Enoch Mgijima Local Municipality
(Registration number EC139)
Annual Financial Statements
for the year ended 30 June 2024

General Information

Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no. 117 of 1998)
Nature of business and principal activities	Enoch Mgijima Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)
Mayoral committee	
Executive Mayor	Mayor M Papiyana
Executive Committee	Cllr N Nqabisa (Speaker)
	Cllr N S Ndlebe (Chief Whip)
	Cllr S Lali (Community Services Portfolio Head)
	Cllr O Adonisi (Human Settlement and Land Portfolio Head)
	Cllr B C Simina (SPU Portfolio Head)
	Cllr P Madubedube(Corporate Services Portfolio Head)
	Cllr T Bunu (IPED Portfolio Head)
	Cllr U Galada (Budget and Treasury Portfolio Head)
	Cllr Z N E Ralane (Public Safety Portfolio Head)
	Cllr M Mangcotywa (Technical Services Portfolio Head) Cllr A N Hendriks (MPAC)
	Cllr M Mnyaka
	Cllr L A Haggard
	Cllr D D MacTaggart
	Cllr D U Stellenberg
	Cllr K L Clark
	Cllr S C Ndarala
	Cllr A T Cetywayo
	Cllr N M Solani
	Cllr S V Mkefa
	Cllr V S Nqayi
	Cllr P P Z Mandile (Resigned 9 April 2024)
	Cllr N S Kweza
	Cllr A B Zondi
	Cllr F N Duda
	Cllr W Booi
	Cllr K Nonyongo
	Cllr E Mavango
	Cllr S Neli
	Cllr Z Baleni
	Cllr X Williams
	Cllr A Sizani
	Cllr M Ndyalivani
	Cllr N Nduku
	Cllr L L Ndlebe
	Cllr Z S Manqaphela
	Cllr T M Panya
	Cllr T Vali
	Cllr N X Tom
	Cllr S Dukwe

General Information

	Cllr L Komeni
	Cllr S Plaatjie
	Cllr N Makasi
	Cllr A Keva
	Cllr N Yaliwe
	Cllr S A Qwalela
	Cllr L Pukwana
	Cllr N C Twalo
	Cllr Z S Tutwana
	Cllr M Ngesi
	Cllr S Mkhunqe
	Cllr V V Bomela
	Cllr M S Hokolo
	Cllr B Fingwana Geld
	Cllr E N Marawu
	Cllr G T Titus
	Cllr C O Everitt
	Cllr A A Ngoma
	Cllr M M Jacobs (Appointed 1 September 2023)
	Cllr A Ngonyama
	Cllr L C S Tokwe
	Cllr H A Deysel
	Cllr B Quqa
	Cllr A A Ganca
Jurisdiction	Molteno, Hofmeyer, Sterkstroom, Tarkastad, Whittlesea, Komani
Accounting Officer	A. Ntengenyane
Registered office	70 Cathcart Road Komani 5320
Postal address	Private Bag X7111 Komani 5320
Bankers	First National Bank
Auditors	Auditor-General of South Africa (AGSA)
Attorneys	Bashe, Mhlontlo & Company Incorporated Bowes McDougall Incorporated Wesley Pretorius & Associates Incorporated Peyper Attorneys Mbabane Maswazi Incorporated

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

EPWP	Expanded Public Works Programme
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
INEG	Integrated National Electrification Programme Grant
IPSAS	International Public Sector Accounting Standards
ISDG	Integrated Skills Development Grant
MDTG	Municipal Demarcation Transition Grant
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MSIG	Municipal Systems Improvement Grant
mSCOA	Municipal Standard Chart of Accounts
MDRG	Municipal Disaster Relief Grant
OTP	Office of the Premier

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The annual financial statements set out on pages 5 to 110, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024 and were signed by her:

ANtengenyane

A Ntengenyane
Municipal Manager

Statement of Financial Position as at 30 June 2024

	Notes	2024	2023
Assets			
Current Assets			
Inventories	3	3 180 236	-
Receivables from exchange transactions	4	82 226 932	134 989 823
Receivables from non-exchange transactions	5	110 825 765	141 467 560
VAT receivable	14	1 015 564	1 281 529
VAT accrual - input	6	163 904 501	140 626 787
Cash and cash equivalents	7	72 755 914	37 197 521
		433 908 912	**455 563 220**
Non-Current Assets			
Biological assets	8	7 120 557	5 708 066
Investment property	9	326 352 511	326 352 511
Property, plant and equipment	10	1 277 672 549	1 458 706 805
Heritage assets	11	2 510 920	2 510 920
		1 613 656 537	**1 793 278 302**
Total Assets		**2 047 565 449**	**2 248 841 522**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	1 468 613 980	1 270 594 334
Payables from non-exchange transactions	13	941 862	941 862
Consumer deposits	15	11 272 521	10 946 493
Employee benefit obligation	16	43 448 688	50 130 885
Unspent conditional grants and receipts	17	40 068 185	10 407 620
VAT accrual - output	18	87 112 187	75 934 035
		1 651 457 423	**1 418 955 229**
Non-Current Liabilities			
Finance lease obligation	19	1 205 112	2 202 707
Employee benefit obligation	16	40 731 000	40 541 000
Provisions	20	105 117 248	246 955 189
		147 053 360	**289 698 896**
Total Liabilities		**1 798 510 783**	**1 708 654 125**
Net Assets		**249 054 666**	**540 187 397**
Accumulated surplus		249 054 666	540 187 397
Total Net Assets		**249 054 666**	**540 187 397**

