and Energy sources in the municipal area.
Waste Management	This segment consist of all services for the management of solid waste in the municipal area.
Technical Services	This Segment consists of infrastructure services for road and storm water,including related maintenance services
Finance	This segment consists of services such as services,support services to the executive and finance and administration services and other minor services rendered in the municipal jurisdiction area.

55. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Community Services		Corporate Services	Finances	Municipal Managers Offices	Planning (LED)	Technical Services/Planning	Total
Revenue								
Fines,Penalties and Forfeits	57,850	-	-	478,049	-	-	-	535,899
Interest Earned	-	-	-	9,326,284	-	-	-	9,326,284
Property Rates by Usage	-	-	-	16,585,178	-	-	-	16,585,178
Transfers and subsidies	536,665	-	257,185	229,687,323	-	316,200	74,914,390	305,711,763
Agency Services	-	-	-	1,086,856	-	-	-	1,086,856
Interest exchange transactions	-	-	-	5,005,526	-	-	-	5,005,526
Licences or Permits	2,162,953	-	-	-	-	-	-	2,162,953
Operational Revenue	-	-	-	534,954	-	-	-	534,954
Rental from Fixed Assets	313	-	-	1,191,237	-	-	1,191	1,192,741
Sales of Goods and Rendering Of Services	16,614	-	-	301,376	-	-	20,423	338,413
Service Charges	1,455,149	-	-	-	-	-	-	1,455,149
Interest On Outstanding Debtors Non-exchange Revenue	-	-	-	1,718,575	-	-	-	1,718,575
Licences and Permits (Non-exchange)	-	-	-	142,586	-	-	-	142,586
Total segment revenue	**4,229,544**	**-**	**257,185**	**266,057,944**	**-**	**316,200**	**74,936,004**	**345,796,877**
Entity's revenue								**345,796,877**

Notes to the Annual Financial Statements

Figures in Rand

	Community Services		Corporate Services	Finances	Municipal Managers Offices	Planning (LED)	Technical Services/Planning	Total
55. Segment information (continued)								
Expenditure								
Employee Related Cost	44,187,773	-	24,434,884	17,585,841	22,457,041	9,257,814	37,350,659	155,274,012
Remuneration of Councillors	-	-	-	-	19,169,160	-	-	19,169,160
Depreciation and Amortisation	2,141,734	-	-	30,195,134	-	-	218,383	32,555,251
Interest exchange transactions	-	-	-	8,458	-	-	-	8,458
Contacted Services	1,824,825	-	1,214,515	7,078,969	2,613,910	1,973,008	16,959,608	31,664,835
Inventory Consumed	-	-	3,947,228	241,209	196,478	-	1,049,786	5,434,701
Transfers and Subsidies paid	1,293,462	-	-	2,291,528	-	-	-	3,584,990
Operational Cost	9,040,473	-	4,661,556	13,743,267	18,255,108	711,209	3,030,913	49,442,526
Gain and losses	-	-	-	18,834,239	-	-	46,800	18,881,039
	-	-	-	-	-	-	25,626,311	25,626,311
Total segment expenditure	**58,488,267**	**-**	**34,258,183**	**89,978,645**	**62,691,697**	**11,942,031**	**84,282,460**	**341,641,283**
Total segmental surplus/(deficit)	**(54,258,723)**	**-**	**(34,000,998)**	**176,079,299**	**(62,691,697)**	**(11,625,831)**	**(9,346,456)**	**4,155,594**
Assets								
Cash and cash equivalent	-	-	-	66,982,867	-	-	-	66,982,867
Inventory	-	-	-	56,824,902	-	-	-	56,824,902
Operating Lease	-	-	-	19,604	-	-	-	19,604
Receivables From Non-Exchange Transaction	-	-	-	3,993,559	-	-	-	3,993,559
Trade and Other Receivables From Exchange Transactions	-	-	-	4,634,650	-	-	-	4,634,650
VAT Receivables	-	-	-	34,840,546	-	-	-	34,840,546
Non Current Asset	-	-	214,300	586,750,708	1,063,565	314,550	23,198,865	611,541,988
Total segment assets	**-**	**-**	**214,300**	**754,046,836**	**1,063,565**	**314,550**	**23,198,865**	**778,838,116**
Total assets as per Statement of financial Position								**778,838,116**

