EMALAHLENI MUNICIPALITY

(Demarcation code EC136)

Annual Financial Statements
for the year ended 30 June 2024

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

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment
Legislation governing the municipality's operations	Constitution of the Republic of south Africa (Act 108 of 1998) Municipal Finance Management Act (Act 56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Municipal Property Rates Act (act of 6 2004) Division of Revenue Act (Act 1 of 2007)

Executive mayor and chairperson of mayoral commitee

Portfolio	**Councillor**
Mayor and chairperson of mayoral committee	NF Koni
Speaker	M Mtyobile
Chief WIP	X Lali
Portfolio Head - Corporate Services	S Nyukwana
Portfolio Head - Community Services	Z Bebeza
Portfolio Head - Planning, Economic Development, Tourism & Agriculture (PEDTA)	M Tom
Portfolio Head - Infrastructure Development & Human Settlements (IDHS)	X Lali
Portfolio Head - Budget & Treasury Office (BTO)	S Kowa

Executive management

Position	**Name**
Municipal Manager	POB Makoma
Chief Financial Officer (CFO)	X Sikobi
Director - Corporate Services	T Javu
Director - Community Services	M Gatyeni
Director - PEDTA	N Mntuyedwa
Director - IDHS	M Lehlehla

General Information

Council members

Nr	Surname	Initials	Nr	Surname	Initials
1.	Bangisa	W	2.	Oyiya	M
3.	Songo	NM	4.	Ndlela	T
5.	Malotana	S	6.	Matyobeni	VE
7.	Hlanganyana	A	8.	Lali	X
9.	Mzandisi	US	10.	Kraqa	N
11.	Bidi	Z	12.	Qomoyi	M
13.	Nyukwana	S	14.	Mtyobile	N
15.	Macithi	V	16.	Maratana	S
17.	Nqono	N	18.	Mketi	B
19.	Qali	Z	20.	Mnyuko	V
21.	Kowa	S	22.	Limba	MS
23.	Peter	NC	24.	Bebeza	Z
25.	Twala	BP	26.	Tom	Z
27.	Kupiso	S	28.	Mnyolo	NB
29.	Masiza	MP	30.	Mxathule	B
31.	Kulashe	T	32.	Koni	NF
33.	Mahola	Z	34.	Sibeko	YN

Grading of local authority	Grade 2
Registered head office	37 Indwe Road Cacadu 5410
Postal address	Private Bag 1161 Cacadu 5410
Bankers	Standard Bank 92 Cathcart Road Komani 5320
Auditors	Auditor-General of South Africa (AGSA)
Demarcation code	EC136
Legal representative	Tonise Incorporated Taleni, Kupiso and Godi Attorneys Luzipho Incorporated
Preparer	The annual financial statements were internally compiled by: X Sikobi

Accounting Officer's Responsibilties 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 was given unrestricted access to all financial records and related data.

The annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant 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.

I, as the Accounting Officer (accounting authority) acknowledges that I am 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 me to meet these responsibilities, I have set 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.

I am 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.

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

I would like to bring the following material matters to your attention:

I certify that the salaries, allowances and benefits of councillors as disclosed in note 34 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The annual financial statements set out on pages 6 to 100, in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003), fairky represent the municipality's financial position,financial performance and cash flows and have been prepared on the going concern basis and which I have signed on behalf of the municipality on 31 August 2024:

POB Makoma
Accounting Officer

Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
LGSETA	Local Government Services Sector Education and Training Authority
MSIG	Municipal System Improvement Grant
NDPG	Neighbourhood Development And Partnership Grant
SRAC	Sports, Recreation, Arts and Culture
COID	Compensation for Occupational Injuries and Diseases
HDF	Housing Development Act
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
SALGA	South African Local Government Association
MIG	Municipal Infrastructure Grant
MPAC	Municipal Public Accounts Committee

Statement of Financial Position as at 30 June 2024

Figures in Rand thousand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	133 845 815	110 548 884
Trade and other receivables from exchange transactions	3	20 687 839	15 307 616
Receivables from non-exchange transactions	4	13 550 299	9 115 614
Input accrual	5	70 438 995	47 381 611
Other current assets	6	29 465	101 411
Total Current Assets		**238 552 413**	**182 455 136**
Non-Current Assets			
Investment property	8	1 565 452	1 607 901
Property, plant and equipment	9	495 288 848	449 999 956
Heritage assets	10	182 536	182 536
Intangible assets	11	265 348	402 146
Total Non-Current Assets		**497 302 184**	**452 192 539**
Total Assets		**735 854 597**	**634 647 675**
Liabilities			
Current Liabilities			
Employee benefits	12	9 984 687	10 588 774
Consumer deposits	13	97 956	94 560
Trade and other payables from exchange transactions	14	21 714 727	25 836 731
Trade and other payables from non-exchange transactions – Transfers and subsidies Unspent	15	21 019 202	10 304 537
Provision	16	24 952 989	16 881 240
Output accrual	17	21 338 219	14 829 241
Value-added-tax payable	18	50 545 179	29 643 995
Total Current Liabilities		**149 652 959**	**108 179 078**
Non-Current Liabilities			
Employee benefits	12	15 449 591	12 029 000
Total Liabilities		**165 102 550**	**120 208 078**
Net Assets		**570 752 047**	**514 439 597**
Community Wealth / Equity			
Accumulated surplus	19	570 752 049	514 439 598

* See Note 64

Statement of Financial Performance

Figures in Rand thousand	Note(s)	2024	2023 Restated*
Revenue			
Exchange Revenue			
Services charges – Electricity	20	23 173 468	15 282 382
Services charges – Waste management	20	9 478 921	11 542 864
Sales of goods and rendering of services	21	169 267	129 957
Agency services	22	1 405 983	1 622 003
Interest earned from receivables	23	6 939 039	4 845 246
Interests earned from current and non-current assets	24	11 363 084	8 755 821
Licences or permits	25	668 245	531 326
Rent on land	26	174	5 217
Rental from fixed assets	26	398 736	450 881
Operational revenue	27	1 372 498	1 266 194
Construction contracts revenue	28	19 461 765	21 506 362
Actuarial gains	32	-	3 961 083
Total Exchange Revenue		**74 431 180**	**69 899 336**
Non-Exchange Revenue			
Interest	23	3 391 836	2 840 045
Property rates	29	12 001 732	11 454 357
Fines, penalties and forfeits	30	202 060	306 302
Government grants and subsidies	31	233 776 840	200 358 042
Gain and losses from disposal of liabilities	33	1 339 898	-
Total Non-Exchange Revenue		**250 712 366**	**214 958 746**
Total Revenue		**325 143 546**	**284 858 082**
Expenditure			
Employee related cost	34	95 234 304	87 201 066
Remuneration of councillors	35	14 722 730	14 239 766
Bulk purchases	36	20 278 351	16 158 074
Inventory consumed	37	1 985 071	685 910
Debt impairment	38	14 736 257	30 483 627
Depreciation, amortisation and impairment	39	23 733 762	17 993 576
Finance costs	40	26 026	181 387
Transfers and subsidies	41	1 177 102	1 328 408
Irrecoverable debts written off	42	2 670 188	4 101 271
Operating leases	43	1 996 569	2 658 655
Operational cost	44	50 961 935	34 125 167
Business and advisory services	45	3 349 464	5 984 989
Construction contracts	46	20 906 940	43 625 270
Security services	47	7 841 964	6 822 909
Legal services	48	4 751 990	5 294 176
Infrastructure and planning	49	-	1 595 143
Repairs and maintenance	50	3 136 512	3 596 318
Losses on disposal of assets	32	42 558	412 715
Fair value losses	32	907 969	-
Total Expenditure		**268 459 692**	**276 488 427**
Surplus for the year		**56 683 854**	**8 369 655**

* See Note 64

Cash Flow Statement

Figures in Rand thousand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Property rates		7 567 047	14 263 359
Service charges		13 234 252	11 856 357
Operational revenue		25 018 626	25 818 242
Transfers and Subsidies – Capital		82 310 594	46 128 954
Transfers and Subsidies – Operational		162 180 911	154 229 088
Interest		21 826 086	16 441 112
Payments			
Suppliers and employees		(219 573 287)	(212 088 040)
Finance charges		(26 026)	(181 387)
Net cash from(used) operating activities	51	**92 538 203**	**56 467 685**
Cash flows from investing activities			
Payments			
Capital assets		(69 241 273)	(21 990 353)
Net cash flows from investing activities		**(69 241 273)**	**(21 990 353)**
Cash flows from financing activities			
Net increase/(decrease) in cash		**23 296 930**	**34 477 332**
Cash and cash equivalents at year begin		110 548 884	76 071 552
		133 845 814	**110 548 884**

* See Note 64

Statement of Changes in Net Assets

Figures in Rand thousand	Accumulated surplus	Total net assets
Balance at 01 July 2022	**504 563 286**	**504 563 286**
Surplus for the year	8 369 655	8 369 655
Transfers to / from accumulated surplus for the year	1 506 657	1 506 657
Total changes	9 876 312	9 876 312
Opening balance as previously reported	580 614 011	580 614 011
Adjustments		
Correction of errors	(66 545 803)	(66 545 803)
Restated* Balance at 01 July 2023 as restated*	**514 068 208**	**514 068 208**
Surplus for the year	56 683 854	56 683 854
Total changes	56 683 854	56 683 854
Balance at 30 June 2024	**570 752 049**	**570 752 049**

Note(s)

* See Note 64

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

Figures in Rand thousand	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of origional budget
2024								
Financial performance								
Revenue								
Exchange revenue								
Service charges - Electricity	20 217 007	-	20 217 007	20 217 007	23 173 468	2 956 461	114,62 %	114,62 %
Service charges - Waste Management	5 314 748	-	5 314 748	5 314 748	9 478 921	4 164 173	178,35 %	178,35 %
Sale of goods and rendering of services	148 948	-	148 948	148 948	169 267	20 319	113,64 %	113,64 %
Agency services	1 600 001	-	1 600 001	1 600 001	1 405 983	(194 018)	87,87 %	87,87 %
Interest earned from receivables	391 401	-	391 401	391 401	6 939 039	6 547 638	1 772,87 %	1 772,87 %
Interest earned from current and non current assets	4 578 694	6 000 000	10 578 694	10 578 694	11 363 084	784 390	107,41 %	248,17 %
Rent on land	125 000	-	125 000	125 000	174	(124 826)	0,14 %	0,14 %
Rental from fixed assets	585 000	-	585 000	585 000	398 736	(186 264)	68,16 %	68,16 %
Licence and permits	3 400 000	-	3 400 000	3 400 000	668 246	(2 731 754)	19,65 %	19,65 %
Operational revenue	1 902 620	-	1 902 620	1 902 620	1 372 498	(530 122)	72,14 %	72,14 %
	38 263 419	**6 000 000**	**44 263 419**	**44 263 419**	**54 969 416**	**10 705 997**	**124,19 %**	**143,66 %**
Non-exchange revenue								
Property rates	15 573 332	-	15 573 332	15 573 332	12 001 731	(3 571 601)	77,07 %	77,07 %
Fines, penalties and forfeits	480 000	-	480 000	480 000	202 060	(277 940)	42,10 %	42,10 %
Transfer and subsidies - Operational	162 516 351	42 925 513	205 441 864	205 441 864	187 681 893	(17 759 971)	91,36 %	115,48 %
Interest	1 678 900	-	1 678 900	1 678 900	3 391 836	1 712 936	202,03 %	202,03 %
Gains on disposal of assets	-	-	-	-	840 532	840 532	- %	- %
	180 248 583	**42 925 513**	**223 174 096**	**223 174 096**	**204 118 052**	**(19 056 044)**	**91,46 %**	**113,24 %**
Total Revenue (excl. capital transfers and contributions)	**218 512 002**	**48 925 513**	**267 437 515**	**267 437 515**	**259 087 468**	**(8 350 047)**	**96,88 %**	**118,57 %**

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

Figures in Rand thousand	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of origional budget
Expenditure								
Employee costs	(96 876 904)	2 675 993	(94 200 911)	(94 200 911)	(95 234 310)	(1 033 399)	101,10 %	98,30 %
Remuneration of councillors	(14 243 000)	(850 008)	(15 093 008)	(15 093 008)	(14 722 730)	370 278	97,55 %	103,37 %
Bulk purchases - Electricity	(15 000 000)	(5 000 000)	(20 000 000)	(20 000 000)	(20 278 351)	(278 351)	101,39 %	135,19 %
Inventory consumed	(3 714 487)	178 198	(3 536 289)	(3 536 289)	(1 985 071)	1 551 218	56,13 %	53,44 %
Debt impairment	(2 000 000)	-	(2 000 000)	(2 000 000)	(14 736 257)	(12 736 257)	736,81 %	736,81 %
Depreciation and amortisation	(16 000 000)	-	(16 000 000)	(16 000 000)	(23 733 762)	(7 733 762)	148,34 %	148,34 %
Finance charges	(10 440)	-	(10 440)	(10 440)	(26 026)	(15 586)	249,29 %	249,29 %
Contracted services	(25 055 555)	(6 565 101)	(31 620 656)	(31 620 656)	(42 119 553)	(10 498 897)	133,20 %	168,10 %
Transfers and subsidies	(2 183 005)	(227 000)	(2 410 005)	(2 410 005)	(1 177 102)	1 232 903	48,84 %	53,92 %
Irrecoverable debts written off	(8)	-	(8)	(8)	(2 670 188)	(2 670 180)	3 377 350,00 %	3 377 350,00 %
Operational costs	(43 578 233)	(1 112 103)	(44 690 336)	(44 690 336)	(61 124 755)	(16 434 419)	136,77 %	140,26 %
Losses on disposal of Assets	-	-	-	-	(950 527)	(950 527)	- %	- %
Total Expenditure	**(218 661 632)**	**(10 900 021)**	**(229 561 653)**	**(229 561 653)**	**(278 758 632)**	**(49 196 979)**	**121,43 %**	**127,48 %**
Deficit	**(149 630)**	**38 025 492**	**37 875 862**	**37 875 862**	**(19 671 164)**	**(57 547 026)**	**(51,94)%**	**13 146,54 %**
Transfers and subsidies - capital (monetary allocations)	62 393 650	7 143 649	69 537 299	69 537 299	67 344 496	(2 192 803)	96,85 %	107,93 %
Surplus for the year	**62 244 020**	**45 169 141**	**107 413 161**	**107 413 161**	**47 673 332**	**(59 739 829)**	**44,38 %**	**76,59 %**
Capital expenditure and funds sources								
Capital expenditure	71 413 724	8 402 043	79 815 767	79 815 767	85 310 736	5 494 969	106,88 %	119,46 %
Transfers recognised – capital	65 113 677	2 672 044	67 785 721	67 785 721	76 008 568	8 222 847	112,13 %	116,73 %
Internally generated funds	3 800 041	2 601 839	6 401 880	6 401 880	2 887 503	(3 514 377)	45,10 %	75,99 %
	68 913 718	**5 273 883**	**74 187 601**	**74 187 601**	**78 896 071**	**4 708 470**	**106,35 %**	**114,49 %**

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

Figures in Rand thousand	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of origional budget
Financial position								
Total current assets	146 863 185	-	146 863 185	146 863 185	193 554 468	46 691 283	131,79 %	131,79 %
Total non-current assets	458 565 775	53 641 043	512 206 818	512 206 818	523 551 125	11 344 307	102,21 %	114,17 %
Total current liabilities	(51 040 505)	-	(51 040 505)	(51 040 505)	(104 183 576)	(53 143 071)	204,12 %	204,12 %
Total non-current assets	(14 000 120)	-	(14 000 120)	(14 000 120)	(15 449 591)	(1 449 471)	110,35 %	110,35 %
Community wealth/equity	(521 840 824)	(40 997 951)	(562 838 775)	(562 838 775)	(570 752 049)	(7 913 274)	101,41 %	109,37 %
Cash flow								
Net cash from (used) operating	77 019 292	-	77 019 292	77 019 292	92 538 203	15 518 911	120,15 %	120,15 %
Net cash from (used) investing	(62 393 679)	-	(62 393 679)	(62 393 679)	(69 241 273)	(6 847 594)	110,97 %	110,97 %
	14 625 613	**-**	**14 625 613**	**14 625 613**	**23 296 930**	**8 671 317**	**159,29 %**	**159,29 %**

Accounting Policies

The annual financial statements of EMALAHLENI MUNICIPALITY for the year ended 30 June 2024 were authorised for issue by the Accounting Officer on 31 August 2024.