Statement of Financial Performance

	Notes	2024	2023
Revenue			
Revenue from exchange transactions			
Service charges	21	347 810 732	320 959 989
Rental of facilities and equipment	22	3 674 265	3 590 308
Interest earned on debtors		113 663 885	89 342 681
Income from agency services	23	4 420 273	3 954 977
Licences and permits	24	4 693 120	3 457 560
Other revenue	25	104 847 005	48 336 540
Other income	26	7 824 445	6 444 884
Interest received on investments	27	6 805 976	4 691 475
Total revenue from exchange transactions		**593 739 701**	**480 778 414**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	28	146 525 792	147 336 827
Transfer revenue			
Government grants and subsidies	29	349 820 158	331 764 425
Public contributions and donations	30	90 713	2 791 626
Fines	31	3 110 919	3 585 898
Total revenue from non-exchange transactions		**499 547 582**	**485 478 776**
Total revenue		**1 093 287 283**	**966 257 190**
Expenditure			
Employee related costs	32	(321 903 530)	(340 591 829)
Remuneration of councillors	33	(28 363 758)	(27 287 560)
Depreciation and amortisation	34	(76 721 053)	(67 189 025)
Finance costs	35	(72 799 224)	(98 758 883)
Debt Impairment	36	(295 598 478)	(131 924 105)
Repairs and maintenance	37	(24 356 090)	(24 763 709)
Bulk purchases	38	(377 658 224)	(311 219 146)
Contracted services	39	(52 395 465)	(46 046 734)
Transfers and Subsidies	40	(1 629 816)	(1 737 018)
General Expenses	41	(165 906 252)	(101 524 666)
Total expenditure		**(1 417 331 890)**	**(1 151 042 675)**
Operating deficit		**(324 044 607)**	**(184 785 485)**
Loss on disposal of assets and liabilities		(537 687)	(12 197)
Gain / Loss on foreign exchange		43 782	(286 417)
Actuarial gains/losses	16	3 296 000	3 001 000
Fair value adjustment on biological assets		1 412 490	(1 881 303)
Impairment loss	44	(34 627 269)	(2 677 123)
VAT provision write off		(1 367 688)	-
Eskom interest adjustment	42	64 692 243	-
		32 911 871	**(1 856 040)**
Deficit for the year		**(291 132 736)**	**(186 641 525)**

Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Balance at 01 July 2022	**726 828 922**	**726 828 922**
Changes in net assets		
Restated* deficit for the year	(186 641 525)	(186 641 525)
Total changes	(186 641 525)	(186 641 525)
Balance at 01 July 2023	**540 187 402**	**540 187 402**
Changes in net assets		
Deficit for the year	(291 132 736)	(291 132 736)
Total changes	(291 132 736)	(291 132 736)
Balance at 30 June 2024	**249 054 666**	**249 054 666**
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Cash Flow Statement

	Notes	2024	2023
Cash flows from operating activities			
Receipts			
Rates and services		334 339 428	219 906 700
Government grants and subsidies		392 462 117	305 762 565
Interest income		120 469 861	94 034 156
Other receipts		142 335 136	63 802 308
		989 606 542	683 505 729
Payments			
Employee costs		(357 052 597)	(365 532 508)
Suppliers		(450 487 858)	(166 898 294)
Finance costs		(49 832 391)	(89 947 124)
		(857 372 846)	(622 377 926)
Net cash flows from operating activities	45	**132 233 696**	**61 127 803**
Cash flows from investing activities			
Purchase of movable and immovable assets	10	(95 677 708)	(90 504 076)
Cash flows from financing activities			
Movement in finance leases		(997 595)	2 202 707
Net increase/(decrease) in cash and cash equivalents		**35 558 393**	**(27 173 566)**
Cash and cash equivalents at the beginning of the year		37 197 521	64 371 087
Cash and cash equivalents at the end of the year	7	**72 755 914**	**37 197 521**

Statement of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	459 103 255	(3 931 324)	**455 171 931**	347 810 732	**(107 361 199)**	62.1
Rental of facilities and equipment	4 758 570	-	**4 758 570**	3 674 265	**(1 084 305)**	62
Interest received on debtors	36 926 673	29 026 327	**65 953 000**	113 663 885	**47 710 885**	62.2
Income from agency services	4 582 200	1 207 198	**5 789 398**	4 420 273	**(1 369 125)**	62.3
Licences and permits	3 695 300	632 636	**4 327 936**	4 693 120	**365 184**	
Miscellaneous other revenue	-	-	**-**	104 847 005	**104 847 005**	
Other income	12 612 994	(6 186 354)	**6 426 640**	7 824 445	**1 397 805**	62.4
Interest received on investments	4 794 400	550 719	**5 345 119**	6 805 976	**1 460 857**	62.5
Total revenue from exchange transactions	**526 473 392**	**21 299 202**	**547 772 594**	**593 739 701**	**45 967 107**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	151 491 633	-	**151 491 633**	146 525 792	**(4 965 841)**	62.6
Transfer revenue						
Operating	246 919 900	9 831 700	**256 751 600**	254 758 258	**(1 993 342)**	
Public contributions and donations	-	-	**-**	90 713	**90 713**	62.5
Fines, Penalties and Forfeits	5 666 683	(2 447 499)	**3 219 184**	3 110 919	**(108 265)**	62.
Total revenue from non-exchange transactions	**404 078 216**	**7 384 201**	**411 462 417**	**404 485 682**	**(6 976 735)**	
Total revenue	**930 551 608**	**28 683 403**	**959 235 011**	**998 225 383**	**38 990 372**	
Expenditure						
Employee related costs	(363 813 775)	214 300	**(363 599 475)**	(321 903 530)	**41 695 945**	
Remuneration of councillors	(26 544 292)	(1 280 000)	**(27 824 292)**	(28 363 758)	**(539 466)**	
Depreciation and amortisation	(53 678 008)	3 100 000	**(50 578 008)**	(76 721 053)	**(26 143 045)**	
Impairment loss	-	-	**-**	(34 627 269)	**(34 627 269)**	62.7
Finance costs	(52 195 367)	(8 271 311)	**(60 466 678)**	(72 799 224)	**(12 332 546)**	62.9
Debt Impairment	(50 570 443)	7 000 000	**(43 570 443)**	(295 598 478)	**(252 028 035)**	62.10
Other materials / Repairs and maintenance	(8 338 300)	(3 574 850)	**(11 913 150)**	(24 356 090)	**(12 442 940)**	62
Bulk purchases	(317 945 234)	(12 813 451)	**(330 758 685)**	(377 658 224)	**(46 899 539)**	62.11
Contracted Services	(52 268 858)	(1 782 680)	**(54 051 538)**	(52 395 465)	**1 656 073**	
Transfers and Subsidies	(2 200 000)	-	**(2 200 000)**	(1 629 816)	**570 184**	62.12
General Expenses	(48 041 243)	(20 331 163)	**(68 372 406)**	(165 906 252)	**(97 533 846)**	62.13
Total expenditure	**(975 595 520)**	**(37 739 155)**	**(1 013 334 675)**	**(1 451 959 159)**	**(438 624 484)**	
Operating deficit	**(45 043 912)**	**(9 055 752)**	**(54 099 664)**	**(453 733 776)**	**(399 634 112)**	
Loss on disposal of assets and liabilities	27 000 000	-	**27 000 000**	(537 687)	**(27 537 687)**	62.14