Notes to the Annual Financial Statements

Figures in Rand

55. Segment information (continued)

	Community Services		Corporate Services	Finances	Municipal Managers Offices	Planning (LED)	Technical Services/Planning	Total
Liabilities								
Consumer deposit	-	-	-	(5,138,811)	-	-	-	(5,138,811)
Defined Benefit Obligation	-	-	-	(297,000)	-	-	-	(297,000)
Provision	-	-	-	726,160	-	-	-	726,160
Trade And Other Payable Exhange Transaction	-	-	(102,303)	(57,094,185)	-	-	-	(57,196,488)
Trade And Other Payables Non Exchange Transaction	(2,011,682)	(11,635,610)	-	(2,262,509)	-	-	-	(15,909,801)
VAT Payable	-	-	-	33,426,167	-	-	-	33,426,167
Non Current Liabilities	-	-	-	19,741,375	-	-	-	19,741,375
Total segment liabilities	**(2,011,682)**	**(11,635,610)**	**(102,303)**	**(10,898,803)**	**-**	**-**	**-**	**(24,648,398)**
Total liabilities as per Statement of financial Position								**(24,648,398)**

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

2023

	Community Services	Coporate	Finance And Administration	Mayor	Municipal Manager	Planning(LED)	Technical Services	Total

Notes to the Annual Financial Statements

Figures in Rand

55. Segment information (continued)

Property Rates	-	-	13,596,233	-	-	-	-	13,596,233
Fines,Penalties and Forfeits	21,176	-	519,745	-	-	-	-	540,921
Licences and Permits	-	-	173,690	-	-	-	-	173,690
Transfers and subsidies	982,687	246,966	192,425,445	-	-	500,089	52,809,563	246,964,750
Interest Earned	-	-	3,693,031	-	-	-	-	3,693,031
Licences and Permits	1,793,397	-	-	-	-	-	-	1,793,397
Services charges	1,379,875	-	-	-	-	-	-	1,379,875
Sales of Goodz and Rendering of Services	24,411	-	610,766	-	-	-	12,329	647,506
Income from Agency Services	-	-	890,164	-	-	-	-	890,164
Rental from Fixed Assets	783	-	1,333,892	-	-	-	570	1,335,245
Interest Earned	-	-	6,633,712	-	-	-	-	6,633,712
Operatinal Revenue	-	-	478,461	-	-	-	-	478,461
Construction Contracts Received	-	-	-	-	-	-	9,979,625	9,979,625
Total segment revenue	**4,202,329**	**246,966**	**220,355,139**	**-**	**-**	**500,089**	**62,802,087**	**288,106,610**
Entity's revenue								**288,106,610**
Expenditure								
Employee Related Costs	37,971,170	20,344,790	19,224,622	-	18,629,781	8,702,763	33,201,610	138,074,736
Remuneration of Councillors	-	-	-	-	17,821,014	-	-	17,821,014
Depreciation and Amortisation	2,280,698	-	-	23,124,712	-	-	5,755,318	31,160,728
Impairment Losses	-	-	-	-	-	-	10,588,328	10,588,328
Interst,Dividends and Rent on Land	-	-	-	-	-	-	6,938	6,938
Contracted Services	1,497,719	788,196	1,394,836	8,154,725	-	-	8,389,562	20,225,038
Inventory Consumed	-	75,003	-	2,261,477	-	-	466,453	2,802,933
Tranfers and Subsidies Paid	4,162,631	-	-	-	-	-	-	4,162,631
Operational Cost	7,335,091	4,467,439	356,315	389,647	-	-	22,401,197	34,949,689
Loss on Disposal of Proparty,Plant and Equipment	-	-	-	-	-	-	14,635,918	14,635,918
Construction Contracts Paid	-	-	-	-	-	-	8,240,459	8,240,459
Total segment expenditure	**53,247,309**	**25,675,428**	**20,975,773**	**33,930,561**	**36,450,795**	**8,702,763**	**103,685,783**	**282,668,412**
Total segmental surplus/(deficit)	**(49,044,980)**	**(25,428,462)**	**199,379,366**	**(33,930,561)**	**(36,450,795)**	**(8,202,674)**	**(40,883,696)**	**5,438,198**