Basis of preparation

These 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).

The annual financial statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, is disclosed below:

1. Summary of significant accounting policies

These standards are summarised as follows:

Reference	Description
GRAP Framework	Framework for the Preparation and Presentation of Financial Statements
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investment in Associates
GRAP 8	Investment in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
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 27	Agriculture
GRAP 31	Intangible Assets
GRAP 32	Service Concession Arrangements: Grantor
GRAP 100	Discontinued Operations
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
IFRS 4	Insurance Contracts
IAS 12	Income Taxes
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 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Ecomonies

Accounting Policies

. Additional content (continued)

IGRAP 6	Loyalty Programmes
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9	Distributions of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 12	Jointly Controlled Entities – Non-Monetary Contributions
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 17	Service Concession Arrangements where Grantor Controls Significant Residual Interest
IGRAP 18	Recognition and Derecogntion of Land
IGRAP 19	Liabilities to Pay Levies
IGRAP 20	Accounting for Adjustments to Revenue
IGRAP 21	The Effect of Past Decisions on Materiality
IFRIC 12	Service Concession Arrangements
SIC 25	Income Taxes – Changes in the Status of an Enterprise or its Shareholders
SIC 29	Disclosure Service Concession
Directive 1	Deletion of Transitional Provisions in Standards of GRAP
Directive 2	Amended Transitional Provisions for Public Entities
Directive 3	Amended Transitional Provisions for High Capacity Municipalities
Directive 4	Amended Transitional Provisions for Medium and Low Capacity Municipalities
Directive 5	GRAP Reporting Framework
Directive 6	Transitional Provisions for Revenue Administered by SARS
Directive 7	The Application of Deemed Cost
Directive 8	Transitional Provisions for Parliament and Provincial Legislatures
Directive 9	The Application of the Standards of Grap by Trading Entities
Directive 10	Application of the Standards of GRAP by Public Further Education and Training Colleges
Directive 11	Changes in Measurement Bases following Initial Adoption of Standards of GRAP
Directive 12	The Selection of an Appropriate Reporting Framework by Public Entities
Directive 13	Transitional Provisions for CET colleges
Directive 14	Directive 14 on Application of Standards of GRAP by Public Entities
Guideline	Accounting for Arrangements Undertaken i.t.o the National Housing Programme
Guideline	Accounting for Landfill Sites
Guideline	The Application of Materiality to Financial Statements

The cash flow statement is prepared using the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed.

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 New standards and interpretations

1.1 Standards, amendments to standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	The impact of the interpretation is not material.

1.1 New standards and interpretations (continued)

• GRAP 25 (as revised): Employee Benefits	01 April 2023	The impact of the amendment is not material.
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	The impact of the interpretation is not material.
• GRAP 2020: Improvements to the Standards of GRAP 2020	01 April 2023	The impact of the improvements are not material.
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	The impact of the standard is not material.
• GRAP 1 (amended): Presentation of Financial Statements (Materiality)	01 April 2023	The impact of the amendments are not material.

1.2 Standards, amendments to standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:

	Effective date: Years beginning on or after	**Expected impact:**
• GRAP 2023: Improvements to the Standards of GRAP 2023	01 April 2099	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2099	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	01 April 2099	Unlikely there will be a material impact
• GRAP 105: Transfer of Functions Between Entities Under Common Control	01 April 2099	Unlikely there will be a material impact
• GRAP 106: Transfer of Functions Between Entities Not Under Common Control	01 April 2099	Unlikely there will be a material impact
• GRAP 107: Mergers	01 April 2099	Unlikely there will be a material impact
• iGRAP 22: Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and all values are rounded to the nearest thousand (R'000).

1.3 Going concern assumption

These annual financial statements were 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 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of financial position only when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Accounting Policies

1.5 Comparative of actual information to budgeted information

The annual budget figures have been prepared in accordance with the Municipal Budget and Reporting Regulations, 2009. A comparative of actual to budged amounts are reported in a separate additional financial statement, called the Statement of comparison of budget and actual amounts. Explanatory comment is provided in the notes to the statement giving motivations for over- or under spending on line items where it is found to be material. The budgeted figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is prepared and approved on an accrual basis by nature classification. The approved budget covers the period from 01 July 2023 to 30 June 2024.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the annual financial statements in determining whether a difference between the budgeted and actual amount is material.

1.6 Current year comparatives

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

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

The presentation and classification of items in the current year is consistent with prior periods.

1.7 Materiality

Omissions or misstatements of item are material if they could, individually or coolectively, influence teh decision or assessments of users made on the basis of the financial statements. Materiality depends on the anture or sixe of the omissionor misstatement judged in the surrounding circumstances. The nature or size of the information item or a combinationof both, could be the determining factor.

Assesing whether an omission or misstatement could influence dsicions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentatio of Financial Statements states that users are assued to have a reassonable knowledge of government, its activities, accounting and a willingness to study the informaition with reasoanble diligence. Therefore, the assessment take into account how users with such attributed could reasonably be expected to be influenced in making and evaluating decisions.

1.8 Significant judgements and estimates

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.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

1.8 Significant judgements and estimates (continued)

1.8.1 Judgements

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the annual financial statements:

Materiality

Materiality is judged by reference to the size and nature of the item. The deciding factor is whether the omission or misstatement could, individually or collectively, influence the decisions that users make on the basis of these annual financial statements.

In preparation of the annual financial statements materiality has been considered in:
- Deciding what to report in the annual financial statements and how to present it.
- Assessing the effect of omissions, misstatements and errors on the annual financial statements.

In assessing whether an item, transaction or event is material, specific thresholds for specific items, transactions and events, or aggregations thereof has been developed. These thresholds are used to make decisions about the reporting of information (i.e. how to recognise, measure, present and disclose items, transactions and events), and used as a margin of error or framework within which to assess misstatements and errors.

The municipality has also considered whether certain transactions or balances may be qualitatively material based on the inherent characteristics thereof, even though the transaction or balance is quantitatively immaterial, if:
- The item, transaction or event relates to legal or regulatory requirements.
- Related party transactions.
- The regularity or frequency with which an item, transaction or event occurs.
- The item, transaction or event results in the reversal of a trend.
- The item, transaction or event is likely to result in a change in accounting policy.
- The commencement of a new function, or the reduction or cessation of an existing function.
- The degree of estimation or judgement that is needed to determine the value of an item, transaction or event.
- An item, transaction or event that affects the going concern assumption of the municipality.

Lease classification – municipality as lessor

The municipality has entered into commercial property leases on its investment property portfolio. The municipality has determined that it retains all the significant risks and rewards of ownership of these properties, and so accounts for them as operating leases.

Lease classification – municipality as lessee

The municipality has entered into a number of leases for office equipment. In determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the municipality.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. The municipality has exercised its judgement on the appropriate classification of equipment leases, and has determined a number of lease arrangements are finance leases.

Criteria for the classification of properties as investment property rather than property, plant and equipment, when classification is difficult

All properties held to earn market-related rentals or for capital appreciation or both and that are not for administrative purposes and that will not be sold in the ordinary course of operations are classified as investment property.

Land held for currently undetermined future use

Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment property. The rental revenue generated is incidental to the purposes for which the property is held.

1.8 Significant judgements and estimates (continued)

Componentisation of infrastructure assets

Repairs and maintenance is based on management's own judgement of costs incurred in cost centres responsible for the maintenance and repair of municipality owned assets. This includes internal charges (inter departmental charges) such as internal transport costs, charged out to the different departments.

Determination of repairs and maintenance cost

All infrastructure assets, acquired before the adoption of GRAP where the acquisition cost could not be obtained, with significant components relating to different useful lives are unbundled into their components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market replacement cost of each component, depreciated for age and condition and recalculated to deemed cost at the acquisition date if known or to the date of initially adopting the Standards of GRAP. All infrastructure assets acquired after the adoption of GRAP with significant components relating to different useful lives are unbundled into their components based on the actual expenditure incurred.

1.8.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Pension and other post-employment benefits

The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions, and when measuring contingent liabilities. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers. The estimates are discounted at a pre-tax discount rate that reflect current market assessments of the time value of money. The increase in the rehabilitation provision due to passage of time is recognised as finance cost in the Statement of financial performance.

Revenue recognition

The Accounting Policies on Revenue from Exchange Transactions and Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality. In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-exchange Transactions.

In particular, in regard to revenue form exchange revenue - when goods are sold, whether the management had transferred to the buyer the significant risks and rewards of ownership of the goods; and, when services is rendered, whether the service has been rendered.

1.9 Cash and cash equivalents

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 and are subject to an insignificant risk of change in value. Cash and cash equivalents equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purpose. Cash and cash equivalents comprise of bank balances, cash on hand,deposits held at call accounts with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

1.9 Cash and cash equivalents (continued)

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.

1.10 Investment property

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Investment property also includes land held for an undetermined future use.

Initial recognition

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

Subsequent measurement – cost model

Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 20 - 100-year period. All useful lives of investment properties are reviewed annually on an indicator basis.

Derecognition/Disposal

Investment properties are derecognised (eliminated from the Statement of financial position) 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. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of financial performance.

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.

1.11 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 year.

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.

Accounting Policies

1.11 Property, plant and equipment (continued)

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 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.

Accounting Policies

1.11 Property, plant and equipment (continued)

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:

Asset class	Useful lives (Years)
Land	Indifinite
Transport assets	01 - 55 years
Electrical infrastructure	10 - 50 years
Solid waste infrastructure	10 - 30 years
Machinery and equipment	01 - 25 years
Furniture and office equipment	01 - 40 years
Computer equipment	01 - 25 years
Roads infrastructure	10 - 100 years
Storm water infrastructure	10 - 50 years
Community assets	04 - 30 years
Other assets	06 - 100 years

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

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.

1.11 Property, plant and equipment (continued)

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.

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.

1.12 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

The municipality classifies assets as heritage assets where the significance as a heritage asset can be determined. In regards to land and buildings all graded sites are classified heritage assets. Furthermore land with a natural significance is not componentised but seen as a single heritage asset due to all parts contributing together to make up its significance.

Land and buildings that qualify as heritage asset, but of which a significant portion of that land and buildings is held for use in the production or supply of goods or services or for administrative purposes, are recognised as property, plant and equipment, rather than heritage asset.

Initial recognition and measurement

The cost of an item of heritage assets 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.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets 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 heritage assets 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.

Subsequent measurement

Subsequent expenditure relating to heritage assets 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 heritage assets (excluding heritage assets which are land and buildings) are measured at cost less accumulated impairment losses. Heritage assets are not depreciated.

1.12 Heritage assets (continued)

Dererecognition

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of financial performance as a gain or loss on disposal of heritage assets.

1.13 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

Initial recognition and measurement

Intangible assets are initially recognised at cost. The cost of an intangible assets is the purchase price and other costs attributable to bring the intangible assets to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible assets is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Subsequent measurement

Amortisation is calculated on cost, using the straight-line method, over the useful lives of the assets, which is estimated to be between 3 to 10 years upon initial recognition. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible assets is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of financial performance.

1.14 Impairment of property, plant and equipment, investment property, intangible assets and heritage assets

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-cash-generating assets.

Impairment of cash-generating assets

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

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

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

Accounting Policies

1.14 Impairment of property, plant and equipment, investment property, intangible assets and heritage assets (continued)

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

Impairment of non-cash-generating assets

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

The recoverable service amount Is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

A municipality assesses at each reporting date date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.15 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.

1.15.1 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.

Financial assets measured at fair value being financial assets that meet either of the following conditions:

- Derivatives;
- Combined instruments that are designated at fair value;
- Instruments held for trading;
- Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

The municipality has the following types of financial assets as reflected on the face of the Statement of financial position or in the notes thereto:

1.15 Financial instruments (continued)

Type of financial asset	Classification in terms of GRAP 104
Finance lease receivables	Financial assets at amortised cost
Long-term receivables	Financial assets at amortised cost
Current portion of long-term receivables	Financial assets at amortised cost
Consumer debtors	Financial assets at amortised cost
Other debtors	Financial assets at amortised cost
Short-term investment deposit - Call	Financial assets at amortised cost
Bank balances and cash	Financial assets at amortised cost
Investments in stock	Financial assets at fair value

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.

The following main categories of financial liabilities and the classification determining how they are measured exist:
- Financial liabilities measured at amortised cost; or
- Financial liabilities measured at fair value.

The municipality has the following types of financial liabilities as reflected on the face of the Statement of financial position or in the notes thereto:

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

Financial liabilities that are measured at fair value that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial liabilities where there is recent actual evidence of short-term profiteering or are derivatives).

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

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.15.2 Initial and subsequent measurement

Initial recognition and measurement

A financial instruments is recognised, when the municipality becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instruments not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instruments are added or deducted from the fair value, as appropriate on initial recognition.

1.15 Financial instruments (continued)

Subsequent measurement – Financial assets

Financial assets consist of cash and cash equivalents, deposits, receivables and investments.

Receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

A provision for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Changes in the carrying amount of the provision is recognised in the Statement of financial performance. When a receivable is considered uncollectible, it is written off against the provision. Any gains or losses arising from the change in fair value of investments measured at fair value are recognised in the Statement of financial performance.

Residual interests that do not have a quoted market price in an active market, and the fair value of which cannot be reliably are subsequently measured at cost less any impairment. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Any calculated impairment is recognised in the Statement of financial performance.

Financial assets at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial assets. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to municipal entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial assets at amortised cost.

Financial assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of financial performance.

Subsequent measurement – Financial liabilities

Financial liabilities consist of payables, interest bearing loans and bank overdrafts. These liabilities are subsequently measured at amortised cost, using the effective interest rate method. Finance costs are expensed in the Statement of financial performance in the period in which they are incurred except where stated otherwise (see accounting policy on borrowing costs).

1.15.3 Impairment of financial assets

Consumer debtors

Consumer debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

Other debtors

Other debtors are reviewed individually considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.

Accounting Policies

1.15 Financial instruments (continued)

1.15.4 Derecognition

Financial assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial assets, the municipality continues to recognise the financial assets and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The municipality derecognises financial liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

1.16 Provisions

Provisions are recognised when the municipality has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of financial performance as a finance cost as it occurs.

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of financial performance.

1.17 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees. The municipality provides short term benefits, long term benefits and retirement benefits for its employees and councillors.

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Remuneration to employees is recognised in the Statement of financial performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service.

Leave pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end and is shown as an accrual in the Statement of financial position.

Bonus provisions

The municipality recognises the expected cost of bonuses as a provision only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made at reporting date.

1.17 Tax (continued)

Post-employment benefits: Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of financial performance in the period in which the service is rendered by the relevant employees.

Post-employment benefits: Defined benefit plans

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement. Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

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 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 by independent qualified actuaries regularly, as may be required for fair presentation.

Actuarial gains or losses recognised immediately in the Statement of financial performance.

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

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

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

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

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

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

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

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

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

- current service cost;

1.17 Tax (continued)

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

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

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

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

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

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

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or

1.17 Tax (continued)

- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

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

The muncipality provides post-retirement health care benefit upon retirement to some retirees. The entitlement to post retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuatin of these obligation.

Other post retirement obligations

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

The municipality has an obligation to provide long term service allowwance benefits to all its employees The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

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 [as a minimum]:

- 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.

Accounting Policies

1.17 Tax (continued)

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.

Post-retirement health care 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.

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.

Past-service costs are recognised immediately, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

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 has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of financial performance.

1.18 Leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Municipality as lessee

Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent. Corresponding liabilities are included in the Statement of financial position as Finance Lease Obligations. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on the straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.19 Statutory receivables

1.19.1 Identification

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

The municipality has the following major categories under the ambit of statutory receivables:

1.19 Statutory receivables (continued)

- Rates debtors

1.19.2 Recognition

The municipality recognises statutory receivables as follows:

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

1.19.3 Measurement

The municipality initially measures statutory receivables at their transaction amount.