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Gain on foreign exchange	-	-	-	43 782	**43 782**	
Actuarial gains/losses	-	-	-	3 296 000	**3 296 000**	62.15
Fair value adjustment on biological assets	-	-	-	1 412 490	**1 412 490**	62.16
Inventories losses/write-downs	-	-	-	(1 367 688)	**(1 367 688)**	
Eskom debt waiver	-	-	-	64 692 243	**64 692 243**	
	27 000 000	**-**	**27 000 000**	**67 539 140**	**40 539 140**	
Surplus	**(18 043 912)**	**(9 055 752)**	**(27 099 664)**	**(386 194 636)**	**(359 094 972)**	
Surplus / (deficit) for the year from continuing operations	**(18 043 912)**	**(9 055 752)**	**(27 099 664)**	**(386 194 636)**	**(359 094 972)**	
Transfers recognised - capital	113 159 100	112 360 920	**225 520 020**	95 061 900	**(130 458 120)**	62.17
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**95 115 188**	**103 305 168**	**198 420 356**	**(291 132 736)**	**(489 553 092)**	

Accounting Policies

	Notes	2024	2023

1. Presentation of Annual Financial Statements

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

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

These accounting policies are consistent with the previous year.

1.1 Going concern assumption

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

1.2 Materiality

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

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

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables and other receivables

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

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

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

Employee benefit obligation

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

Effective interest rate

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

Useful lives of Property, plant and equipment, Intangible assets and Investment property

The municipality depreciates/amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets are based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.4 Biological assets

A biological asset is a living animal or plant.

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

Accounting Policies

1.4 Biological assets (continued)

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

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

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

Biological assets are derecognised when disposed off. The gains or losses are then recognised through the Statement of Financial Performance.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

The cost of self-constructed investment property is the cost at the date of completion.

Cost model

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

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

Item	**Useful life**
Property - land	indefinite
Property - buildings	7-100 years

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

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

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

The following criteria have been applied to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations:

- All properties held to earn market-related rentals or for capital appreciation, or for both, are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment property;

Accounting Policies

1.5 Investment property (continued)

- Land held for currently undetermined future use. If the municipality has not determined that it will use the land as owner-occupied property, or for a short-term sale in the ordinary course of business, the land is regarded as being held for capital appreciation;
- A building owned by the municipality (or held by the municipality under finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the housing board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held on to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall into the ambit of investment property, and shall be classified as Property, plant and equipment or Non-current assets held for sale (where appropriate):

- Property held for sale in the ordinary course of operations;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property;
- Property that is being constructed or developed for future use as investment property;
- Property that is being leased out under finance lease;
- Property that is held to provide a social service and which also generates cash flows; and
- Property held for strategic purposes and service delivery.

Property interest held under operating leases are classified and accounted for as investment property, if the property interest that is held by the lessee under an operating lease may be classified and accounted for as investment property, provided that the property would otherwise meet the definition of investment property and the lessee uses the fair value model.

When classification is difficult, the criteria used to distinguish investment properties from owner-occupied property held for sale is established by using criteria that it can utilise to exercise judgement consistently in accordance with the definition of investment property and with the related guidance.

Subsequent to initial recognition, investment property is carried at cost less accumulated depreciation and impairment. No depreciation is recognised where the residual value of the property exceeds the historical cost of the investment property.

Derecognition

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

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

Impairment

Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.
An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost at 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.

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

Land is not depreciated as it is regarded as having an infinite life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to 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. Components of assets that are significant in relation to the whole asset or that have different useful lives, are depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise.

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

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

The Economic Useful Life ("EUL") of an asset has been determined with reference to the Local Government Capital Asset Management Guidelines and the Guidelines for Infrastructure Asset Management in Local Government and tailored to the Municipalities specific requirements where applicable.

Impairment

Where the carrying amount of Property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

Accounting Policies

1.6 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Land		Indefinite years
Infrastructure		
• Roads	Straight line	5 - 80 years
• Buildings	Straight line	7 - 100 years
• Electricity	Straight line	15 - 60 years
• Landfill sites	Straight line	15 - 55 years
Other property, plant and equipment		
• Motor vehicles	Straight line	15 years
• Furniture and fittings	Straight line	10 years
• Machinery and equipment	Straight line	10 years
• Computer equipment	Straight line	7 years
Community	Straight line	7 - 100 years

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

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

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

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

Incomplete construction work

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

Finance leases

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

Infrastructure assets

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

Derecognition of property, plant and equipment assets

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

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

1.7 Heritage assets

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

1.7 Heritage assets (continued)

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Transfers

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

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

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised. The gain or loss is the difference between the proceeds and the carrying amount of the intangible asset.

1.8 Financial instruments

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

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

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

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

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

Accounting Policies

1.8 Financial instruments (continued)

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

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

A financial asset is:

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

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

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

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

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

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

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

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

1.8 Financial instruments (continued)

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Reclassification

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

Gains and losses

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

Impairment and uncollectibility of financial assets

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

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

Financial assets measured at cost:

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

Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

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

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

Financial liabilities

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

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

Presentation

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

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

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

1.9 Statutory receivables

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Accounting Policies

1.9 Statutory receivables (continued)

Subsequent measurement

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

Accrued interest

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

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

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

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

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:
- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or

Accounting Policies

1.9 Statutory receivables (continued)

- 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:
  - derecognises 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.