56. Budget differences

Material differences between budget and actual amounts

Figures in Rand	2024	2023

56. Budget differences (continued)

Reasons for Variances between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Statement of Financial Performance

Service Charges:
Variance is due to the delays in the transfer of properties in the name of the municipality to beneficiaries which the municipality had projected that it would bill individuals. The community services also projected to increase the collection or billing of skip bins but the department did not meet the target due to high maintanance of refuse tractors.**%**

Rental of facilities and equipment
Varaince is due to the municipal properties that were renovated as a results most of the properties had no tenants in place for a period of 6 months.

-Interest on outstanding debtors
Due to non payment of debtors, resulting to a low collection rate thus the increase in interest and municipality under budgeted the interest on debtors.

Agency Services:
The increase of Agency fees was due to the Vehicle Testing Station that started operating last financial year and the volume of vehicle tested increased in the year under review.

Licences and Permits:
The increase in Licences and Permits fees is due to the Vehicle Testing Station that started operating last financial year and the volume of vehicle tested increased in the year under review.

Licences and permits (Non-exchange)
This is due to a decrease in the number of Hawkers & Trading Licenses.

Sales of Goods and Rendering of Services:
> The budget was based on the prior year actual's however in the current year a panel of contractors was appointed and as a result there was revenue lost on the sale of tender documents since the municipality is having the 3 year contracts for panel of contractors and consultants in place.
> The building inspector stopped coming during the weekend to offer the services, and as a result the revenue declined because the community usually targeted the weekend to come and get their building plans inspected due to being unable to do it during the week due to employment purposes. The building inspector was stopped to come during the weekend as a result of the cost containment measures that were taken by the municipality

Government grants & subsidies
The increase is due to the implemetation of treasury circular, Equitable share has increased by 4% as per the gazzetted DORA.

Construction Contracts
There was an increase in the INEP Grant allocation from which resulted in more spending of the grant. Division Of Revenue Bill (DORA) allocation for 2022/23 and confirmed that INEP was allocated R9 800 000 and further inspected the Division Of Revenue Bill (DORA) allocation for 2023/24 and confirmed that INEP was allocated R30 196 000 with an adjustment of R2 300 000 resulting an adjusted allocation of R27 896 000 and further confirmed through the inspection of the INEP agreement between the Department of Mineral Resource and Energy and Intsika Yethu Municipality in relation to the funding and Implementation of Integrated National Electrification Programme for 2023/24 and the amount allocated as per the agreement was R30 196 000 as indicated in the Division of Revenue Bill, which is a more than 100% increase in allocation as compared to prior year.

Property Rates:
The variance is due to the implementation of the increase of tariff for the period under review and the fact the Eskom was previously renting property but now they are owning the properties and implementation of supplementary valuation roll.

Fines, Penalties and Forfeits:

56. Budget differences (continued)

This is due to the decreased number of traffic fines during the year.

Operational Revenue
Budgeted for VAT refund which was initially recorded under the VAT receivable.

Interest received - investment
When the budget was made for interest received, the municipality did not have any investments that would accrue so much interest, however when the Disaster Grant was received it was invested and two other investments were made worth R 20 000 000, which was R 10 000 000 in Standard Bank and R 10 000 000 in Nedbank.

Interest, Dividends and Rent on Land
Due to non payment of debtors, resulting to a low collection rate thus the increase in interest and municipality under budgeted the interest on debtors.

Employee related costs
The variance emanates from the leave pay provision that was previously calculated incorrectly at basic salary instead of salary cost. This had an effect in budgeting since the projections were based on the actuals from prior year.