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

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

1.19.4 Impairment

Statutory receivables, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Statutory receivables are impaired where there is objective evidence of impairment of Statutory receivables (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 108.

A provision for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

According to GRAP 108, the assessment for impairment needs to be made for each individual financial asset separately or for groups of statutory receivables with similar credit risks. The following methodology was followed to make a provision for bad debts for the year under review:

1.19.5 Derecognition

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

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

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

1.20 Revenue

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Accounting Policies

1.20 Construction contracts and receivables (continued)

Recognition and measurement

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

1.20 Construction contracts and receivables (continued)

1.20.1 Revenue from exchange transactions

Service charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

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

Pre-paid electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

Traffic charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

Income from agency services

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

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 buyer 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.

1.20 Construction contracts and receivables (continued)

1.20.2 Revenue from non-exchange transactions

Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the municipality is entitled to collect.

Subsequent to initial recognition and measurement, the municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

Government grants and subsidies

Unconditional grants

Equitable share allocations are recognised in revenue at the start of the financial year.

Conditional grants

Conditional grants recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of financial performance.

Unspent conditional grants

These are grants received as per the Division of Revenue Act (DoRA) which have specific criteria and conditions on how they are to be spent by the municipality. To the extent that these criteria or conditions attached have not been met, a liability on the portion where these conditions and/or criteria are not met. This liability is raised as unspent conditional grants until the specific criteria and/or conditions are met and the liability is reduced and the revenue is recognised.

Interest earned on unspent grants and receipts

Interest earned on unspent grants and receipts is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality’s interest it is recognised as interest earned in the Statement of financial performance in accordance with GRAP 9.

Services received in-kind

Services in kind are recognised at its fair value when it is significant to the operations and/or service delivery objectives and 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. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

Accounting Policies

1.21 Transfers and subsidies – non-exchange expenditure

The municipality gives support to individuals, organisations, and other sectors of government from time to time by assisting with materials, supplies and other programmes for its local community enhancement. These transfers are recognised in the annual financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.22 Related parties and related party transactions

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Close members of the family of a individual are those family members who may be expected to influence or be influenced by that individual in their dealings with the municipality. An individual is considered to be a close member of the family of another individual if they are married or live together in a relationship similar to a marriage; or if they are separated by no more than two degrees of natural or legal consanguinity or affinity.

Remuneration of management includes remuneration derived for services provided to the municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration.

In the case of permanent employees acting in management positions, only the remuneration received additionally for acting in that position is disclosed.

Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the municipality.

The municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.23 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

1.24 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.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.
When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

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

1.25 Principal-agent arrangements

The municipality is party to a principal-agent arrangement for the Department of Transport. In terms of the arrangement the municipality is the agent and is responsible for collecting monies for vehicles licences.

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

1.25 Principal-agent arrangements (continued)

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.

1.26 Inventory consumed

Inventories consumed encompass materials and supplies awaiting use in the repairs and maintenance of infrastructure and other functions of the municipality.

The municipality immediately expenses the materials and supplies in the statement of financial performance.

Inventory consumed is measured at cost

1.27 Value Added Tax

The municipality is registered with the South Afrcan Revenue Service (SARS) for Value Added Tax on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

Revenue, expenses and assets are recognised net of the amounts of Value Added Tax as per legislation. The net amounts (recoverable or payable) f VAT are submitted to SARS monthly and are reported as a receivable or a payable on the Statement of Financial Position on the Annual Financial Statements. The municipality is registered for VAT with SARS on the payment basis.

1.28 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.

1.28 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.

1.29 Unauthorised expenditure

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA), defines Unauthorised expenditure as follows:

- Overspending of the total amount appropriated in the municipality's approved budget;
- Overspending of the total amount appropriated for a vote in the approved budget;
- Expenditure from a vote unrelated to the department or functional area covered by the vote;
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- Spending of an allocation referred to in the above paragraphs of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- A grant by the municipality otherwise than in accordance with this Act.

The municipality uses the Municipal Standard Chart of Accounts (mSCOA) Functions and Sub-functions, previously the Government Finance Statistics (GFS) functions, as well as departments as the main groupings of segments of the municipality's budget segments within the municipality are grouped per department to facilitate greater accountability and budget implementation by the respective Executive Directors as well as per mSCOA classification to facilitate comparisons on a higher level.

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.30 Irregular expenditure

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

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of financial performance and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

1.31 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.32 Change in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Accounting Policies

1.32 Change in accounting policies, estimates and errors (continued)

Details of changes in accounting policies, changes in estimates and correction of errors are disclosed in the notes to the annual financial statements where applicable.

1.33 Contingent assets and contingent liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the municipality.

1.34 Cash flow statement

The municipality prepares and presents financial statements under the accrual basis of accounting shall prepare a cash flow statement in accordance with the requirements of this Standard and shall present it as an integral part of its financial statements for each period for which financial statements are presented.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents.

Bank borrowings are generally considered to be financing activities. Bank overdrafts which are repayable on demand may form an integral part of an entity’s cash management activities. In these circumstances, bank overdrafts are included as a component of cash and cash equivalents. A characteristic of such banking arrangements is that the bank balance often fluctuates from being positive to overdrawn.

Cash flows exclude movements between items that constitute cash or cash equivalents because these components are part of the cash management of an entity rather than part of its operating, investing and financing activities. Cash management includes the investment of excess cash in cash equivalents.

Presentation of cash flow statement

The cash flow statement shall report cash flows during the period classified by operating, investing and financing activities.

An entity presents its cash flows from operating investing and financing activities in a manner which is most appropriate to its activities.Classification by activity provides information that allows users to assess the impact of those activities on the financial position of the entity and the amount of its cash and cash equivalents. This information may also be used to evaluate the relationships among those activities.

A single transaction may include cash flows that are classified differently. For example, when the cash repayment of a loan includes both interest and capital, the interest element may be classified as an operating activity and the capital element is classified as a financing activity.

Operating activities

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the entity are funded: (a) by way of taxes (directly and indirectly); or (b) from the recipients of goods and services provided by the entity. The amount of the net cash flows also assists in showing the ability of the entity to maintain its operating capability, repay obligations, pay a dividend to its owner and make new investments without recourse to external sources of financing. The consolidated whole-of-government operating cash flows provide an indication of the extent to which a government has financed its current activities through taxation and charges. Information about the specific components of historical operating cash flows is useful, in conjunction with other information, in forecasting future operating cash flows.

Accounting Policies

1.34 Cash flow statement (continued)

Cash flows from operating activities are primarily derived from the principal cash-generating activities of the entity.

Examples of cash flows from operating activities are:

a) Cash receipts from taxes ,levies and fines;

b) Cash receipts from charges for goods and services provided by the entity;

c) Cash receipts from grants or transfers and other appropriations or other budget authority made by national government or other entities;

d) Cash receipts from royalties, fees, commissions and other revenue;

e) Cash payments to other entities to finance their operations (not including loans);

f) Cash payments to supplies for goods and services;

g) Cash payments to and on behalf of employees;

h) Cash receipts and cash payments of an insurance entity for premiums and claims, annuities and other policy benefits;

i) Cash payments of local property taxes or income taxes (where applicable) in relation to operating activities;

j) Cash receipts and payments from contracts held for dealing or trading purposes;

k) Cash receipts or payments from discontinued operations; and

l) Cash receipts or payments in relation to litigation settlements.

Some transactions such as the sale of an item of plant, may give rise a gain or loss that is included in surplus or deficit. The cash flows relating to such transactions are cash flows from investing activities. However, cash payments to manufacture or acquire assets for rental to others and subsequently held for sale as described in paragraph.75 of the standard of GRAP on Property, Plant and Equipment are cash flows from operating activities.The cash received from rents and subsequent sales of such assets are also cash flows from operating activities.

An entity may hold securities and loans for dealing or trading purposes, in which case they are similar to inventory acquired specifically for resale. Therefore, cash flows arising from the purchase and sale of dealing or trading securities are classified as operating activities. Similarly, cash advances and loans made by public financial institutions are usually classified as operating activities since they relate to the main cash-generating activity of that entity.

Investing Activities

The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which cash outflows have been made for resources which are intended to contribute to the entity’s future service delivery. Only expenditures that result in recognised asset in the statement of financial position are eligible for classification as investing activities.Examples of cash flows arising from investing activities are:

a) Cash payments to acquire property,plant and equipment, intangibles and other long-term assets. These payments include those relating to capitalized development costs and self-constructed property, plant and equipment.

b) Cash receipts from sales of property, plant and equipment, intangibles and other long-term assets.

c) Cash payments to acquire equity or debt instruments of other entities and interests in joint ventures(other than payments for those instruments considered to be cash equivalents or those held for dealing or trading purposes);

d) Cash receipts from sales of equity or debt instruments of other entities and interests in joint ventures (other than receipts for those instruments considered to be cash equivalents or those held for dealing or trading purposes)

e) Cash advances and loans made to other parties (other than advances and loans made by a public financial institution);

Accounting Policies

1.34 Cash flow statement (continued)

f) Cash receipts from the repayment of advances and loans made to other parties (other than advances and loans of a public financial institution);

g) Cash payments for future contracts, forward contracts,option contracts and swap contracts, except when the contracts are held for dealing or trading purposes,or the receipts are classified as financing activities; and

h) Cash receipts from futures contracts forward contracts,option contracts and swap contracts, except when the contracts are held for dealing or trading purposes,or the receipts are classified as financing activities.

When a contract is accounted for as a hedge of an identifiable position, the cash flows of the contract are classified in the same manner as the cash flows of the position being hedged.

Financing activities

The separate disclosure of cash flows arising from financing activities is important because it is useful in predicting claims on future cash flows by providers of capital to the entity.

Examples of cash flows arising from financing activities are:

a) Cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short-or long-term borrowings;

b) Cash repayments of amounts borrowed; and

c) Cash payments by a lessee for the reduction of the outstanding liability relating to a finance lease.

1.35 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.

The reportable segments identified are those functional segments in the Governement Finance Statistics (GFS's) format and the municipal vote (Departmental) fomrat per the monthly section 71 management reports. The information that will be reported is aligned to the monthly section 71 reports whcih are viewed by the executive management. The GFS's format allows for universal comparability of segments. The main factors considered in selecting the segments were the level of comparability with other preparers and a level of aggregation that does not detract from presenting the seperate revenue or service delivery components.

The municipality uses the municipal (departmental) votes as primary and GFS's as secondary segment reporting levels.

The assets and liabilities are not reviewed at all on a segregated basis.

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.

Accounting Policies

1.35 Segment information (continued)

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.

Figures in Rand thousand	2024	2023

2. Cash and cash equivalents

2.1 Cash and cash equivalents

Cash flow statement consist of the following:

	2024	2023
Call deposits and investments		
Deposit taking institutions	22 099 422	45 858 292
Special deposit for the payment of interest	99 491 409	56 284 508
	121 590 831	**102 142 800**
Cash at bank		
Bank account	12 253 531	8 404 631
Cash on hand	1 453	1 453
Total cash and cash equivalents	**133 845 815**	**110 548 884**

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods, depending on the immediate cash requirements earn interest at the respective short-term deposit rate.

Bank balances amounting to R 121 590 831 include an amount of R 20 633 018 which must be used on infrastructure projects.

Call deposits and investments by financial institution

Institution	**Account number**	**Account type**	2024	2023
Standard Bank	08-879-9697-021		-	15 558 756
Standard Bank	08-879-9697-022		-	10 299 536
Standard Bank	08-879-9697-024		7 099 422	-
Standard Bank	08-879-9697-027		-	20 000 000
Standard Bank	08-879-9697-032		15 000 000	-
			22 099 422	**45 858 292**
ABSA Bank	93-6256-7503		10 336 440	67 484
ABSA Bank	93-5890-7006		11 521 272	10 541 492
Investec	110-465258		1 255 566	1 153 390
Standard Bank	08-879-9697-001		202 057	202 057
Standard Bank	08-879-9697-012		12 408	11 872
Standard Bank	08-879-9697-020		-	21 571 408
Standard Bank	08-879-9697-025		24 508 666	22 736 805
Standard Bank	08-879-9697-030		20 000 000	-
Standard Bank	08-879-9697-031		31 655 000	-
			99 491 409	**56 284 508**
Total investments			**121 590 831**	**102 142 800**

2.2 Bank accounts

The municipality has the following bank accounts:

		2024	2023
Standard Bank	Primary Account - 082-665-958	7 666 467	4 591 274
Standard Bank	Debit Order Account - 061-330-302	553 677	597 957
Standard Bank	Operating Account - 082-603-631	4 033 387	3 215 400
Total		**12 253 531**	**8 404 631**

Figures in Rand thousand	2024	2023

2. Cash and cash equivalents (continued)

2.3 Difference between cash book and bank statement

2024

	Cash book	Bank statement	Difference
Standard Bank - Primary Account - 082-665-958	7 666 467	7 666 466	1
Standard Bank - Debit Order - 061-330-302	553 677	553 684	(7)
Standard Bank - Current Account - 082-603-631	4 033 387	4 033 387	-
	12 253 531	**12 253 537**	**(6)**

2023

	Cash book	Bank statement	Difference
Standard Bank - Primary Account - 082-665-958	4 591 274	4 591 274	-
Standard Bank - Debit Order - 061-330-302	597 957	597 957	-
Standard Bank - Current Account - 082-603-631	3 215 400	3 201 494	13 906
	8 404 631	**8 390 725**	**13 906**

3. Trade and other receivables from exchange transactions

		2024	2023
Trade service and consumer service debtors	3.1		
Electricity		17 255 810	10 440 473
Waste management		2 508 325	3 356 420
Service charges		-	3 101
		19 764 135	**13 799 994**
Other receivables from exchange transactions	3.2		
Prepayments and advances		671 945	1 216 789
Property rental debtors		251 759	290 833
		923 704	**1 507 622**
Total trade and other receivables from exchange transactions		**20 687 839**	**15 307 616**

The prior year comparatives have been restated, please refer to note 64 for more detail information.