1.10 Leases

The Municipality as a lessee

Leases are classified as finance leases where substantially all the risks and rewards of ownership are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the asset or if lower the present value of the minimum lease payments determined at the inception of the lease. Corresponding liabilities are included as finance lease liabilities. The corresponding liabilities are initially recognised at the inception of the lease and measured at the sum of the minimum lease payments discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payment and unguaranteed residual values to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the capital and finance costs portions using the effective interest method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between finance costs and capital repayment using the effective interest method. Lease finance costs are expensed when incurred. The accounting policies relating to the derecognition of financial instruments are applied to lease payables. The leased asset is depreciated over the shorter of the useful life of the asset or the lease term.

The Municipality as a lessor

Operating lease rental income is recognised on a straight line over the term of the relevant lease.

Operating leases - lessor

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

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

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

Operating leases - lessee

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

1.11 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

1.11 Inventories (continued)

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

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

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

1.12 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Identification of a potential impairment

The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

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

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

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Value in use

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

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Recognition and measurement (cash-generating units)

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally.

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

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

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

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

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

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

Reversal of impairment loss

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

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

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

Redesignation

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

1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

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

Identification of a potential impairment

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

Redesignation

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

1.14 Employee benefits

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

Termination benefits are employee benefits payable as a result of either:
- the municipality’s decision to terminate an employee’s employment before the normal retirement date; or
- an employee’s decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from the municipality’s actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.14 Employee benefits (continued)

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 municipality 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 municipality 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 municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefits: Defined contribution plans

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

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

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality 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 contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount 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 obligation.

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality 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.

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

The 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;
- plus any liability that may arise as a result of a minimum funding requirement

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

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

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.

Accounting Policies

1.14 Employee benefits (continued)

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
- 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.

Other post retirement obligations

The municipality provides post-retirement health care benefits upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

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

The municipality 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.

1.15 Provisions and contingencies

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

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

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

Accounting Policies

1.15 Provisions and contingencies (continued)

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

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

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

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

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

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

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

Future events that may affect the amount required to settle the obligation are reflected in the amount of the provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of an asset are taken into account in measuring a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.13.

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

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

1.16 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of resources embodying economic benefits or service potential. A commitment is disclosed to the extent that it has not already been recognised anywhere else in the financial statements.

At the end of each financial period the municipality determines commitments in respect of capital expenditure that has been approved and contracted for which is then disclosed on the commitment note to the financial statements.

Accounting Policies

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

Rendering of services

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

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

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

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

Interest

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

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

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

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Service Charges

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

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

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

Finance Income

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

Tariff Charges

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

Income from Agency Services

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

Rentals

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

1.18 Revenue from non-exchange transactions

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

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

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

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

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

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

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Taxes

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

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

Donations are recognised on a cash receipts or where the donation is in the form of; property, plant and equipment, when such items are available for use.

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

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

Government Grants

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

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

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

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

Other grants and donations

The municipality transfers money to individuals or organisations and other sectors of government from time to time, when making these transfers the municipality does not:
- receive goods and services in return as would be expected in a purchase or sale transaction;
- expect to be repaid in future; and
- expect a financial return as would be expected from investment.

1.18 Revenue from non-exchange transactions (continued)

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

1.19 Investment income

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

1.20 Borrowing costs

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

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

1.21 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

1.21 Accounting by principals and agents (continued)

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.

1.22 Comparative figures

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

1.23 Unauthorised expenditure

Unauthorised expenditure means:

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

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

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

1.24 Fruitless and wasteful expenditure

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

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

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

1.25 Irregular expenditure

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

Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

1.25 Irregular expenditure (continued)

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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

1.26 Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery from the responsible councilors or officials is virtually certain. Such revenue is based on legislated procedures.

1.27 Offsetting

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

1.28 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.29 Budget information

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

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

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

1.30 Related parties

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

Related party transaction is a transfer of resources, services or obligations between the municipality and a related party.

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

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

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

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

1.31 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

1.32 Change in accounting policy, estimates and errors

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

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

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction if errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 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 and liabilities and net assets for the earliest period for which retrospective treatment is practicable. Details of the prior period errors are disclosed in the note to the financial statements where applicable.

1.33 Value Added Tax (VAT)

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

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

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

The municipality accounts for VAT on a payment basis.

Notes to the Annual Financial Statements

	2024	2023

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 103 Heritage Assets (amendments)	No effective date	Unlikely there will be a material impact
• GRAP 1 Presentation of financial statements (amendments)	No effective date	Unlikely there will be a material impact
• GRAP 105 Transfer of Functions Between Entities Under Common Control (amendments)	No effective date	Unlikely there will be a material impact
• GRAP 106 Transfer of Functions Between Entities Not Under Common Control (amendments)	No effective date	Unlikely there will be a material impact
• GRAP 107 Mergers (amendments)	No effective date	Unlikely there will be a material impact
• Amendments Improvements to Standards of GRAP	No effective date	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 (amended): Financial Instruments	01 April 2025	Unlikely there will be a material impact

3. Inventories

	2024	2023
Prepaid electricity meters and accessories	3 180 236	-
Inventories recognised as an expense during the year	862 764	-

Inventory pledged as security

No inventory was pledged as security for any liability.

The municipality made a significant purchase of prepaid electricity meters for the electrification of houses and replacement of faulty meters during the 2024 financial year. A large number of the meters were still on hand at year end.