Remuneration of councillors
When the budget was made for remuneration of councillors an anticipated increase in the salaries in relation to councillors of 5.4% on the prior years budget.

Depreciation and amortisation
Variance is due to the verification that was done in prior year where there were infrastructure assets that did not belong to municipality , roads that were duplicated in the FAR, old roads that were replaced by upgraded roads and were removed from the FAR with the cost of R74m that led to decrease in depreciation.

Finance costs
Previously we had a fruitless and wasteful expenditure based on prior year actuals, therefore we budgeted based on the actuals we had in the prior year. The municipality did not anticipate to pay interest on outstanding creditors and this resulted to fruitless expenditure.

Impairment Loss
We had under budgeted for the impairment of debtors as we had anticipated to collect more as there was a revenue enhancement strategy that was developed, however we failed to implement the revenue enhancement strategy, hence there is a huge hike in low collection of debtors.

Construction Contracts Expenditure
The Municipality was more budget as per the Bill of Division of Revenue to the amount R 27 896 000 which is the bidgeted figure, and the difference is between the spending and the budget.

Transfers and Subsidies
We had budgeted less for transfers and subsidies based on that in the prior year, there were accruals that were not captured as expenditure in the relevant financial year and as well as there were beneficiaries that should not be classified as indigents.

Loss on disposal of assets and liabilities
There were no loss on assets that was anticipated in the current year as most assets were written off in the prior year however the previous carrying value of the asset Kayamnandi Bridge was removed from the fixed asset register as the bridge was demolished and started afresh as the bridge was in a bad space, therefore a loss was incurred as no proceeds were received from the demolishing of the bridge.

Inventory Consumed
There was no anticipation that the adhoc services in relation to the plant hire will take place as the costs of the adhoc maintenance services of the roads were not budgeted.

Operational cost
The variance is due to ICT expenses that were budgeted under intangible assets yet they did not belong to that category.

Contracted services
Hiring of Equipment and Plant for roads that are not registered on Grants or are not grant funded projects such as graders,

56. Budget differences (continued)
excavators and ensuring all the roads to voting stations are wide. In the current year we incurred more as a result of the election therefore the demand of plant hire was a lo, further noted that the contract is a dry run contract and indicated the dry rates for each and every type of plant.

Statement of Financial Position

Inventories
There was a prior period error that was done in the 2022/23 financial year and it affected the audited actual figures for 2021/22 that were utilised to make the budget, hence there a huge difference.

Operating lease Receivable
The budgeted amount was based on the escalation rate of 10% as per the lease agreements, however due to unplanned repairs and maintenance that took place in ERF 99 we were unable to collect rental and have operating lease receivables as planned.

Receivables from exchange transactions
The system used the debtors book versus the collection and it then generates the budgeted figure for receivables, therefore a lower rate for collection was used by the system to calculate the budgeted receivables.

Receivables from non-exchange transactions
The variance is due to reduction in debt collection in the debtors book and its ageing of the debt this resulted to an increase in the impairment hence the decrease in the receivables balance.

VAT receivable
The system calculates the budgeted VAT amount.

Cash and cash equivalents
There was an increase in the actual as opposed to the budget as the income from external investments was high in the current year as the Municipality received an additional disaster funding for projects, and the interest received from the invested amount of R20m to Standard bank and Nedbank and the investment was not anticipated.

Investment property
There was a decrease and it is as a result of land parcels identified by Council for resale and transferred from IP to Inventory land and the IP was overbudgeted.

Property, plant and equipment
The decrease is as a result that the carrying amount of the actual amount of PPE in the Annual Financial Statements is incorrect.

Intangible Assets
The municipality budgeted for the intangible assets of which upon interogating the expenditure it was discovered that they did not meet the defination and were classfied as operational cost.

Payables from exchange transactions
The budget amount was based on the 2021/22 audited actuals of payables exchange transactions as the budget for 2023/24 was prepared before the audit of 2022/23 can be completed, and it is adjusted by 4.7%.