3.1 Consumer receivables

	2024			2023		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables from exchange transactions						
Electricity	18 398 173	(1 142 363)	**17 255 810**	11 206 340	(765 867)	**10 440 473**
Waste management	63 264 011	(60 755 686)	**2 508 325**	52 347 522	(48 991 102)	**3 356 420**
Service charges	16 945	(16 945)	**-**	20 429	(17 328)	**3 101**
Total consumer receivables from exchange transactions	**81 679 129**	**(61 914 994)**	**19 764 135**	**63 574 291**	**(49 774 297)**	**13 799 994**

Notes to the Annual Financial Statements

Figures in Rand thousand

3. Trade and other receivables from exchange transactions (continued)

3.1.1 Ageing of consumer receivables

2024

		Not due	Past due				
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Consumer receivables from exchange transactions							
Total by debt type							
Electricity	**18 398 173**	2 030 906	637 884	438 526	582 166	512 491	14 196 200
Waste management	**63 264 011**	2 941 746	1 378 707	1 354 313	1 344 781	1 308 282	54 936 182
Service charges	**16 945**	-	-	-	-	-	16 945
Total by debt type	**81 679 129**	**4 972 652**	**2 016 591**	**1 792 839**	**1 926 947**	**1 820 773**	**69 149 327**
Aging per customer group							
Organs of state	**13 555 145**	1 434 045	483 981	349 533	515 594	486 313	10 285 679
Commercial customers	**6 088 738**	911 345	320 571	239 212	153 862	147 046	4 316 702
Households	**60 707 714**	2 577 741	1 198 981	1 191 929	1 245 362	1 175 318	53 318 383
Other	**1 327 532**	49 520	13 059	12 165	12 129	12 095	1 228 564
Total by customer group	**81 679 129**	**4 972 651**	**2 016 592**	**1 792 839**	**1 926 947**	**1 820 772**	**69 149 328**

Figures in Rand thousand

3. Trade and other receivables from exchange transactions (continued)

2023

		Not due	Past due				
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions							
Total by debt type							
Electricity	**11 206 340**	544 149	397 770	438 209	281 506	339 186	9 205 520
Waste management	**52 347 522**	1 579 698	1 485 350	1 422 122	1 403 756	1 364 052	45 092 544
Service charges	**20 429**	643	3 017	-	-	-	16 769
Total by debt type	**63 574 291**	**2 124 490**	**1 886 137**	**1 860 331**	**1 685 262**	**1 703 238**	**54 314 833**
Aging per customer group							
Organs of state	**7 567 814**	621 188	492 977	506 754	372 668	417 777	5 156 450
Commercial customers	**4 579 792**	228 653	169 069	165 930	143 946	139 355	3 732 839
Households	**50 087 762**	1 242 169	1 204 633	1 171 307	1 152 387	1 130 268	44 186 998
Other	**1 338 924**	32 481	19 458	16 340	16 261	15 838	1 238 546
Total by customer group	**63 574 292**	**2 124 491**	**1 886 137**	**1 860 331**	**1 685 262**	**1 703 238**	**54 314 833**

Notes to the Annual Financial Statements

Figures in Rand thousand

3. Trade and other receivables from exchange transactions (continued)

3.1.2 Impairment reconciliation of consumer receivables

	2024			2023			
	Opening balance	Impairment raised	Closing balance	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance
Consumer receivables from exchange transactions							
Electricity	(765 867)	(376 496)	**(1 142 363)**	(6 413 716)	(186)	5 648 035	**(765 867)**
Waste management	(48 991 102)	(11 764 584)	**(60 755 686)**	(22 476 626)	(26 514 476)	-	**(48 991 102)**
Service charges	(17 328)	383	**(16 945)**	(10 344)	(6 984)	-	**(17 328)**
Total consumer receivables	**(49 774 297)**	**(12 140 697)**	**(61 914 994)**	**(28 900 686)**	**(26 521 646)**	**5 648 035**	**(49 774 297)**

3.1.3 Consumer debt past due not impaired

2024

	Total	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions						
Electricity	**15 574 855**	490 747	349 917	506 350	489 643	13 738 198
Waste management	**2 147 082**	133 382	118 849	110 545	86 592	1 697 714
Total consumer receivables	**17 721 937**	**624 129**	**468 766**	**616 895**	**576 235**	**15 435 912**

Figures in Rand thousand

3. Trade and other receivables from exchange transactions (continued)

2023

	Total	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions						
Electricity	**9 907 323**	388 613	410 692	272 504	315 709	8 519 805
Waste management	**8 043 337**	383 245	342 407	326 970	306 499	6 684 216
Service charges	**272 596**	18 080	17 843	18 002	17 774	200 897
Total consumer receivables	**18 223 256**	**789 938**	**770 942**	**617 476**	**639 982**	**15 404 918**

3.1.4 Consumer receivables pledged as security

No conusmer receivables were pledged as security.

3.1.5 Credit quality of consumer receivables

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

3.1.6 Collection rate of consumer receivables

Consumer receivables from exchange transactions		
Electricity	3 181 390	2 995 712
Waste management	2 881 711	1 896 560
Overall collection rate	**6 063 101**	**4 892 272**

Figures in Rand thousand

3. Trade and other receivables from exchange transactions (continued)

3.2 Other receivables

	2024			2023		
	Gross	Impairment	Total	Gross	Impairment	Total
Other receivables from exchange transactions						
Prepayments and advances	671 945	-	**671 945**	1 216 789	-	**1 216 789**
Property rental debtors	887 231	(635 472)	**251 759**	853 063	(562 230)	**290 833**
Total	**1 559 176**	**(635 472)**	**923 704**	**2 069 852**	**(562 230)**	**1 507 622**

3.2.1 Ageing of other receivables from exchange transactions

2024

		Not due	Past due				
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Other receivables from exchange transactions							
Prepayments and advances	**671 945**	-	-	-	-	-	671 945
Property rental debtors	**887 231**	54 758	27 116	26 942	26 769	26 579	725 067
Total	**1 559 176**	**54 758**	**27 116**	**26 942**	**26 769**	**26 579**	**1 397 012**

Notes to the Annual Financial Statements

Figures in Rand thousand

3. Trade and other receivables from exchange transactions (continued)

2023

		Not due	Past due				
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Other receivables from exchange transactions							
Prepayments and advances	**1 216 789**	-	-	-	-	-	1 216 789
Property rental debtors	**853 063**	31 836	31 602	31 139	31 230	30 787	696 469
Total	**2 069 852**	**31 836**	**31 602**	**31 139**	**31 230**	**30 787**	**1 913 258**

3.2.2 Impairment reconciliation of other receivables from exchange transactions

	2024			2023		
	Opening balance	**Impairment raised**	**Closing balance**	**Opening balance**	**Impairment raised**	**Closing balance**
Other receivables from exchange transactions						
Property rental debtors	(562 230)	(73 242)	**(635 472)**	(365 792)	(196 438)	**(562 230)**

3.2.3 Other receivables from exchange transactions pledged as security

No other receivables from exchange transactions were pledged as security.

3.2.4 Credit quality of other receivables other receivables from exchange transactions

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

Notes to the Annual Financial Statements

Figures in Rand thousand

4. Receivables from non-exchange transactions

Consumer receivables	4.1		
Property rates		9 475 100	5 800 692
Other receivables	4.1		
Accrued income		4 032 093	3 271 816
Unauthorised, Irregular, Fruitless and Wasteful Expenditure		43 106	43 106
		4 075 199	**3 314 922**
Total receivables		**13 550 299**	**9 115 614**
Current assets		13 550 299	9 115 614

The prior year comparatives have been restated, please refer to note 64 for more detail information.

4.1 Receivables from non-exchange transactions

	2024			2023		
	Gross	**Impairment**	**Total**	**Gross**	**Impairment**	**Total**
Consumer receivables						
Property rates	40 717 720	(31 242 620)	**9 475 100**	34 520 994	(28 720 302)	**5 800 692**
Other receivables						
Accrued income	4 032 093	-	**4 032 093**	3 271 816	-	**3 271 816**
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	43 106	-	**43 106**	43 106	-	**43 106**
	4 075 199	**-**	**4 075 199**	**3 314 922**	**-**	**3 314 922**
Total	**44 792 919**	**(31 242 620)**	**13 550 299**	**37 835 916**	**(28 720 302)**	**9 115 614**

Notes to the Annual Financial Statements

Figures in Rand thousand

4. Receivables from non-exchange transactions (continued)

4.1.1 Ageing of receivables from non-exchange transactions

2024

		Not due	Past due				
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Consumer receivables							
Property rates	**40 717 720**	1 307 577	925 139	805 996	810 813	769 518	36 098 677
Other receivables							
Accrued income	**4 032 093**	-	-	-	-	-	4 032 093
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	**43 106**	-	-	-	-	-	43 106
	4 075 199	**-**	**-**	**-**	**-**	**-**	**4 075 199**
Total	**44 792 919**	**1 307 577**	**925 139**	**805 996**	**810 813**	**769 518**	**40 173 876**

2023

		Not due	Past due				
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Consumer receivables							
Property rates	**34 520 994**	280 667	867 777	781 255	769 549	719 806	31 101 940
Other receivables							
Accrued income	**3 271 816**	-	-	-	-	-	3 271 816
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	**43 106**	-	-	-	-	-	43 106
	3 314 922	**-**	**-**	**-**	**-**	**-**	**3 314 922**
Total	**37 835 916**	**280 667**	**867 777**	**781 255**	**769 549**	**719 806**	**34 416 862**

Figures in Rand thousand

4. Receivables from non-exchange transactions (continued)

4.1.2 Impairment reconciliation of receivables from non-exchange transactions

	2024			2023		
	Opening balance	Impairment raised	Closing balance	Opening balance	Impairment raised	Closing balance
Consumer receivables						
Property rates	(28 720 302)	(2 522 318)	**(31 242 620)**	(19 316 264)	(9 404 038)	**(28 720 302)**

4.1.3 Ageing of receivables from non-exchange transactions past due not impaired

2024

		Past due				
	Total	30 days	60 days	90 days	120 days	120+ days
Consumer receivables						
Property rates	**7 438 094**	392 365	377 148	375 420	344 141	5 949 020

2023

		Past due				
	Total	30 days	60 days	90 days	120 days	120+ days
Consumer receivables						
Property rates	**7 217 227**	457 033	375 880	367 979	325 665	5 690 670

4.1.4 Other receivables from non-exchange transactions pledged as security

No other receivables from non-exchange transactions were pledged as security.

Figures in Rand thousand

4. Receivables from non-exchange transactions (continued)

4.1.5 Credit quality of other 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 by reference to external credit ratings (if available) or to historical information about counterparty default rates.

5. Input accrual

	2024	2023
VAT input accrual	70 438 995	47 381 611

VAT input accrual relates to VAT on Trade and other payables that have not yet been paid at year-end. Only once the payment is made to creditors, the VAT becomes receivable from SARS.

6. Other current assets

	2024	2023
Control, clearing and interface accounts	-	71 946
Operating lease	29 465	29 465
Total	**29 465**	**101 411**

7. Statutory receivables

	2024	2023
Property rates	9 475 100	5 800 692

Statutory receivables general information

Transaction(s) arising from statute

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

Property Rates arise from the MUNICIPAL PROPERTY RATES ACT NO. 6 OF 2004 as amended by Municipal Property Rates Amendment Act, No. 29 of 2014. This should be read together with Government Gazette 32061, updated by Government Gazette 38259 dated 28 November 2014. Statutory receivables transaction amounts is determined via the municipalities approved rates policy.

Value-Added Tax (VAT) receivable arise from the Value-Added Tax Act 89 of 1991.

Interest or other charges levied/charged

Interest is charged at the prime rate per annum on the outstanding balance.

Basis used to assess and test whether a statutory receivable is impaired

The impairment provision was calculated after individually assessing property rates receivables and by estimating the probability of future payment ratios, using a formula-based approach by considering the historical payment ratios and other characteristics found per groups of property rates debtors.

Statutory receivables impaired

As of 30 June 2024, Statutory receivables of R44 717 720 (2023: R34 520 994) were impaired and provided for.

The amount of the provision was R31 242 620 as of 30 June 2023 (2022: R28 720 302).

Notes to the Annual Financial Statements

Figures in Rand thousand		2024	2023

8. Investment property

8.1 Reconciliation of carrying value

Opening carrying value			
Cost		4 036 185	4 036 185
Accumulated depreciation and impairment losses		(2 428 284)	(2 374 375)
		1 607 901	**1 661 810**
Depreciation	39	(42 449)	(53 909)
Closing carrying value		**1 565 452**	**1 607 901**
Cost		4 036 185	4 036 185
Accumulated depreciation and impairment losses		(2 470 733)	(2 428 284)

8.2 Investment property 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 register office of the municipality.

9. Property, plant and equipment

9.1 Summary

	2024			2023		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	33 698 621	-	33 698 621	33 698 621	-	33 698 621
Transport Assets	22 407 063	(14 207 436)	8 199 627	20 697 415	(13 182 643)	7 514 772
Electrical Infrastructure	44 583 319	(14 711 589)	29 871 730	23 673 991	(12 948 470)	10 725 521
Solid Waste Infrastructure	706 429	(87 336)	619 093	507 625	(78 174)	429 451
Machinery and Equipment	4 085 630	(1 924 608)	2 161 022	3 192 659	(1 714 681)	1 477 978
Furniture and Office Equipment	8 420 349	(5 871 690)	2 548 659	8 283 045	(5 596 309)	2 686 736
Computer Equipment	5 274 708	(2 765 171)	2 509 537	5 322 306	(2 320 964)	3 001 342
Roads Infrastructure	552 232 945	(275 156 526)	277 076 419	512 030 580	(261 651 435)	250 379 145
Storm water Infrastructure	11 663 260	(5 078 034)	6 585 226	13 716 122	(4 931 098)	8 785 024
Community Assets	135 107 402	(30 460 891)	104 646 511	129 956 957	(26 722 427)	103 234 530
Other Assets	35 824 332	(8 451 930)	27 372 402	35 957 331	(7 890 495)	28 066 836
Total	**854 004 058**	**(358 715 211)**	**495 288 848**	**787 036 652**	**(337 036 696)**	**449 999 956**

Figures in Rand thousand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Reclassification, movement	Depreciation	Total
Land	33 698 621	-	-	-	-	-	-	**33 698 621**
Transport Assets	7 514 772	2 055 306	(306 795)	-	-	-	(1 063 656)	**8 199 627**
Electrical Infrastructure	10 725 521	4 497 631	-	6 299 241	-	10 111 605	(1 762 268)	**29 871 730**
Solid Waste Infrastructure	429 451	-	-	198 804	-	-	(9 162)	**619 093**
Machinery and Equipment	1 477 978	892 971	-	-	-	-	(209 927)	**2 161 022**
Furniture and Office Equipment	2 686 736	228 681	(40 335)	-	-	-	(326 423)	**2 548 659**
Computer Equipment	3 001 342	19 408	(50 734)	-	-	-	(460 479)	**2 509 537**
Roads Infrastructure	250 379 145	52 781 474	-	52 559 539	(64 017 472)	526 064	(15 152 331)	**277 076 419**
Storm water Infrastructure	8 785 024	-	-	-	-	(2 062 424)	(137 374)	**6 585 226**
Community Assets	103 433 334	8 566 997	-	4 959 888	-	(8 575 245)	(3 738 463)	**104 646 511**
Other Assets	28 066 836	-	-	-	-	-	(694 434)	**27 372 402**
Total	**450 198 760**	**69 042 468**	**(397 864)**	**64 017 472**	**(64 017 472)**	**-**	**(23 554 517)**	**495 288 848**

The remaining useful lives of assets were adjusted during 2024, and was treated as a change in accounting estimate (refer to note 57). All changes in accounting estimates are applied prospectively, accordingly no prior year adjustments were made.

Figures in Rand thousand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – 2023

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Depreciation	Total
Land	33 698 621	-	-	-	-	-	**33 698 621**
Transport Assets	7 540 709	943 799	-	-	-	(969 736)	**7 514 772**
Electrical Infrastructure	11 060 123	-	-	-	-	(334 602)	**10 725 521**
Solid Waste Infrastructure	438 588	-	-	-	-	(9 137)	**429 451**
Machinery and Equipment	1 271 472	395 911	-	-	-	(189 405)	**1 477 978**
Furniture and Office Equipment	3 300 240	48 500	-	-	-	(662 004)	**2 686 736**
Computer Equipment	1 956 166	1 462 350	(40 121)	-	-	(377 053)	**3 001 342**
Roads Infrastructure	251 232 535	19 139 792	(347 886)	21 217 192	(29 622 924)	(11 239 564)	**250 379 145**
Storm water Infrastructure	7 905 893	-	(2 076)	1 043 255	-	(162 048)	**8 785 024**
Community Assets	99 066 452	-	(36 153)	7 362 478	-	(3 158 247)	**103 234 530**
Other Assets	28 765 257	-	-	-	-	(698 421)	**28 066 836**
Total	**446 236 056**	**21 990 352**	**(426 236)**	**29 622 925**	**(29 622 924)**	**(17 800 217)**	**449 999 956**

9.2 Significant disposal of land and buildings during the year

9.3 Impairment of property, plant and equipment

The municipality assessed its items of property, plant and equipment for any potential impairment losses or reversal of impairment losses on assets.

9.4 Construction work-in-progress

The following assets were still in the process of being constructed at year end:

Notes to the Annual Financial Statements

Figures in Rand thousand	2024	2023

9. Property, plant and equipment (continued)

Accumulated expenditure included in carrying value of property, plant and equipment		
Electrical infrastructure	4 497 519	3 688 973
Solid waste infrastructure	-	198 804
Roads infrastructure	39 373 511	36 971 071
Community assets	21 997 659	18 390 549
Total	**65 868 689**	**59 249 397**

Figures in Rand thousand

9. Property, plant and equipment (continued)

9.5 Property, plant and equipment pledged as security

No assets of property, plant and equipment was pledged as security.

9.6 Maintenance of property, plant and equipment

2024

The following maintenance costs were incurred:

	Community assets	Machinery and equipment	Other assets	Total
Preventative maintenance	828 533	341 678	1 915 287	3 085 498

2023

The following maintenance costs were incurred:

	Community assets	Machinery and equipment	Other assets	Total
Preventative maintenance	582 972	947 137	2 066 209	3 596 318

Figures in Rand thousand | 2024 | 2023

10. Heritage assets

10.1 Reconciliation of carrying value

2024

	Land and buildings	Total
Opening carrying value as at 01 July 2023		
Cost	182 536	182 536
Cost	182 536	182 536

2023

	Land and buildings	Total
Opening carrying value as at 01 July 2022		
Cost	182 536	182 536
Cost	182 536	182 536

10.2 Restrictions on heritage assets

There are no restrictions on the title of heritage assets owned by the municipality.