4. Receivables from exchange transactions

	2024	2023
Trade debtors	1 008 644 509	878 479 860
Other debtors	2 902 679	4 880 783
Prepaid electricity debtor	17 447 564	26 986 293
Prepaid expenses	46 929	47 091
Impairment of debtors	(946 814 749)	(775 404 204)
	82 226 932	**134 989 823**

4. Receivables from exchange transactions (continued)

Aging of receivables from exchange transactions by service type

Ageing of receivables from exchange transactions - 2024	0 - 30 days	31 - 60 days	61 - 90 days	90+ days	120+ days	Total
Deposits	750	-	-	750	209 289	210 789
Electricity	5 246	18 611 024	8 464 205	6 140 705	112 756 240	145 977 420
Interest	999	9 910 424	9 817 339	9 658 553	456 606 486	485 993 801
Refuse	176 219	7 703 099	7 086 838	6 796 642	468 647 728	490 410 526
Sundries	457	442 033	270 247	243 749	62 797 102	63 753 588
	183 671	**36 666 580**	**25 638 629**	**22 840 399**	**101 016 845**	**186 346 124**

Ageing of receivables from exchange transactions - 2023	0 - 30 days	31 - 60 days	61 - 90 days	90+ days	120+ days	Total
Deposits	2 240	1 055	-	1 300	197 333	201 928
Electricity	19 178 091	8 499 862	5 507 231	4 744 791	121 422 033	159 352 008
Refuse	13 023 203	10 829 387	10 296 388	10 148 866	581 062 223	625 360 067
Sundries	1 059 524	779 707	667 320	651 565	103 264 892	106 423 008
Interest	299 181	270 377	210 382	207 158	9 796 539	10 783 637
	33 562 239	**20 380 388**	**16 681 321**	**15 753 680**	**815 743 020**	**902 120 648**

Ageing of receivables from exchange transactions by type of debtor

Ageing by type of debtor - 2024	0 - 30 days	31 - 60 days	61 - 90 days	91 - 120 days	120+ days	Total
Agriculture	17 865	314 665	217 529	211 361	11 754 154	12 515 574
Business	172 224	10 953 801	3 896 997	2 520 171	49 269 165	66 812 358
Domestic	(228 711)	13 104 071	11 661 258	11 604 949	006 559 740	042 701 307
Government	(1 587 469)	4 545 291	3 461 657	3 838 555	49 823 985	60 082 019
Other	-	64 508	62 998	62 700	4 044 660	4 234 866
	(1 626 091)	**28 982 336**	**19 300 439**	**18 237 736**	**121 451 704**	**186 346 124**

Ageing by type of debtor - 2023	0 - 30 days	31 - 60 days	61 - 90 days	90+ days	120+ days	Total
Agriculture	179 922	282 142	129 899	109 465	4 218 365	4 919 793
Business	16 842 421	2 784 632	2 061 898	1 922 002	39 387 811	62 998 764
Domestic	12 151 044	11 351 736	10 477 059	10 122 605	702 420 400	746 522 844
Government	2 065 907	795 447	596 690	423 221	17 072 404	20 953 669
Other	6 894 013	3 379 998	2 693 044	3 036 593	50 721 930	66 725 578
	38 133 307	**18 593 955**	**15 958 590**	**15 613 886**	**813 820 910**	**902 120 648**

Receivables from exchange transactions pledged as security

No receivables from exchange transactions have been pledged as security for any liabilities.

Notes to the Annual Financial Statements

	2024	2023

4. Receivables from exchange transactions (continued)

Receivables from exchange past due but not impaired

At 30 June 2024, R 67 865 033 (2023: R 52 397 780) were past due but not impaired.

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

31 - 60 days	3 711	10 314 845
61 - 90 days	6 505 325	1 972 393
91 - 120 days	3 147 482	2 127 193
120+ days	58 208 515	37 983 349
	67 865 033	**52 397 780**

Receivables from exchange transactions impaired

As of 30 June 2024, trade and other receivables of R 1 093 493 502 (2023: R 741 338 972) were impaired and provided for.

0 - 30 days	179 960	43 627 785
31 - 60 days	30 161 255	14 708 931
61 - 90 days	22 491 147	13 626 589
90+ days	20 466 972	13 712 178
120+ days	1 020 194 168	655 663 489
	1 093 493 502	**741 338 972**

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(741 338 972)	(781 735 721)
Provision for impairment	(388 049 369)	40 396 749
Amounts written off as uncollectible	35 894 839	-
	(1 093 493 502)	**(741 338 972)**

Debtors are required to settle within 30 days. Interest is charged after this date at prime + 1%. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

Debtors are evaluated for impairment on an individual basis using their payment history and taking into consideration the nature of the debtor and the policies of the Municipality.

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

The amounts written off as uncollectible consists of the write off of amounts owed by Indigent debtors that was approved by Council.

5. Receivables from non-exchange transactions

Assessment rates	630 236 384	558 386 721
Government grants and subsidies	-	12 981 394
Impairment of debtors	(524 613 183)	(434 416 123)
Traffic fines	5 202 564	4 515 568
	110 825 765	**141 467 560**

	2024	2023

5. Receivables from non-exchange transactions (continued)

Ageing by service type

Ageing of receivables from non-exchange transactions - 2024	0 - 30 days	31 - 60 days	61 - 90 days	90+ days	120+ days	Total
Assessment rates	1 738	11 889 007	8 012 513	7 503 270	375 165 522	402 572 050
	1 738	**11 889 007**	**8 012 513**	**7 503 270**	**375 165 522**	**402 572 050**

Ageing of receivables from non-exchange transactions - 2023	0 - 30 days	31 - 60 days	61 - 90 days	90+ days	120+ days	Total
Assessment rates	21 450 760	10 390 410	9 640 443	9 282 403	445 553 386	496 317 402
	21 450 760	**10 390 410**	**9 640 443**	**9 282 403**	**445 553 386**	**496 317 402**

Ageing by debtor type

Ageing of receivables from non-exchange transactions by debtor type - 2024	0 - 30 days	31 - 60 days	61 - 90 days	90+ days	120+ days	Total
Agricultural	1 068 712	136 502	114 105	112 722	16 650 296	18 082 337
Business	1 953 657	1 586 075	578 471	398 304	14 619 621	19 136 128
Domestic	2 967 891	6 066 841	5 355 626	4 919 125	334 645 792	353 955 275
Government	(6 355 004)	68 425	68 132	59 883	17 556 874	11 398 310
	(364 744)	**7 857 843**	**6 116 334**	**5 490 034**	**383 472 583**	**402 572 050**