Payables from non-exchange transactions
> The amount of unspent conditional grant is also included as payables from non-exchange transaction in the budget. The variance is due to the fact that the municipality did not anticipate that will be having the unspent grant. Additional funding for disaster grant that was received in March 2024 had a negative impact on the spending, as a result a rollover application was done and submitted to NT.

Consumer deposits
The budget amount was based on the 2021/22 audited actuals of consumer deposits as the budget for 2023/24 was prepared before the audit of 2022/23 can be completed, and there was no anticipation of the sale of the land that took place in the current financial year.

Employee benefit obligation
The budget amount was incorrectly recorded in another line item indicated as other financial liabilities in the budget tool and

56. Budget differences (continued)
also on the statement of budget and actual comparison

Unspent conditional grants and receipts
'The variance is due to the fact that the municipality did not anticipate that will be having the unspent grant. Additional funding for disaster grant that was received in March 2024 had a negative impact on the spending, as a result a rollover application was done and submitted to NT.

Provisions (Current)
The was due to a reduction in the number of employees and thus the drop in the provisions for employee benefits.

Employee benefit obligation (Non-Current)
We under estimated and underbudgeted for the liability.

Other financial liabilities
'The variance is due to the outcome from the actuarial valuation which is based on the fair value method of calculation and this was shown under Employee benefit obligation note.

Provisions (Non - Current)
The variance is due to the outcome from the actuarial valuation which is based on the fair value method of calculation.

Cash Flow Statement

Cash received from customers(Property rates)
The variance is due to the implementation of the increase of tariff for the period under review and the fact the Eskom was previously renting property but now they are owning the properties and implementation of supplementary valuation roll.

Cash received from grants
The increase is due to the implemetation of treasury circular, Equitable share has increased by 4% as per the gazzetted DORA.

Interest income
Due to non payment of debtors, resulting to a low collection rate thus the increase in interest and municipality under budgeted the interest on debtors.

Cash received from customers(Services charges)
Variance is due to the delays in the transfer of properties in the name of the municipality to beneficiaries which the municipality had projected that it would bill individuals. The community services also projected to increase the collection or billing of skip bins but the department did not meet the target due to high maintanance of refuse tractors.

Other cash received
The budget was based on the prior year actual's however in the current year a panel of contractors was appointed and as a result there was revenue lost on the sale of tender documents since the municipality is having the 3 year contracts for panel of contractors and consultants in place.
> The building inspector stopped coming during the weekend to offer the services, and as a result the revenue declined because the community usually targeted the weekend to come and get their building plans inspected due to being unable to do it during the week due to employment purposes. The building inspector was stopped to come during the weekend as a result of the cost containment measures that were taken by the municipality.

Cash paid to suppliers
The variance is due to ICT expenses that were budgeted under intangible assets yet they did not belong to that category.
The variance emanates from the leave pay provision that was previously calculated incorrectly at basic salary instead of salary cost. This had an effect in budgeting since the projections were based on the actuals from prior year.

Vat payment
The is largely due to input vat that was incorrectly claimed on suppliers that were non VAT vendors.

Interest paid
Previously we had a fruitless and wasteful expenditure based on prior year actuals, therefore we budgeted based on the actuals we had in the prior year. The municipality did not anticipate to pay interest on outstanding creditors and this resulted to

56. Budget differences (continued)
fruitless expenditure.

Transfers and Subsidies paid
We had budgeted less for transfers and subsidies based on that in the prior year, there were accruals that were not captured as expenditure in the relevant financial year and as well as there were beneficiaries that should not be classified as indigents.

Purchase of property, plant and equipment
The decrease is as a result that the carrying amount of the actual amount of PPE in the Annual Financial Statements is incorrect

Proceeds from sale of property,plant and equipment
There was disposal due to Council writing off removing assets which were in the AR however they were upgaded.

Purchase of investment property
Increase in Land Sales as a result of more land available to sell due to the Investment Property that was transferred to Inventory. Further compared the consumer deposit listing for current year to prior year and confirmed that the more sales of land was made in the current year as compared to the prior year.