10.3 Heritage assets pledged as security

There are no heritage assets pledged as security.

11. Intangible assets

11.1 Reconciliation of carrying value

2024

	Note	Computer software	Total
Opening carrying value as at 01 July 2023			
Cost		908 670	908 670
Accumulated depreciation and impairment		(506 524)	(506 524)
		402 146	**402 146**
Amortisation	39	(136 798)	(136 798)
Closing carrying value as at 30 June 2024		**265 348**	**265 348**
Cost		908 670	908 670
Accumulated amortisation and impairment		(643 322)	(643 322)
		265 348	**265 348**

Figures in Rand thousand	2024	2023

11. Intangible assets (continued)

2023

		Computer software	Total
Opening carrying value as at 01 July 2022			
Cost		908 670	908 670
Accumulated depreciation and impairment		(367 078)	(367 078)
		541 592	**541 592**
Amortisation	39	(139 446)	(139 446)
Closing carrying value as at 30 June 2023		**402 146**	**402 146**
Cost		908 670	908 670
Accumulated amortisation and impairment		(506 524)	(506 524)
		402 146	**402 146**

12. Employee benefits

		2024	2023
Non-current employee benefits			
Post employment health care benefits	12.1	11 815 750	8 977 000
Long-service awards	12.4	3 633 841	3 052 000
		15 449 591	**12 029 000**
Current employee benefits			
Post employment health care benefits	12.1	97 353	91 000
Bonus	12.2	2 182 460	1 876 283
Leave	12.3	7 018 830	7 842 729
Long-service awards	12.4	499 282	592 000
Overtime	12.5	186 762	186 762
		9 984 687	**10 588 774**
Total		**25 434 278**	**22 617 774**

12.1 Post employment health care benefits

The municipality provides certain post-retirement medical 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 qualifying employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2024 by Mr D. T. Mureriwa and Mr T. G. Mhonde of One Pangaea Expertise & Solutions (Pty) Ltd. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The Post Employee Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follow:

	Number	
In-service members (Employees)	104	91
Continuation members (Retirees)	3	2
Total members	**107**	**93**

The liability in respect of past service has been estimated as follow:

Figures in Rand thousand	2024	2023

12. Employee benefits (continued)

In-service members (Employees)	10 400 448	8 325 000
Continuation members (Retirees)	1 512 655	743 000
Total liability	**11 913 103**	**9 068 000**
Current	97 353	91 000
Non-current	11 815 750	8 977 000

12.1.1 Defined benefit plan

Movements in the present value of the defined benefit obligation

Opening Balance	9 068 000	10 263 000
Current service cost	643 000	785 000
Interest cost	1 206 000	1 254 000
Actual employer benefit payments	(91 000)	(68 655)
Actuarial loss/ (gain) recognised in the year	1 087 103	(3 165 345)
Present value of fund obligation at the end of the year	**11 913 103**	**9 068 000**

Movements in the present value of the defined benefit assets

Contributions from the employer	(91 000)	(68 655)
Benefits paid	91 000	68 655
Closing balance	**-**	**-**

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:
- Bonitas
- Hosmed
- Key Health
- LA Health
- Fed Health
- Samwumed

The principal assumptions used for the purposes of the actuarial valuations were as follow:

Rates of interest

Discount rate	13.58%	14.28%
Consumer Price Inflation (CPI)	7.95%	8.73%
Health care cost inflation rate	9.45%	9.73%
Net effective discount rate	3.77%	4.15%

GRAP 25 defines the determination of the Discount Rate Assumption to be used as follow:
- 'The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.'
- The Actuaries used the nominal and real zero curves as at 30 June 2024 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, they used the prevailing yield at the time of performing their calculations. The methodology was changed from a point estimate to that of a curve in order to present a more accurate depiction of the liability. Previously only one discount rate was used to value all the liabilities. This changed methodology would be seen as a change in estimate basis.

Mortality rates

Notes to the Annual Financial Statements

Figures in Rand thousand		2024	2023

12. Employee benefits (continued)

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Normal retirement age

The average retirement age for all active employees was assumed to be 65 years. This assumption implicitly allows for ill-health and early retirements. The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Amounts recognised in the statement of financial position

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

		2024	2023
Present value of unfunded obligations		11 913 103	9 068 000

Amounts recognised in the statement of financial performance

The amounts recognised in the statement of financial performance is as follows:

		2024	2023
Current service cost		643 000	785 000
Interest cost		1 206 000	1 254 000
Actuarial loss/ (gain) recognised in the year		1 087 103	(3 165 345)
Total post-retirement benefit included in employee related costs	34	**2 936 103**	**(1 126 345)**

History of experienced adjustments

	2020	2021	2022	2023	2024
Present value of defined benefit obligation	2 818 000	3 184 000	10 263 000	9 068 000	11 913 103

The effect of a 1% movement in the assumed rate of health care cost inflation is as follow:

	+1% Increase	-1% Decrease
Effect on the defined benefit obligation	14 004 461	10 265 713
Effect on the aggregate of the interest cost	1 834 462	1 352 431
Effect on the aggregate of the current service cost	1 370 253	950 752

12.2 Bonus

		2024	2023
Provision for bonus	12.2.1	2 066 293	1 760 116
Bonus payable	12.2.2	116 167	116 167
Total		**2 182 460**	**1 876 283**
Current		2 182 460	1 876 283

12.2.1 Provision for bonus

Movements in the present value of the defined benefit obligation	2024	2023
Opening Balance	1 760 116	1 676 891
Additional provisions raised	2 066 293	1 760 116
Reversals	(1 760 116)	(1 676 891)
Closing balance	**2 066 293**	**1 760 116**

Notes to the Annual Financial Statements

Figures in Rand thousand		2024	2023

12. Employee benefits (continued)

Current		2 066 293	1 760 116

12.2.2 Bonus payable

Movements in the present value of the defined benefit assets			
Opening Balance		116 167	116 167
Current		116 167	116 167

Amounts recognised in the statement of financial position

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

Present value of unfunded obligations		2 182 460	1 876 283

12.3 Leave

Leave accrual	12.3.1	7 018 830	7 842 729
Current		7 018 830	7 842 729

12.3.1 Leave accrual

Movements in the present value of the defined benefit assets			
Opening Balance		7 842 729	8 738 947
Deposits		7 018 830	7 848 815
Withdrawals		(7 842 729)	(8 745 033)
Closing balance		**7 018 830**	**7 842 729**
Current		7 018 830	7 842 729
Non-current		7 018 830	7 842 729

Amounts recognised in the statement of financial position

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

Present value of unfunded obligations		7 018 830	7 842 729

12.4 Long-service awards

Provision for long-service awards	12.4.1	3 633 841	3 052 000
Long-service awards payable	12.4.2	499 282	592 000
Total		**4 133 123**	**3 644 000**
Current		499 282	592 000
Non-current		3 633 841	3 052 000

12.4.1 Provision for long-service awards

Movements in the present value of the defined benefit obligation			
Opening Balance		3 052 000	3 350 001
Additional provisions raised		581 841	-
Reversals		-	(298 001)
Closing balance		**3 633 841**	**3 052 000**

Notes to the Annual Financial Statements

Figures in Rand thousand	2024	2023

12. Employee benefits (continued)

Non-current	3 633 841	3 052 000

12.4.2 Long-service awards payable

Movements in the present value of the defined benefit assets		
Opening Balance	592 000	597 000
Deposits	(92 718)	(5 000)
Closing balance	**499 282**	**592 000**
Current	499 282	592 000

Long-service award

The municipality operates a funded defined benefit plan for all its employees. Under the plan, a Long Service Award is payable after 5 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2024 by Mr D. T. Mureriwa and Mr T. G. Mhonde of OnePangaea Expertise and Solutions (Pty) Ltd. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end 208 (2023: 183) employees were eligible for Long Services Awards.

The principal assumptions used for the purposes of the actuarial valuations were as follow:

Discount rate	9.90%	10.47%
Consumer Price Inflation (CPI)	4.96%	5.74%
Normal salary increase rate CPI+1	5.96%	6.74%
Net effective discount rate	3.72%	3.50%

GRAP 25 defines the determination of the Discount Rate Assumption to be used as follow:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

The Actuaries used the nominal and real zero curves as at 30 June 2024 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, they used the prevailing yield at the time of performing their calculations. The methodology was changed from a point estimate to that of a curve in order to present a more accurate depiction of the liability. Previously only one discount rate was used to value all the liabilities. This changed methodology would be seen as a change in estimate basis.

Amounts recognised in the statement of financial position

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

Present value of unfunded obligations	4 133 123	3 644 000

Notes to the Annual Financial Statements

Figures in Rand thousand		2024	2023

12. Employee benefits (continued)

Amounts recognised in the statement of financial performance

The amounts recognised in the statement of financial performance are as follow:

Current service cost		482 000	510 000
Interest cost		474 000	429 000
Actuarial losses / (gains) recognised		(179 134)	(795 738)
Benefits paid		(287 743)	(148 262)
Total expense included in employee related costs	34	**489 123**	**(5 000)**

	1% Decrease	1% Increase
Effect on the defined benefit obligation	3 924 929	4 359 432
Effect on the aggregate of the current service cost	500 198	564 436
Effect on the aggregate of the interest cost	364 033	407 069

	-50% Withdrawal rate	+200% Withdrawal rate
Effect on the defined benefit obligation	4 834 785	3 173 802
Effect on the aggregate of the current service cost	654 008	374 631
Effect on the aggregate of the interest cost	453 890	290 159

12.5 Overtime

12.5.1 Overtime payable

Opening Balance	186 762	-
Deposits	-	186 762
Closing balance	**186 762**	**186 762**
Current	186 762	186 762

13. Consumer deposits

Rental properties	97 956	94 560

Deposits are released on termination of the contract or when the contractual services are delivered.

Notes to the Annual Financial Statements

Figures in Rand thousand		2024	2023

14. Trade and other payables from exchange transactions

		2024	2023
Bulk purchases	14.1	2 266 017	1 410 381
Contractors	14.2	12 245 362	11 864 365
Control and clearing accounts	14.3	(98 120)	158 333
Other payables	14.4	5 533 612	11 159 173
Statutory payables	14.5	1 767 856	1 244 479
Total		**21 714 727**	**25 836 731**
Current		21 714 727	25 836 731

14.1 Bulk purchases

	2024	2023
Bulk electricity	2 266 017	1 410 381

14.2 Contractors

	2024	2023
Retentions	12 245 362	11 864 365

14.3 Control and clearing accounts

	2024	2023
Employee deductions FICS	30 018	30 018
Medical aid control	51 774	22 626
Salary Control - Employee Related Costs	(920 888)	76 789
Salary Control - Remuneration of Councillors	636 916	-
Travel control	104 060	28 900
Total	**(98 120)**	**158 333**

14.4 Other payables

	2024	2023
Agency fees	207 151	120 223
Payables and accruals	3 914 671	8 304 707
Unallocated deposits	5 685	(1 245)
Advance payments	934 281	2 735 488
Other current assets in credit	471 824	-
Total	**5 533 612**	**11 159 173**

14.5 Statutory payables

	2024	2023
Compensation commission (COID)	1 767 856	1 244 479

Notes to the Annual Financial Statements

Figures in Rand thousand

15. Trade and other payables from non-exchange transactions – Transfers and subsidies Unspent

		2024				2023			
		Opening balance	**Funds received**	**Transfer to revenue**	**Closing balance**	**Opening balance**	**Funds received**	**Transfer to revenue**	**Closing balance**
Capital									
Monetary Allocations	15.1	9 786 277	100 123 700	(89 276 959)	**20 633 018**	31	76 115 200	(66 328 954)	**9 786 277**
Operational									
Monetary Allocations	15.2	518 260	8 020 300	(8 152 376)	**386 184**	324 301	8 137 800	(7 943 841)	**518 260**
Total		**10 304 537**	**108 144 000**	**(97 429 335)**	**21 019 202**	**324 332**	**84 253 000**	**(74 272 795)**	**10 304 537**

15.1 Unspent capital monetary allocations

	2024				2023			
	Opening balance	**Funds received**	**Transfer to revenue**	**Closing balance**	**Opening balance**	**Funds received**	**Transfer to revenue**	**Closing balance**
National Government								
Integrated National Electrification Programme Gran	30	22 381 000	(22 381 030)	**-**	30	27 200 000	(27 200 000)	**30**
Municipal Disaster Recovery Grant	3 395 000	42 739 000	(25 500 982)	**20 633 018**	-	3 395 000	-	**3 395 000**
Municipal Infrastructure Grant	6 391 247	35 003 700	(41 394 947)	**-**	1	45 520 200	(39 128 954)	**6 391 247**
Total	**9 786 277**	**100 123 700**	**(89 276 959)**	**20 633 018**	**31**	**76 115 200**	**(66 328 954)**	**9 786 277**

Notes to the Annual Financial Statements

Figures in Rand thousand

15. Trade and other payables from non-exchange transactions – Transfers and subsidies Unspent (continued)

15.2 Unspent operational monetary allocations

	2024				2023			
	Opening balance	**Funds received**	**Transfer to revenue**	**Closing balance**	**Opening balance**	**Funds received**	**Transfer to revenue**	**Closing balance**
National Government								
Expanded Public Works Programme Integrated Grant	-	2 128 000	(2 128 025)	**(25)**	-	1 692 000	(1 692 000)	**-**
Local Government Financial Management Grant	-	3 100 000	(3 100 000)	**-**	-	3 100 000	(3 100 000)	**-**
Municipal Infrastructure Grant	-	1 842 300	(1 974 351)	**(132 051)**	-	2 395 800	(2 395 800)	**-**
Total	**-**	**7 070 300**	**(7 202 376)**	**(132 076)**	**-**	**7 187 800**	**(7 187 800)**	**-**
Provincial Government								
Eastern Cape	518 260	950 000	(950 000)	**518 260**	324 301	950 000	(756 041)	**518 260**
Total unspent operational monetary allocations	**518 260**	**8 020 300**	**(8 152 376)**	**386 184**	**324 301**	**8 137 800**	**(7 943 841)**	**518 260**

Figures in Rand thousand		2024	2023

16. Provision

Landfill Sites	16.1	25 200 082	17 128 333
Litigation	16.2	(247 093)	(247 093)
Total		**24 952 989**	**16 881 240**
Current		24 952 989	16 881 240

16.1 Landfill Sites

Opening Balance	17 128 333	16 179 530
Additional provisions raised	8 071 749	948 803
Closing balance	**25 200 082**	**17 128 333**
Current	25 200 082	17 128 333

Lady Frere landfill site is located approximately 2.0km west of Indew road R394.

Dordrecht landfill site is located off R56 about 900m after the Dordrecht town to Queenstown route.

Indwe landfill site is located east of R56 appproximately 260m before the town of Indwe.

Environmental rehabilitation provision

Lady Frere Landfill Site

The Lady Frere landfill has been issued with a closure license which states that the rehabilitation of the site must commence within a period of two years from the license issue date, which is 30/06/2014. Commencement of rehabilitation must therefore have started by 30/06/2016, and the license also states that the Licence is valid for a period of four years, meaning the site should have closed by 30/06/2020, depending on how the dates are interpreted. The Municipality has requested an extension of 5 years to operate the site until a new facility can be identified, licenced, and constructed. The Departmet of Economic Development, Environment Affairs & Tourism approved the extention of the existing licence by 5 years on the 29/06/2023, hence the additional provision have been raised

Dodrecht Landfill Site

The Dordrecht landfill has been issued with a closure license which states that the rehabilitation of the site must be done within two years from the license issue date, which is 11/09/2014. The site must therefore have been rehabilitated by 11/09/2016 according to the license. the rehabilitation of the site is not complete, but the site has no remaining lifetime.

Indwe Landfill Site

The site has no license to operate. Timelines for closure and rehabilitation will be stipulated in the closure license. However, the site is considered to have no remaining lifetime. Waste in the meantime is being transferred via the licensed transfer station to the Indwe landfill site.