Ageing of receivables from non-exchange transactions by debtor type - 2023	0 - 30 days	31 - 60 days	61 - 90 days	90+ days	120+ days	Total
Agricultural	389 907	376 952	361 290	359 288	25 837 785	27 325 222
Business	2 017 485	802 760	637 502	577 798	16 797 349	20 832 894
Domestic	8 852 474	7 536 944	7 032 215	6 752 955	355 991 894	386 166 482
Government	1 095 030	328 287	312 716	311 762	21 243 958	23 291 753
Other	9 095 863	1 345 465	1 296 719	1 280 599	25 682 405	38 701 051
	21 450 759	**10 390 408**	**9 640 442**	**9 282 402**	**445 553 391**	**496 317 402**

Statutory receivables included in receivables from non-exchange transactions above are as follows:

	2024	2023
Assessment rates	402 572 050	496 317 402
Traffic fines	5 228 564	4 515 568
Government grants and subsidies	-	12 981 394
	407 800 614	**513 814 364**

Statutory receivables general information

Section 229 of the Constitution entitles municipalities to impose rates on property in their areas, subject to regulation in terms of national legislation. Property rates are levied in accordance with the Municipal Property Rates Act (act 6 of 2004) and the municipality's bylaws and rates policy.

Traffic fines are imposed in accordance with the the National Road Traffic Act (act 93 of 1996) and the municipal bylaws.

Notes to the Annual Financial Statements

	2024	2023

5. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions past due but not impaired

At 30 June 2024, R 23 160 715 (2023: R 25 788 500) were past due but not impaired.

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

31 - 60 days	694 891	1 766 498
61 - 90 days	468 317	346 167
91 - 120 days	138 552	342 588
120+ days	21 858 955	23 333 247
	23 160 715	**25 788 500**

Receivables from non-exchange transactions impaired

As of 30 June 2024, other receivables from non-exchange transactions of R 288 736 086 (2023: R 247 578 682) were impaired and provided for.

0 - 30 days	6 393 568	6 702 158
31 - 60 days	7 222 994	6 021 447
61 - 90 days	5 622 185	4 998 295
91 - 120 days	5 046 485	4 514 218
120+ days	264 450 854	225 342 564
	288 736 086	**247 578 682**

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

Opening balance	(247 578 682)	(253 012 485)
Provision for impairment	(53 054 342)	5 433 803
Amounts written off as uncollectible	11 896 938	-
	(288 736 086)	**(247 578 682)**

6. VAT accrual - input

VAT accrual - input	163 904 501	140 626 787

	2024	2023

7. Cash and cash equivalents

Cash and cash equivalents consist of:

	2024	2023
Cash on hand	53 175	42 285
Bank balances	6 075 564	4 054 476
Short-term deposits	66 627 175	33 100 760
	72 755 914	**37 197 521**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
FNB BANK - Current Account - 624-38159-809	3 889 098	2 286 520	2 820 401	4 262 934	2 311 552	3 270 695
ABSA BANK - Current Account - 21-6014-3854	1 850 708	1 742 924	1 589 924	1 850 708	1 742 924	1 589 924
FNB BANK - Call Account - 624-59044-162	9 606 117	22 716 599	3 129 026	9 606 117	22 716 599	3 129 026
FNB BANK - Call Account - 624-96427-967	1 000	1 000	1 000	1 000	1 000	1 000
FNB BANK - Call Account - 624-96436-265	1 857 725	1 000	1 000	1 857 725	1 000	1 000
FNB BANK - Call Account - FMG - 624-96439-607	1 000	1 000	1 000	1 000	1 000	1 000
FNB BANK - Call Account - 625-99305-763	1 000	10 943	1 030	1 000	10 943	1 030
FNB BANK - Call Account - 628-97156-529	1 000	2 003 694	14 011	1 000	2 003 694	14 011
FNB BANK - Call Account - 624-96441-842	1 000	370 096	23 427 690	1 000	370 096	23 427 690
FNB BANK - Call Account - 628-52253-261	19 418	7 995 157	32 890 412	19 418	7 995 157	32 890 567
FNB BANK - Call Account - 628-52254-300	14 950 854	1 115	1 065	14 950 854	1 115	1 065
FNB BANK - Call Account - 630-58979-411	40 186 905	-	-	40 187 061	-	-
FNB BANK - Call Account - 630-58980-822	1 000	-	-	1 000	-	-
Total	**72 366 825**	**37 130 048**	**63 876 559**	**72 740 817**	**37 155 080**	**64 327 008**

8. Biological assets

	2024			2023		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Game animals	7 120 557	-	7 120 557	5 708 066	-	5 708 066

Reconciliation of biological assets - 2024

	Opening balance	Fair value adjustment	Total
Game animals	5 708 066	1 412 491	7 120 557

Reconciliation of biological assets - 2023

	Opening balance	Fair value adjustment	Total
Game animals	7 589 369	(1 881 303)	5 708 066

8. Biological assets (continued)

Non-financial information

No restrictions are placed on biological assets.

No biological assets were pledged as security for liabilities.

There are no commitments for the acquisition of biological assets.

All biological assets are located in the nature reserve and spa. The primary activities revolving around biological assets are as follows:

- Ensure that the game life of the Municipality are conserved for future generations.
- Ensure that game numbers are managed adequately. When the need arises to reduce the game number, prospective hunters are invited to submit tenders for the purchase of game, resulting in an inflow of economic resources to the municipality.

Due to the unwillingness of insurance companies to carry the risk and potential losses relating to biological assets, the financial risk is managed as follows:

- Regular inspection and maintenance of boundary fences to manage movement of biological assets.
- Regular monitoring of game quantities by municipal staff.

Methods and assumptions used in determining fair value

Game type	2024 Quantity	2024 Fair value	2023 Quantity	2023 Fair value
Rhino	8	1 280 000	10	975 000
Giraffe	23	391 000	28	401 128
Eland	62	1 395 000	46	412 574
Kudu	29	199 578	42	344 064
Zebra	64	556 736	67	442 401
Nyala	12	67 596	18	108 000
Lechwe	54	411 750	48	432 000
Blesbok	48	136 752	45	116 280
Impala	141	276 642	150	265 050
Springbok	31	131 750	34	92 174
Fallow Deer	20	180 000	21	63 000
Gemsbok	37	388 500	38	307 420
Black Wildebeest	85	390 150	91	450 177
Red Hartebeest	94	965 662	102	958 086
Ostrich	9	28 440	12	54 768
Mountain Reed Buck	11	66 000	12	130 944
Buffalo	10	255 000	10	155 000
	738	**7 120 556**	**774**	**5 708 066**

An active market exists for game therefore the fair value of the game was determined with reference to the price in the relevant market.

In 2018 the Municipality exchanged three white rhinoceroses for 10 buffalo. The buffalo are being kept on a private game reserve until the Municipal game reserve has been made suitable.

Notes to the Annual Financial Statements

	2024	2023

9. Investment property

	2024			2023		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	326 352 511	-	326 352 511	326 352 511	-	326 352 511

Reconciliation of investment property - 2024

	Opening balance	Total
Investment property	326 352 511	326 352 511

Reconciliation of investment property - 2023

	Opening balance	Total
Investment property	326 352 511	326 352 511

Pledged as security

No investment has been pledged as security for any liability.

Key judgements and assumptions regarding control over land

Property owned by the Municipality that has RDP houses built on it has not been included in Investment Property as the municipality does not control access to the land.

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

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2024			2023		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	197 438 917	-	197 438 917	197 438 917	-	197 438 917
Buildings	137 621 002	(94 592 114)	43 028 888	137 551 424	(85 653 045)	51 898 379
Furniture and fixtures	8 395 563	(5 392 716)	3 002 847	7 519 566	(4 609 816)	2 909 750
Motor vehicles	43 957 217	(16 509 079)	27 448 138	38 851 478	(11 392 209)	27 459 269
IT equipment	14 578 768	(6 391 836)	8 186 932	12 327 881	(4 434 697)	7 893 184
Electricity	349 558 540	(184 325 008)	165 233 532	347 108 685	(169 840 383)	177 268 302
Roads and storm water	1 000 074 642	(557 543 673)	442 530 969	936 830 314	(525 197 845)	411 632 469
Landfill sites	52 451 646	(35 091 816)	17 359 830	217 256 420	(16 082 555)	201 173 865
Work in progress	223 982 680	(68 188 662)	155 794 018	197 610 510	(25 581 979)	172 028 531
Community assets	415 696 627	(204 977 075)	210 719 552	384 830 858	(179 973 473)	204 857 385
Other equipment	11 901 090	(4 972 164)	6 928 926	7 247 034	(3 100 280)	4 146 754
Total	**2 455 656 692**	**(1 177 984 143)**	**1 277 672 549**	**2 484 573 087**	**(1 025 866 282)**	**1 458 706 805**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Fair value adjustment	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	197 438 917	-	-	-	-	-	-	197 438 917
Buildings	51 898 379	74 520	-	(535)	-	(4 333 870)	(4 609 606)	43 028 888
Furniture and fixtures	2 909 750	111 156	-	-	764 840	(758 260)	(24 639)	3 002 847
Motor vehicles	27 459 269	5 105 738	-	-	-	(2 659 575)	(2 457 294)	27 448 138
IT equipment	7 893 184	1 198 465	-	(243 742)	1 403 139	(2 010 379)	(53 735)	8 186 932
Electricity	177 268 302	-	-	-	2 449 856	(10 364 269)	(4 120 357)	165 233 532
Roads and storm water	411 632 469	-	-	(526 102)	65 496 192	(25 079 430)	(8 992 160)	442 530 969
Landfill sites	201 173 865	-	(164 804 774)	-	-	(19 009 261)	-	17 359 830
Work in progress	172 028 531	88 480 912	-	-	(104 715 425)	-	-	155 794 018
Community assets	204 857 385	-	-	-	30 865 769	(11 364 416)	(13 639 186)	210 719 552
Other equipment	4 146 754	918 427	-	-	3 735 629	(1 141 593)	(730 291)	6 928 926
	1 458 706 805	**95 889 218**	**(164 804 774)**	**(770 379)**	**-**	**(76 721 053)**	**(34 627 268)**	**1 277 672 549**

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Fair value adjustment	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	197 438 917	-	-	-	-	-	-	197 438 917
Buildings	56 298 759	-	-	-	-	(4 400 380)	-	51 898 379
Furniture and fixtures	2 471 412	1 126 813	-	-	-	(688 475)	-	2 909 750
Motor vehicles	21 397 134	8 596 801	-	-	-	(2 534 666)	-	27 459 269
IT equipment	6 232 929	2 802 097	-	-	-	(1 141 842)	-	7 893 184
Electricity	183 709 539	-	-	-	3 846 368	(10 302 952)	15 347	177 268 302
Roads and storm water	414 333 175	-	-	(12 197)	22 889 509	(25 578 018)	-	411 632 469
Landfill sites	129 956 216	-	82 433 310	-	-	(11 215 661)	-	201 173 865
Work in progress	91 408 639	110 048 239	-	-	(26 735 877)	-	(2 692 470)	172 028 531
Community assets	215 431 389	-	-	-	-	(10 574 004)	-	204 857 385
Other equipment	2 915 847	1 983 935	-	-	-	(753 028)	-	4 146 754
	1 321 593 956	**124 557 885**	**82 433 310**	**(12 197)**	**-**	**(67 189 026)**	**(2 677 123)**	**1 458 706 805**

	2024	2023

10. Property, plant and equipment (continued)

Pledged as security

No property, plant and equipment has been pledged as security for any liability.

Property, plant and equipment not found during asset verification to be further investigated		
Computer equipment	3 740 767	-
Furniture and office equipment	147 090	-
Machinery and equipment	261 259	-
Transport	592 448	-
	4 741 564	**-**

The property, plant and equipment that could not be found during the asset verification will be further investigated and disposed of after all processes have been followed. The cost of the assets amounts to R9 925 285.