Rehabilitation cost per location

Location	**Proposed rehabilitation date**	**Post closure monitoring date**		
Lady Frere	30 June 2025		6 745 171	5 030 660
Dodrecht	11 September 2016		14 382 248	9 385 238
Indwe			4 072 663	2 712 435
			25 200 082	**17 128 333**

16.2 Litigation

Notes to the Annual Financial Statements

Figures in Rand thousand	2024	2023

16. Provision (continued)

Opening Balance	(247 093)	1 416 009
Reductions (Payments, remeasurement etc.)	-	(1 663 102)
Closing balance	**(247 093)**	**(247 093)**
Current	(247 093)	(247 093)

The municipality had cases ECD101803 and ECD21905 lodged against it for unfair suspension and unfair dismisal by a forment employee of the municipality. The municipality lost the case and subsequently made a provision for the costs that would be later determined by the CCMA.

17. Output accrual

VAT output accrual	21 338 219	14 829 241

VAT output accrual relates on Service charges receivable that have not yet been received at year-end and the VAT on those provision for impairment on those receivables.

18. Value-added-tax payable

VAT control	50 545 179	29 643 995

VAT is payable/refundable on the receipts/payments basis. Only once the pyament is received from debtors payment made to creditors, VAT is paid over/received from SARS. At year-end, the municipality is a net receiver offset the receivable and payable.

19. Accumulated surplus / (deficit)

Opening Balance	570 752 049	512 932 941
Transfers to/from operating revenue and expenditur	-	1 506 657
Total	**570 752 049**	**514 439 598**

The prior year comparatives have been restated, please refer to note 64 for more detail information.

Refer to the Statement of Changes in Net Assets for more detail and the movement on Accumulated surplus.

20. Services charges

Electricity		
Exchange – Consumption	23 173 468	15 282 382
Waste management		
Exchange – Consumption	9 478 921	11 542 864
Total	**32 652 389**	**26 825 246**
Exchange	32 652 389	26 825 246

21. Sales of goods and rendering of services

Building Plan Approval	125 490	81 362
Camping Fees	-	(51)
Cemetery and Burial	34 691	41 476
Clearance Certificates	9 086	7 170
Total	**169 267**	**129 957**

Notes to the Annual Financial Statements

Figures in Rand thousand		2024	2023

22. Agency services

Provincial		1 405 983	1 622 003

23. Interest earned from receivables

Exchange receivables	23.1	6 939 039	4 845 246
Non-exchange receivables	23.2	3 391 836	2 840 045
Total		**10 330 875**	**7 685 291**

23.1 Interest earned from exchange receivables

Consumer receivables		
Electricity	1 428 278	934 205
Waste management	5 384 195	3 835 667
	6 812 473	**4 769 872**
Other receivables		
Property rental debtors	126 566	75 374
Total	**6 939 039**	**4 845 246**

23.2 Interest earned from non-exchange receivables

Consumer receivables		
Property rates	3 391 836	2 840 045

24. Interests earned from current and non-current assets

Bank accounts	14 973	391 548
Short-term investments and call accounts	11 348 111	8 364 273
Total	**11 363 084**	**8 755 821**

25. Licences or permits

Exchange revenue	25.1	668 245	531 326

25.1 Licenses and permits - Exchange revenue

Road and transport	452 608	339 629
Trading	215 637	191 697
Total	**668 245**	**531 326**

26. Rental from fixed assets

Market related	332 650	385 961
Non-market related	66 086	64 920
Rent on land	174	5 217
Total	**398 910**	**456 098**

26.1 Rental by asset class

Market related		
Investment property	332 650	385 961

Notes to the Annual Financial Statements

Figures in Rand thousand	2024	2023

26. Rental from fixed assets (continued)

Non-market related		
Property, plant and equipment	66 086	64 920
Rent on land		
Land	174	5 217
Total	**398 910**	**456 098**

26.2 Rental by type

Market related		
Investment property		
Straight-lined operating	332 650	385 961
Non-market related		
Property, plant and equipment		
Community assets		
• Ad-hoc rentals	66 086	64 920
Total non-market related	**66 086**	**64 920**
Rent on land		
Land		
Grazing fees	174	5 217
Total rent on land	**174**	**5 217**
Total	**398 910**	**456 098**

27. Operational revenue

Administrative Handling Fees	405 866	167 050
Commission	108 058	96 454
Inspection fees	7 475	5 174
Insurance Refund	851 099	997 516
Total	**1 372 498**	**1 266 194**

28. Construction contracts revenue

INEP projects	19 461 765	21 506 362

Notes to the Annual Financial Statements

Figures in Rand thousand		2024	2023

29. Property rates

	2024	2023
Agricultural property	860 294	-
Business and commercial properties	2 069 829	2 149 587
Farm properties	-	665 312
Public service purposes properties	6 803 886	-
Residential properties	2 020 982	1 735 573
State-owned properties	-	6 739 617
Vacant land	246 741	164 268
Total	**12 001 732**	**11 454 357**

Valuation as at 30 June 2024

	2024	2023
Agricultural property	754 264 004	754 264 004
Business and commercial properties	179 631 303	179 361 303
Cemetery	76 000	76 000
Churches	27 972 701	27 972 701
Consolidated erven	38	38
Industrial properties	1 784 000	1 784 000
General residential	103 693 000	103 693 000
Municipal properties	31 833 300	31 833 300
Museum	4 873 000	4 873 000
Public open space	4 100	4 100
Public service infrastructure properties	2 139 000	2 139 000
Public service purposes properties	341 276 600	341 276 600
Residential properties	352 561 900	352 561 900
Sport clubs and fields	901 000	901 000
Vacant land	29 098 800	29 098 800
Total property valuations	**1 830 108 746**	**1 829 838 746**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 2018/07/01. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

30. Fines, penalties and forfeits

		2024	2023
Fines	30.1	202 060	192 732
Forfeits	30.2	-	113 570
Total		**202 060**	**306 302**

30.1 Fines

	2024	2023
Traffic fines		
Municipal fines	133 002	87 060
Other fines		
Illegal connections	25 750	67 500
Pound fees	43 308	38 172
	69 058	**105 672**
Total	**202 060**	**192 732**

30.2 Forfeits

	2024	2023
Retentions	-	113 570

Notes to the Annual Financial Statements

Figures in Rand thousand		2024	2023

31. Government grants and subsidies

Operational			
Monetary allocations	31.1	162 180 911	154 229 088
Capital			
Monetary allocations	31.2	71 595 929	46 128 954
Total		**233 776 840**	**200 358 042**

31.1 Monetary allocations: Operational

DEDEAT	152 535	99 247
Expanded public works programme (EPWP)	2 128 000	1 692 000
Municipal infrastructure grant (MIG)	1 974 376	2 395 800
Finance management grant (FMG)	3 100 000	3 100 000
Equitable share	153 876 000	146 186 000
Library grant	950 000	756 041
Total	**162 180 911**	**154 229 088**

31.2 Monetary allocations: Capital

Municipal disaster recovery grant (MDRG)	25 500 982	-
Municipal infrastructure grant (MIG)	41 394 947	39 128 954
Office of the Premier (OTP grant)	4 700 000	7 000 000
Total	**71 595 929**	**46 128 954**

32. Gain/(Loss) on disposal of fixed and intangible assets

Gains/(losses) on disposals	32.1	(42 558)	(412 715)
Fair value adjustment	32.2	(907 969)	3 961 083
Total		**(950 527)**	**3 548 368**

32.1 Gains/(losses) on disposals

Property, plant and equipment	(42 558)	(412 715)

32.2 Fair value adjustment

Actuarial Assessments	(907 969)	3 961 083

33. Gain and losses from disposal of liabilities

Unknown creditors write-off	1 339 898	-

The municipality received a qualification from Auditor-General for Payables from exchange transaction for the limitation of scope. There are no supporting documents /schedules that were submitted or found as per underlying folders supporting the line item of the creditors balance. Management then sought council approval for the write-off of this creditors' balance.

Notes to the Annual Financial Statements

Figures in Rand thousand

34. Employee related cost

Senior management	34.1	10 588 645	10 012 901
Municipal staff	34.2	84 645 659	77 188 165
Total		**95 234 304**	**87 201 066**

34.1 Senior management costs

2024

	Municipal manager	Chief financial officer	Director: Planning (PEDTA)	Director: Infrastructure (IDHS)	Director: Corporate Services	Director: Community Services	Total
Basic salary	911 081	1 064 959	856 837	948 600	979 224	1 106 700	5 867 401
Bonuses	54 360	-	-	158 100	-	-	212 460
Service-related benefits	39 279	-	250 070	-	-	8 528	297 877
Allowances	417 576	538 834	338 530	288 408	632 408	311 535	2 527 291
Medical	132 706	96 908	28 608	-	-	47 663	305 885
Pension	385 110	205 982	228 117	237 150	151 053	158 100	1 365 512
Unemployment insurance	2 125	2 125	1 594	2 125	2 125	2 125	12 219
	1 942 237	**1 908 808**	**1 703 756**	**1 634 383**	**1 764 810**	**1 634 651**	**10 588 645**

2023

	Municipal manager	Chief financial officer	Director: Planning (PEDTA)	Director: Infrastructure (IDHS)	Director: Corporate Services	Director: Community Services	Total
Basic salary	826 929	1 028 158	1 101 505	750 000	946 431	825 000	5 478 023
Bonuses	-	15 938	46 638	-	-	-	62 576
Service-related benefits	390 636	25 848	19 862	6 469	-	14 600	457 415
Allowances	461 218	466 843	418 246	243 352	586 434	298 726	2 474 819
Bargaining council	-	-	11	-	611	-	622
Medical	20 227	89 795	35 345	-	-	41 452	186 819
Pension	293 818	190 864	281 833	187 500	139 967	247 500	1 341 482
Unemployment insurance	1 936	2 125	2 125	1 417	2 125	1 417	11 145

Figures in Rand thousand		2024	2023

34. Employee related cost (continued)

1 994 764	**1 819 571**	**1 905 565**	**1 188 738**	**1 675 568**	**1 428 695**	**10 012 90**

34.2 Municipal staff costs

	2024	2023
Basic salary	58 179 708	51 390 734
Bonuses	3 073 925	3 838 134
Service-related benefits	3 143 043	3 662 314
Allowances	5 300 197	4 579 637
Bargaining council	25 981	24 972
Medical	3 493 438	3 036 361
Pension	9 217 952	8 201 422
Post-retirement benefit: Medical	1 849 000	2 039 000
Unemployment insurance	362 415	415 591
Total	**84 645 659**	**77 188 165**

35. Remuneration of councillors

		2024	2023
Executive Mayor/Mayor	35.1	998 473	930 632
Speaker	35.2	807 659	753 296
Executive committee	35.3	3 483 421	3 250 793
Section 79 committee chairperson	35.4	863 751	808 108
All other councillors	35.5	8 569 426	8 496 937
Total		**14 722 730**	**14 239 766**

35.1 Executive Mayor/Mayor

	2024	2023
Allowances and service related benefits		
Basic salary	954 073	887 432
Cell phone allowance	44 400	43 200
	998 473	**930 632**

35.2 Speaker

	2024	2023
Allowances and service related benefits		
Basic salary	763 259	710 096
Cell phone allowance	44 400	43 200
	807 659	**753 296**

35.3 Executive committee

	2024	2023
Allowances and service related benefits		
Basic salary	2 716 701	2 506 793
Cell phone allowance	222 000	216 000
Travelling allowance	544 720	528 000
	3 483 421	**3 250 793**

35.4 Section 79 committee chairperson

	2024	2023
Allowances and service related benefits		
Basic salary	774 951	721 708
Cell phone allowance	88 800	86 400
	863 751	**808 108**

Notes to the Annual Financial Statements

Figures in Rand thousand	2024	2023

35. Remuneration of councillors (continued)

35.5 All other councillors

Allowances and service related benefits		
Basic salary	7 467 636	7 032 997
Cell phone allowance	1 095 910	1 463 940
Out of pocket expenses	5 880	-
	8 569 426	**8 496 937**

	Amount outstanding for more than 90 days	
List the name of the councillor which at any time during the relevant financial year was in arears for more than 90 days		
TG Kulashe	2 406	13 448
MP Masiza	-	984
S Qomoyi	184	990
V Mnyuko	181	986
	2 771	**16 408**

36. Bulk purchases

Electricity: Eskom	20 278 351	16 158 074

36.1 Electricity losses

	2024		2023	
	KHW	**Amount**	**KHW**	**Amount**
Units purchased	10 042 796	14 179 718	9 391 128	11 414 027
Units sold	(7 910 352)	(11 168 858)	(8 754 855)	(10 640 697)
Total loss	**2 132 444**	**3 010 860**	**636 273**	**773 330**
Percentage loss:				
Technical losses	21,37 %	21,37 %	6,77 %	6,77 %

Reasons for the losses

Losses occured because of the following reasons:
- Illegal connections

Action taken

The municipality has taken the following actions to mitigate against the reoccurrence of such losses:
- Smart meter replacement

37. Inventory consumed

Consumables	-	72 219
Materials and supplies	1 985 071	613 691
Total	**1 985 071**	**685 910**

Notes to the Annual Financial Statements

Figures in Rand thousand		2024	2023

38. Debt impairment

Trade and other receivables from exchange transactions	3	12 213 939	21 079 589
Property Rates	4	2 522 318	9 404 038
Total		**14 736 257**	**30 483 627**

Bad debts written-off			
Trade and other receivables from exchange transactions		420 578	626 305
Property rates		2 597 937	3 474 966
Total		**3 018 515**	**4 101 271**

39. Depreciation, amortisation and impairment

Amortisation			
Intangible assets	11.1	136 798	139 446
Depreciation			
Investment property	8.1	42 448	53 909
Property, plant and equipment	9	23 554 516	17 800 221
		23 596 964	**17 854 130**
Total		**23 733 762**	**17 993 576**

40. Interest, dividends and rent on land

Interest	40.1	26 026	181 387

40.1 Interest cost

Bank overdraft	2.2	-	6 839
Overdue accounts	14.4	26 026	174 548
Total		**26 026**	**181 387**

41. Transfers and subsidies - Expenditure

Operational			
Allocations in-kind	41.1	1 151 589	1 254 140
Capital			
Allocations in-kind	41.2	25 513	74 268
Total		**1 177 102**	**1 328 408**

41.1 Allocations in-kind: Operational

Households		1 151 589	1 012 659
Non-profit Institutions		-	241 481
Total		**1 151 589**	**1 254 140**

41.2 Allocations in-kind: Capital

Households		25 513	74 268

Notes to the Annual Financial Statements

Figures in Rand thousand	2024	2023

42. Irrecoverable debts written off

Trade and other receivables from exchange transactions	2 380 213	3 474 966
Property rates	289 975	626 305
Total	**2 670 188**	**4 101 271**

43. Operating leases

Furniture and Office Equipment	703 235	541 211
Transport Assets	1 293 334	2 117 444
Total	**1 996 569**	**2 658 655**

44. Operational cost

Advertising, Publicity and Marketing	705 828	562 872
Assets less than the Capitalisation Threshold	71 975	2 445
Bank Charges, Facility and Card Fees	961 711	731 147
Bursaries (Employees)	414 650	88 124
Catering Services	1 214 478	762 518
Cleaning Services	47 580	3 750
Clearing and Grass Cutting	21 900	67 732
Communication	1 254 923	785 068
Contribution to Provisions	8 071 749	948 804
Deeds	185 263	11 446
Drivers Licences and Permits	59 327	54 510
Employee Welleness	-	27 900
External Audit Fees	5 720 982	5 097 236
External Computer Service	4 422 326	3 337 597
Fines and Penalties	-	625 000
Hire Charges	4 920 417	1 160 603
Indigent Relief	1 263 512	1 290 440
Insurance Underwriting	2 098 178	1 693 533
Interior Decorator	-	28 500
Land Alienation Costs	-	91 304
Learnerships and Internships	245 181	352 416
Licences	6 868	159 188
Medical Services	94 304	-
Municipal Services	3 033 816	1 842 376
Prepaid Electricity Vendors	500 566	259 903
Printing, Publications and Books	338 136	207 492
Professional Bodies, Membership and Subscription	1 278 479	1 161 445
Registration Fees	190 467	249 747
Remuneration to Ward Committees	3 060 976	3 097 205
Seating Allowance for Traditional Leaders	75 090	27 000
Skills Development Fund Levy	727 904	658 626
Stage and Sound Crew	-	26 600
System Access and Information Fees	167 940	166 943
Transport Provided as Part of Departmental Activit	81 000	17 486
Transport Services	568 770	250 748
Travel and Subsistence	5 043 420	4 904 381
Uniform and Protective Clothing	1 409 575	766 344
Vehicle Tracking	35 473	38 582
Wet Fuel	2 145 794	2 134 022
Workmen's Compensation Fund	523 377	434 134
Total	**50 961 935**	**34 125 167**

Notes to the Annual Financial Statements

Figures in Rand thousand	2024	2023

45. Business and advisory services

Accounting and auditing	555 830	443 696
Audit committee	257 859	330 044
Business and financial management	1 797 672	4 339 002
Commissions committee	-	147 000
Human resources	102 709	126 479
Organisational	269 700	-
Quality control	141 868	240 204
Research and advisory	100 000	252 300
Valuer	123 826	106 264
Total	**3 349 464**	**5 984 989**

46. Construction contracts

INEP projects	20 906 940	43 625 270

47. Security services

Libraries	57 391	125 000
Security	7 784 573	6 697 909
Total	**7 841 964**	**6 822 909**

48. Legal services

Legal advice and litigations	4 751 990	5 294 176

49. Infrastructure and planning

Engineering - Civil	-	1 469 565
Town planning	-	125 578
Total	**-**	**1 595 143**

50. Repairs and maintenance

Maintenance of buildings and facilities	828 533	582 972
Maintenance of equipment	341 678	947 137
Maintenance of unspecified assets	1 966 301	2 066 209
Total	**3 136 512**	**3 596 318**

Figures in Rand thousand	2024	2023

51. Net cash from/(used) operating activities

Surplus for the year	56 683 854	8 369 655
Adjustments for:		
Depreciation and amortisation	23 733 762	17 993 576
Bad debts written off	2 670 188	4 101 271
(Gains) / Losses on disposal of assets	42 558	412 715
Fair value adjustment	907 969	(3 961 083)
Increase / (Decrease) in provisions	10 888 253	8 391 475
Impairment loss	14 736 257	30 483 627
Movement in working capital		
(Increase) / Decrease in receivables from non-exchange transactions	(4 434 685)	2 809 002
(Increase) / Decrease in receivables from exchange transactions	(23 710 734)	(23 830 728)
(Increase) / Decrease in other current assets	4 428 120	8 866 309
Increase / (Decrease) in trade and other payables	(4 122 004)	(7 148 339)
Increase / (Decrease) in unspent conditional grants and receipts trade and other payable non-exchange transactions	10 714 665	9 980 205
Net cash flows from operating activities	**92 538 203**	**56 467 685**

Figures in Rand thousand	2024	2023

52. Contingent liabilities

U Njuze vs Emalahleni Local Municipality The applicants seeks payment for services rendered for performing the service of the Financial Controller from August 2013 to July 2018.	1 326 130	-
S Fokazi vs Emalahleni Local Municipality The applicant brought the matter for an alleged unfair labour practice performed by the Municipality through deductions made on the applicant's salary.	26 471	-
Balintulo Trading CC vs Emalahleni Local Municipality The plaintiff is suing the municipality for the alleged unpaid work down of a road surface from a tender awarded to the plaintiff by the municipality.	17 892 506	-

53. Contingent assets

Emalahleni Local Municipality vs N Ngqola Recovery of assets attached on case with N Ngqola	250 000	250 000
Emalahleni Local Municipality vs Dr Vatala and Mr De Jager Recovery of fruitless and wastefu expenditure	7 947 503	7 947 503

54. Related party disclosures

54.1 Nature of related party relationships

Related party	**Nature of relationship**
Accounting Officer	Refer to accounting officer's report note
Mayor	Refer to page 2-3 & note 35
Speaker	Refer to page 2-3 & note 35
Executive committee members	Refer to page 2
Ordinary council member	Refer to page 3
Members of key management	CFO: X Sikobi Director: Corporate Services - T Javu Director: Infrastructure Development and Human Settlements - M Lehlehla Director: Planning, Economic Development, Tourism and Agriculture - N Mntuyedwa Director: Community Services - M Gatyeni

54.2 Related party transactions

Key management information

Executive management	Senior Management	5	Refer to Note 34.1
Mayor	Chairperson of Executive Committee	1	Refer to Note 35
Councillors	Members of council	33	Refer to Note 35
Municipal Manager	Accounting officer	1	Refer to Note 34.1

Expenditure

Moliclair investment	C Mbande is a director at COEGA Development Corporation	320 887	299 606
Ficra	K Rantjie is the spokesperson for the Department of Transp	353 649	100 004
		674 536	**399 610**

Figures in Rand thousand	2024	2023

55. Events after the reporting date

No events after the reporting date were identified by management that would affect the operations of the entity or the results of those operations significantly.

56. Principal-agent arrangements

56.1 Municipality acting as the principal

Prepaid electricity sales	11 179 428	9 931 402
Fee paid as commission to the agent	261 716	259 903

Emalahleni municipality paid commission from 0.20% - 2.75% to Ontec for acting as an agent for the sale of prepaid electricity on its behalf during the financial year.

56.2 Municipality acting as the agent

Revenue received or to be received on behalf of the principal	4 542 589	7 347 644

Reconciliation of amounts payable to Department of Transport (EC)		
Opening balance	120 223	(78 715)
Revenue received on behalf of principal (incl. comission)	4 542 589	7 347 644
Revenue recognised by municipality as agency fee	(1 405 983)	(1 622 003)
Revenue paid over to the principal	(3 049 677)	(5 526 703)
Closing balance	**207 152**	**120 223**

Department of Transport (EC)

The municipality acts as agent for the Department of Transport (EC), where it collects monies for motor vehicle licences on behalf of Department of Transport (EC).

57. Change in estimate

The useful lives of all asset classes were adjusted during 2023 to more accurately reflect the period of economic benefits or service potential derived from these assets. Refer to note 9. The effect of changing the remaining useful life of assets for the municipality during 2023 has decreased the depreciation charge for the current by R 110 984 and future periods. It is impracticable to estimate the effect of these changes on future periods.

58. Unauthorised, irregular, fruitless and wasteful expenditure

58.1 Unauthorised expenditure

Opening balance as previously reported	58 195 709	47 719 333
Add: Unauthorised expenditure – current	27 622 724	10 476 376
Closing balance	**85 818 433**	**58 195 709**

Notes to the Annual Financial Statements

Figures in Rand thousand	2024	2023

58. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

58.2 Irregular expenditure

	2024	2023
Opening balance as previously reported	29 410 625	27 936 634
Irregular expenditure identified in the current year but relating to prior year	8 138 597	-
Opening balance as restated	**37 549 222**	**27 936 634**
Add: Irregular expenditure - current	8 112 362	10 041 736
Less: Amounts written-off	-	(8 567 744)
Closing balance	**45 661 584**	**29 410 626**

Incident	Disciplinary steps/criminal proceedings	2024	2023
SCM process was not followed	Referred to MPAC for investigation and DC for financial misconduct	5 013 812	8 893 908
Management remunerated above the determined upper limits	Referred to MPAC for investigation and DC for financial misconduct	11 237 147	1 147 827
Total		**16 250 959**	**10 041 735**

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

58.3 Fruitless and wasteful expenditure

	2024	2023
Opening balance as previously reported	2 033 388	1 167 035
Add: Fruitless and wasteful expenditure – current	34 743	866 353
Closing balance	**2 068 131**	**2 033 388**

Incident	Disciplinary steps/criminal proceedings	2024	2023
Legal costs - Tabata Zilindile settlement	Under investigation	-	231 000
Eskom - Interest on overdue account	Under investigation	29 205	8 812
Fine for non-compliance with environmental authorisation by DEDEAT	Under investigation	-	625 000
Telkom - Interest on overdue account	Under investigation	5 538	1 540
Total		**34 743**	**866 352**

59. Deviations from SCM regulations - SCM Regulation 36

In terms of section 36 of the municipality SCM regulations, any deviations from SCM policy needs to be approved by the accounting officer and noted by Council. The awards listed below have been approved by the accounting officer and noted by Council.

	2024	2023
Appointment of consultants	32 711	213 777

All deviations considered by the accounting officer are processed in terms of the SCM regulations and the municipality's SCM policy. This process entails being assessed by the SCM Bid Adjudication Committee in terms of the stipulated criteria for emergency procurements and circumstances where it is impractical or not possible to follow the official procedure.

Figures in Rand thousand	2024	2023

60. Awards to close family members - SCM Regulation 45

Awards to close family members of persons in the service of other state departments and entities (not listed above)

Supplier name	Employee name	Relationship	Department
Molicar Investments	C Mbande	Director	COEAGA Development Corporation
Ficra	K Rantjie	Spokesperson	Department of Transport

61. Other compulsory disclosures

	SALGA contributions	Audit fees	PAYE	UIF	Pension	Medical aid
As at 30 June 2024						
Subscription/fees	1 208 248	5 720 892	15 702 915	941 213	10 583 464	3 799 323
Amount paid – current year	(1 208 248)	(5 720 892)	(15 702 915)	(941 213)	(10 583 464)	(3 799 323)
Total amount approved by the accounting officer and noted by council	-	-	-	-	-	-

	SALGA contributions	Audit fees	PAYE	UIF	Pension	Medical aid
As at 30 June 2023						
Subscription/fees	1 144 651	5 097 235	15 645 801	415 593	14 818 309	5 075 359
Amount paid – current year	(1 144 651)	(5 097 235)	(15 645 801)	(415 593)	(14 818 309)	(5 075 359)
Total amount approved by the accounting officer and noted by council	-	-	-	-	-	-

62. Capital commitments

Commitments in respect of capital expenditure:

	2024	2023
Approved and contracted for:		
Infrastructure	104 366 580	39 672 540
Other	-	9 790 312
	104 366 580	**49 462 852**

63. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

Notes to the Annual Financial Statements

Figures in Rand thousand	2024	2023

64. GRAP 3 adjustments

The following restatements and adjustments occurred which are set out below:

64.1 Adjustments of Statement of financial performance items

2023

	Note	Previously reported	Correction of error	Restated
Revenue				
Non-exchange revenue				
Transfers and subsidies	31	(227 558 042)	27 200 000	(200 358 042)
Exchange revenue				
Construction contracts revenue	28	-	(21 506 413)	(21 506 413)
Total revenue		**(227 558 042)**	**5 693 587**	**(221 864 455)**
Expenditure				
Debt impairment / write-off		14 128 046	16 356 385	30 484 431
Construction contracts		-	43 625 274	43 625 274
Business and advisory		7 080 764	(1 095 775)	5 984 989
Infrastructure and planning		-	1 595 143	1 595 143
Total expenditure		**21 208 810**	**60 481 027**	**81 689 837**
Surplus for the year		**(248 766 852)**	**(54 787 440)**	**(303 554 292)**

Figures in Rand thousand | 2024 | 2023

64. GRAP 3 adjustments (continued)

64.2 Adjustments of Statement of financial position items

2023

	Note	Previously reported	Correction of error	Restated
Assets				
Current assets				
Trade and other receivables from exchange transactions	3	22 400 553	(8 309 913)	14 090 640
Receivables from non-exchange transactions	4	17 162 083	(8 046 472)	9 115 611
VAT receivable		8 602 014	(5 693 639)	2 908 375
		48 164 650	**(22 050 024)**	**26 114 626**
Non-current assets				
Property, plant and equipment	9	493 625 216	(43 625 278)	449 999 938
Total assets		**541 789 866**	**(65 675 302)**	**476 114 564**
Net assets and liabilities				
Current liabilities				
Employee benefits	12	(10 402 013)	(186 810)	(10 588 823)
Payables from exchange transactions	14	(25 524 175)	(312 556)	(25 836 731)
		(35 926 188)	**(499 366)**	**(36 425 554)**
Total net assets				
Accumulated surplus	19	580 614 011	(66 174 668)	514 439 343

64.3 Correction of errors

The following prior period errors adjustments occurred:

Government grants and subsidies

The municipality had to move the INEP funding from Government grants and subsidies to operational revenue as the municipality is a construction contractor and providing a service. The municipality reallocated the INEP revenue to Construction contracts revenue under operational revenue. Prior year COAF 63 read together with COAF30 current year.

Nature of error	2024	2023
Balance as previously reported	-	(227 558 042)
Reallocation of INEP revenue	-	27 200 000
	-	**(200 358 042)**

Figures in Rand thousand	2024	2023

64. GRAP 3 adjustments (continued)

Construction contracts revenue

The municipality had to move the INEP funding from Government grants and subsidies to operational revenue as the municipality is a construction contractor and providing a service. The municipality reallocated the INEP revenue to Construction contracts revenue under operational revenue. Prior year COAF 63 read together with COAF30 current year.

Nature of error		
Reallocation of INEP revenue	-	(21 506 413)

Debt impairment / write off

The municipality had a finding in COAF 66 for the debt impairment calculation. The debt impairment policy was then amended to more accuartely reflect the impairment calculation. The amendment was retrospectively applied from 2022/23.

Nature of error		
Balance as previously reported	-	14 128 046
Correction of impairment calculation	-	16 356 385
	-	**30 484 431**

Construction contracts

The municipality had a fininding in the prior year (COAF 63) regarding the reclassification of transactions funded by INEP from Capital (WIP) projects to operational expenses. Due to this finding, the municipality has had to adjust its WIP balance under PPE by R43 625 274 and move this amount ot operational expenditure.

Nature of error		
Correction of INEP projects from WIP to Expenditure	-	43 625 274

Business and advisory

During the prior year audit, the Auditor General detected a limitation in Payables which was communicatedin COAF04 int he 2022/23 audit. Management went back to its prior years creditors and upon analysing,furhter detected that there was an invoice for CCG that was not captured in the prior year.
Management a council approval for the write off of the unsubstantiated payables balance and captured the CCG invoice.

The transaction for CCG increased creditors in the prior year and increased expenditure under Business and advisory.

Nature of error		
Balance as previously reported	-	7 080 764
CCG invoice capturing	-	499 366
Reallocation of infrastructure and planning to disclose seperately	-	(1 595 143)
	-	**5 984 987**

Notes to the Annual Financial Statements

Figures in Rand thousand	2024	2023

64. GRAP 3 adjustments (continued)

Infrastructure and planning

Management deemed it prudent to seperate the expenditure for town planning and infrastructure - civil expenditure.

Nature of error		
Reallocation of infrastructure and planning to disclose seperately	-	1 595 143

Trade and other receivables from exchange transactions

The municipality had a finding in COAF 66 for the debt impairment calculation. The debt impairment policy was then amended to more accuartely reflect the impairment calculation. The amendment was retrospectively applied from 2022/23.

Nature of error		
Balance as previously reported	-	22 400 553
Correction of impairment	-	(8 309 913)
	-	**14 090 640**

Figures in Rand thousand	2024	2023

64. GRAP 3 adjustments (continued)

Receivables from non-exchange transactions

The municipality had a finding in COAF 66 for the debt impairment calculation. The debt impairment policy was then amended to more accuartely reflect the impairment calculation. The amendment was retrospectively applied from 2022/23.

The municipality did not account for the receipt of R371 135 for its OTP grant and thus recorded an incorrect closing balance of R1 707 501 instead of R1 336 297.09.

Nature of error		
Balance as previously reported	-	17 162 083
Correction of impairment	-	(8 046 472)
	-	**9 115 611**

VAT receivable

The municipality had a fininding in the prior year (COAF 63) regarding the reclassification of transactions funded by INEP from Capital (WIP) projects to operational expenses. Due to this finding, the municipality has had to adjust the VAT portion of the of grant as the municipality is providing a service as construction contractors.

Nature of error		
Balance as previously reported	-	8 602 014
VAT portion of INEP grant of R46 625 274	-	(5 693 638)
	-	**2 908 376**

Property, plant and equipment

The municipality had a fininding in the prior year (COAF 63) regarding the reclassification of transactions funded by INEP from Capital (WIP) projects to operational expenses. Due to this finding, the municipality has had to adjust its WIP balance under PPE by R43 625 274 and move this amount ot operational expenditure.

Nature of error		
Balance as previously reported	-	493 625 216
Correction of INEP projects from WIP to Expenditure	-	(43 625 274)
	-	**449 999 942**

Figures in Rand thousand	2024	2023

64. GRAP 3 adjustments (continued)

Trade and other paybles from exchange transactions

During the prior year audit, the Auditor General detected a limitation in Payables which was communicatedin COAF04 int he 2022/23 audit. Management went back to its prior years creditors and upon analysing,furhter detected that there was an invoice for CCG that was not captured in the prior year.
Management a council approval for the write off of the unsubstantiated payables balance and captured the CCG invoice.

Due to mSCOA template for the preparing of the financial statements, overtime is classified under employee benefits.

Nature of error		
Balance as previously reported	-	(25 524 175)
Creditors write-off	-	1 339 868
CCG invoice capturing	-	(499 366)
Overtime reclassification to employee benefits	-	186 810
	-	**(24 496 863)**

Employee benefits

Due to mSCOA template for the preparing of the financial statements, overtime is reclassified under employee benefits.

Nature of error		
Balance as previously reported	-	(10 402 013)
Overtime reclassification	-	(186 810)
	-	**(10 588 823)**

65. Financial instruments

65.1 Fair value of financial instruments

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the annual financial statements approximate their fair values, except for the listed Government stock. In accordance with GRAP 104 the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of financial position, are as follow:

Figures in Rand thousand 2024 2023

65. Financial instruments (continued)

		2024		2023	
		Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets					
Amortised cost					
Trade and other receivables from exchange transactions	3	20 687 839	20 687 839	15 307 616	15 307 616
Other current assets	6	29 465	29 465	101 411	101 411
Cash and cash equivalents	2	133 845 815	133 845 815	110 548 884	110 548 884
		154 563 119	**154 563 119**	**125 957 911**	**125 957 911**
Financial liabilities					
Amortised cost					
Trade and other payables:					
Consumer deposits	13	97 956	97 956	94 560	94 560
Trade and other payables from exchange transactions	14	21 714 727	21 714 727	25 836 731	25 836 731
		21 812 683	**21 812 683**	**25 931 291**	**25 931 291**
Total financial instruments		**132 750 436**	**132 750 436**	**100 026 620**	**100 026 620**

The Fair Values of Financial Assets and Financial Liabilities are determined as follow:

The Fair Value of Long term liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The fair value of Other Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

65.2 Capital risk management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance.

65.3 Financial risk management objectives

Due to largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IFRS mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department: Financial services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit and risk management, responsible for monitoring and responding to potential risk, reports quarterly to the municipality’s audit committee, an independent body that monitors the effectiveness of the internal audit function.

Figures in Rand thousand	2024	2023

65. Financial instruments (continued)

65.4 Market risk

The municipality’s activities expose it primarily to the financial risks of changes in interest rates (see Note 65.5 below). No formal policy exists to hedge volatilities in the interest rate market.

65.5 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 on financial assets consist mainly of fixed deposit investments and bank and cash balances.

The municipality is not exposed to a high level of interest rate risk on its financial liabilities. All of the municipality‘s interest bearing external loan liabilities, as detailed in Appendix 'A', are fixed interest rate loans. Similarly with financial assets, the municipality invests its surplus funds on call deposit interest rate deposits with banks for fixed terms not exceeding one year.

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

65.6 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows. Standby credit facilities are available with the municipality’s main banker to cater for any unexpected temporary shortfall in operating funds.

30 June 2024

	Within 1 year	Total
Maturity analysis		
Trade and other payables from exchange transactions	22 071 295	22 071 295

30 June 2023

	Within 1 year	Total
Maturity analysis		
Trade and other payables from exchange transactions	15 307 429	15 307 429

The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain its current debt to equity ratio. This will be achieved through the annual increase in tariffs to maintain the accumulated surplus, as well as the increased use of unsecured bank loan facilities.

65.7 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality manages credit risk in its borrowing and investing activities by only dealing with wellestablished financial institutions of high credit standing, and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the municipality’s credit control and debt collection policy. The municipality’s credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in the accounting policies and Note 4 to the annual financial statements.

Figures in Rand thousand		2024	2023

65. Financial instruments (continued)

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.

The carrying amount of financial assets recorded in the annual financial statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follow:

Long-term receivables		29 465	495 390 259
Trade and other receivables from exchange transactions	3	20 687 839	15 307 616
Bank and cash balances	2	133 845 815	110 548 884
Maximum credit and interest risk exposure		**154 563 119**	**621 246 759**

66. Budget information

The budget has been prepared on the accrual basis of accounting in accordance with the prescripts of the Municipal budget regulations as well as MFMA budget circulars. In accordance with the Municipal budget regulations, the classification basis the municipality presents its budget is per economic as well as per functional classification (per Vote (Department) and GFS classification). It should be noted that minor budget differences between the basis the budget is prepared (accrual basis and prescripts of NT guidance) and actual financial results (accrual basis in accordance with GRAP) exists, mainly related to technical GRAP adjustments required. These differences are not material and as the basis of preparation is the same (accrual basis) no restatements have been made to the financial information compared to the budgeted amounts, but where found to be material is explained below:

Explanation of variances between approved and final budget amounts

The reason for the variances between the approved and final budgets are mainly due to reallocations made within the approved budget parameters allowed for by the Virement Policy of EMALAHLENI MUNICIPALITY as approved by Council.

Explanation of variances greater than 10%: Final Budget and Actual Amounts.

66.1. Statement of financial position

Current assets

Under provision of budget due to previous year actual amounts without factoring the current year movement.

Non-current liabilities

Under provision of budget due to previous year actual amounts without factoring the current year movement.

Current Liabilities

Under provision of budget due to previous year actual amounts without factoring the current year movement.

66. Budget information (continued)

66.2. Statement of financial performance

Revenue from exchange transactions

Service charges: Increase due to sales volume and increase in tariff due annual NERSA approval.

Waste management:Budget is based on realistic anticipated revenue which is low based on historic collection trends whereas the actual billing is based on actual properties being serviced.

Sale of goods:Increased revenue collection due to implementation revenue enhancement strategy

Agency services: Decrease due to network challenges that affected the traffic department resulting in number of transactions implemented for the year under review.

Interest earned from receivables: Poor collection rate from arrear debt has resulted in the significant actual billing, when compared with the budget which was based on anticipated recoveries based on previous collection trends.

Rent on land: Budget was based on previous lease agreements which have expired in 2022/23 resulting in low revenue earned being billed in 2023/24.

Rental from fixed assets: Budget was based on previous lease agreements which have expired in 2022/23 resulting in low revenue earned being billed in 2023/24.

Licence and permits: Decrease due to network challenges that affected the traffic department resulting in number of transactions implemented for the year under review.

Operational revenue: Due to decrease in insurance refunds settled in the current year, budget was based on baseline estimate.

Revenue from non-exchange transactions

Property rates: Decrease in actual amount is due to correction of previously billed accounts that were flagged as indigents in the data cleansing exercise.

Fines, penalties & forfeits: Overbudgeting due to anticipated increase in productivity after the appointment of additional traffic officers, however they resigned after resuming their duties resulting in capacity constraints that affect revenue performance.

Transfer & subsidies – Operational: Operational budget included Disaster Grant that has been included in capital allocations as an actual amount, thus resulting in this significant variance.

Interest: Poor collection rate from arrear debt has resulted in the significant actual billing, when compared with the budget which was based on anticipated recoveries based on previous collection trends.

Gains on disposal of assets: Fair value adjustment not budgeted for.

Expenditure

66. Budget information (continued)

Bulk purchases - Electricity: Implementation of revenue enhancement strategy on illegal connections resulted in less demand for electricity.

Inventory consumed:Implementation of cost containment measures has resulted in budget savings.

Debt impairment: No actual expenditure incurred due to the delays in the debt collection data cleansing prior to write-off of impaired debts as irrecoverable.

Finance charges: Under provision of budget based on the previous internal control environment which has regressed resulting in an increase in actual balance.

Contracted services: Implementation of cost containment measures has resulted in budget savings.

Transfers and subsidies:Delays in procurement of incubator programme has delayed the implementation of LED projects.

Irrecoverable debts written off: Irrecoverable debts not budgeted for.

Loss on disposal of assets: Fair value adjustment not budgeted for.

53.3 Cash Flow Satemet

Net cash from operating: Under provision of budget due to previous year actual amounts without factoring the current year movement.

Net cash from investing: Under provision of budget due to previous year actual amounts without factoring the current year movement.

67. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. 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.

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies, except that pension expense for each segment is recognised and measured on the basis of cash payments to the pension plan.

The nature of differences between the measurements of the reportable segments’ surplus or deficit and the entity’s surplus or deficit and discontinued operations

Segment revenue and segment expense are based on the funtion code of the vote of the mSCOA structure.

Information about geographical areas

The municipality’s operations are in the Eastern Cape.

Notes to the Annual Financial Statements

Figures in Rand thousand	2024	2023

67. Segment information (continued)

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

Although the muncipality's operations in a number of geographical areas (i.e. wars), the geographic information is not considered relevant to management for decision making. The goods and services rpovided to the community throughout the entire municipal area are based on similar tariffs and service standards. Therefore, the municipality has assed that is operates in a single geagraphical area.

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2024

	Electricity	Waste Removal	Municipality	Total
Revenue				
Exchange Revenue	**24 504 271**	**15 752 730**	**35 043 375**	**75 300 377**
Agency Services	-	-	1 413 695	1 413 695
Interest earned from current and non-current assets	-	-	11 363 258	11 363 258
Interest earned from receivables	1 428 278	5 384 195	126 566	6 939 039
Licences or Permits	-	-	664 928	664 928
Operational Revenue	-	-	20 857 496	20 857 496
Rental from Fixed Assets	-	-	398 736	398 736
Sales of Goods and Rendering of Services	-	-	172 007	172 007
Service Charges-Electricity	23 075 994	-	46 690	23 122 684
Service Charges-Waste Management	-	10 368 535	-	10 368 535
Non-exchange Revenue	**-**	**-**	**249 266 224**	**249 266 224**
Fines, Penalties and Forfeits	-	-	202 560	202 560
Interest	-	-	3 391 836	3 391 836
Property Rates by Usage	-	-	11 894 988	11 894 988
Transfers and Subsidies	24 504 272	-	233 776 840	258 281 112
Total segment revenue	**24 504 271**	**15 752 730**	**284 309 599**	**324 566 600**
Entity's revenue				**324 566 600**
Expenditure	**47 877 337**	**7 073 895**	**197 523 647**	**252 474 879**
Bulk Purchases	20 278 352	-	-	20 278 352
Contracted Services	21 310 520	-	21 069 889	42 380 408
Depreciation and Amortisation	1 762 268	-	22 015 463	23 777 731
Employee Related Cost	4 158 865	6 297 602	84 774 930	95 231 398
Finance costs	-	-	26 026	26 026
Inventory Consumed	69 282	195 601	1 610 013	1 874 896
Irrecoverable Debts Written Off	-	95 284	2 574 904	2 670 188
Operating Leases	-	-	1 996 569	1 996 569
Operational Cost	298 051	459 895	47 581 533	48 339 479
Remuneration of Councillors	-	-	14 722 732	14 722 732
Surplus / Deficit	-	-	-	-
Transfers and Subsidies	-	25 513	1 151 589	1 177 102
Gains and Losses	**376 496**	**73 243**	**15 194 870**	**15 644 609**
Disposal of Fixed and Intangible Assets	-	-	-	-
Fair Value Adjustment	-	-	907 969	907 969
Impairment Loss	376 496	73 243	14 286 901	14 736 641
Total segment expenditure	**48 253 833**	**7 147 138**	**212 718 517**	**268 119 489**
Total segmental surplus/(deficit)	**(23 749 562)**	**8 605 592**	**71 591 081**	**56 447 112**
Entity's surplus (deficit) for the period				**56 447 112**
Assets				
Current assets	2 630 191	(2 649 500)	238 571 723	238 552 413
Non-current assets	15 499 756	-	481 802 428	497 302 184
Total segment assets	**18 129 947**	**(2 649 500)**	**720 374 151**	**735 854 597**

Total assets as per Statement of financial Position				**735 854 597**
Liabilities				
Current liabilites	(1 874 763)	(3 574 253)	(144 203 943)	(149 652 959)
Non-current liabilities	-	-	(15 449 590)	(15 449 590)
Total segment liabilities	**(1 874 763)**	**(3 574 253)**	**(159 653 533)**	**(165 102 549)**
Total liabilities as per Statement of financial Position				**(165 102 549)**

Notes to the Annual Financial Statements

Figures in Rand

2023

	Electricity	Waste Removal	Municipality	Total
Revenue				
Exchange Revenue	**(16 208 371)**	**(15 378 531)**	**(34 314 466)**	(65 901 368)
Agency Services	-	-	(1 622 003)	(1 622 003)
Interest earned from current and non-current assets	-	-	(8 761 039)	(8 761 039)
Interest earned from receivables	(934 205)	(3 835 667)	(75 374)	(4 845 247)
Licences or Permits	-	-	(494 492)	(494 492)
Operational Revenue	-	-	(22 772 555)	(22 772 555)
Rental from Fixed Assets	-	-	(450 881)	(450 881)
Sales of Goods and Rendering of Services	-	-	(129 906)	(129 906)
Service Charges-Electricity	(15 274 166)	-	(8 216)	(15 282 382)
Service Charges-Waste Management	-	(11 542 864)	-	(11 542 864)
Non-exchange Revenue	**-**	**-**	**(200 179 571)**	(200 179 571)
Fines, Penalties and Forfeits	-	-	(192 732)	(192 732)
Interest	-	-	-	-
Property Rates by Usage	-	-	-	-
Transfers and Subsidies	-	-	(199 986 839)	(199 986 839)
Total segment revenue	**(16 208 371)**	**(15 378 531)**	**(234 494 037)**	**(266 080 939)**
Entity's revenue				**(266 080 939)**
Expenditure	**64 730 805**	**7 913 237**	**126 583 209**	**199 227 251**
Bulk Purchases	16 158 074	-	-	16 158 074
Contracted Services	44 405 373	-	16 695 785	61 101 158
Depreciation and Amortisation	-	-	820 315	820 315
Employee Related Cost	4 087 264	7 165 640	73 492 341	84 745 246
Finance costs	-	-	174 548	174 548
Inventory Consumed	-	200 164	275 913	476 077
Irrecoverable Debts Written Off	-	164 778	555 059	719 837
Operating Leases	-	-	-	-
Operational Cost	80 094	382 656	19 732 185	20 194 935
Remuneration of Councillors	-	-	14 239 765	14 239 765
Surplus / Deficit	-	-	-	-
Transfers and Subsidies	-	-	597 296	597 296
Gains and Losses	**(5 647 849)**	**26 514 477**	**9 617 803**	**30 484 430**
Disposal of Fixed and Intangible Assets	-	-	-	-
Fair Value Adjustment	-	-	-	-
Impairment Loss	(5 647 849)	26 514 477	9 617 803	30 484 430
Total segment expenditure	**59 082 956**	**34 427 714**	**136 201 012**	**229 711 682**
Total segmental surplus/(deficit)	**(75 291 327)**	**(49 806 245)**	**(370 695 049)**	**(495 792 620)**
Entity's surplus (deficit) for the period				**(495 792 620)**
Assets				
Current assets	1 198 475	(639 808)	181 896 469	182 455 136
Non-current assets	-	-	452 192 539	452 192 539
Total segment assets	**1 198 475**	**(639 808)**	**634 089 008**	**634 647 675**

Notes to the Annual Financial Statements

Figures in Rand

Total assets as per Statement of financial Position				**634 647 675**
Liabilities				
Current liabilites	(1 848 643)	(3 408 698)	(102 921 737)	(108 179 078)
Non-current liabilities	-	-	(12 029 000)	(12 029 000)
Total segment liabilities	**(1 848 643)**	**(3 408 698)**	**(114 950 737)**	**(120 208 078)**
Total liabilities as per Statement of financial Position				**(120 208 078)**