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

Electricity	21 833 700	22 489 299
Roads and stormwater	124 041 771	183 387 151
Community assets	5 058 737	24 940 543
Landfill sites	5 023 890	9 392 315
	155 958 098	**240 209 308**

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Roads and stormwater	1 886 013	18 628 702
Electricity	2 117 324	15 114 839
	4 003 337	**33 743 541**

Notes to the Annual Financial Statements

	2024	2023

10. Property, plant and equipment (continued)

Details of Projects that are taking a significantly longer period of time to complete than expected

	2024	2023
Central Substation 11kv Underground Cable Upgrade Upon the implementation of the projects, the municipality was affected by gazetting where R2m was taken from the original allocation and the Municipality was only left with R5,4m. the municipality only managed to do the designs on the project and left it at on the procurement stage. The project was subsequently impaired.	-	161 737
Nomzamo T-switch and Central Refurbishment Upon the implementation of the projects, the municipality was affected by gazetting where R2m was taken from the original allocation and the Municipality was only left with R5,4m. the municipality only managed to do the designs on the project and left it at on the procurement stage. The project was subsequently impaired.	-	110 184
Underground Cable Upgrade at Victoria Substation The municipality was further informed by the Department of Minerals and Energy that the project does not meet the grant requirements and will no longer be funded. The municipality only managed to do the designs The project was subsequently impaired.	-	100 247
11Kv Underground Cable Upgrade Network between Town Hall and Alexander As per the monthly progress report dated 24 March 2017 that could be retrieved, the 11kv Underground Cable Upgrade Network between Town Hall to Sanlam Switchgear project was 99% complete in terms of work performed and the only component left was to terminate the cables onto the switchgear that had to be installed by the other service provider.	2 117 324	2 117 324
Upgrading of Gravel Road to Paving In Mlungisi (OR Tambo and Thabo Mbeki Streets) The Service Provider was terminated due to non-perfomance. The Project also could not continue as it was funded by Municipal Funds. The portion of the project that was completed and is in use has been capitalised.	-	8 766 663
Mv and LV Refurbishment of Mlungisi Phase 2 Upon the implementation of the projects the municipality ran out of funds and this affected the completion of the projects as they were managed by one consultant (Magula Erasmus). It is not probable that the municipality will resume this project in the forseeable future.	-	3 348 961
Surfacing of Taxi Routes in Molteno and Sterkstroom Phase 3 Due to unforeseen and unplanned events of public protests and unsatisfactory performance by the contractor the project took longer than anticipated. The project was damaged during the standing time by weather and vehicles using the unfinished road. The project has been impaired.	-	3 785 350
Substation Switchgear Upon the implementation of the projects the municipality ran out of funds and this affected the completion of the projects as they were managed by one consultant (Magula Erasmus). The completed portion of the project that is in use has been capitalised.	-	9 276 386
Construction of Internal Roads Ward 30 The project was halted due to limitation on the funds and the scope that could be completed.	-	6 076 689

	2024	2023
10. Property, plant and equipment (continued)		
Mlungisi Rehabilitation and Maintenance of Surfaced Roads Phase 1B The project was delayed by the completion of Phase 1A.	941 755	-
Mlungisi Rehabilitation and Maintenance of Surfaced Roads Phase 1C The project was delayed by the completion of Phase 1A.	858 658	-
Birch Farm Low Level Bridge The work on the bridge is being done internally by the municipality	85 600	-
	4 003 337	**33 743 541**

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

Impairment

An extensive impairment review was conducted in the 2024 financial year and any assets with triggers for impairment were identified and impairments were raised for the reporting period.

11. Heritage assets

	2024			2023		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Art, antiquities, exhibits and war memorials	2 539 920	(29 000)	2 510 920	2 539 920	(29 000)	2 510 920

Reconciliation of heritage assets 2024

Art, antiquities, exhibits and war memorials	2 510 920	2 510 920

Reconciliation of heritage assets 2023

	Opening balance	Total
Art, antiquities, exhibits and war memorials	2 510 920	2 510 920

Pledged as security

No heritage assets have been pledged as security.

Impairment

The events of the 29th of Jan 2022 led to the burning and demise of the historic Queenstown town hall. The asset is by nature a heritage asset , however, it is used as office dwelling and thus classified as municipal offices. The contents in the building are moveable in nature and some are of historical significance. The building, office equipment and pertinent moveable assets that were in the building are damaged and have been impaired accordingly and disclosed as such in the relevant PPE classes.

The moveable assets of historical significance include the Mayoral chain and badge, which were kept under lock and key in the Mayor's safe. These invaluable contents have been impaired.

Notes to the Annual Financial Statements

	2024	2023

12. Payables from exchange transactions

Trade payables	1 339 166 354	1 179 440 553
Payments received in advance	64 976 044	39 338 836
Other payables	27 967 526	13 256 377
Unallocated deposits	25 378 732	27 217 146
Retention fees	11 047 244	10 970 229
Payroll control	78 080	371 193
	1 468 613 980	**1 270 594 334**

The majority of the Trade creditors balance consists of the debt owed to Eskom. The balance at 30 June 2024 is R1 313 514 575 (2022: R1 128 431 203).

13. Payables from non-exchange transactions

Equitable share excess	941 862	941 862

In 2021 the municipality received more Equitable Share than was allocated in the Division of Revenue Act.

14. VAT

VAT receivable	1 015 564	1 281 529

15. Consumer deposits

Electricity	11 272 521	10 946 493

16. Employee benefit obligations

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

Carrying value		
Non-current portion of Post Retirement Medical Aid	(24 681 000)	(23 582 000)
Non-current portion of Long Service Awards	(16 050 000)	(16 959 000)
Current portion of Post Retirement Medical Aid	(1 646 000)	(1 348 000)
Current portion of Long Service Awards	(2 929 000)	(3 015 000)
Accrual for bonuses	(7 547 744)	(7 926 170)
Provision for leave	(31 325 944)	(37 841 715)
	(84 179 688)	**(90 671 885)**

Non-current liabilities	(40 731 000)	(40 541 000)
Current liabilities	(43 448 688)	(50 130 885)
	(84 179 688)	**(90 671 885)**

Net expense recognised in the statement of financial performance

Current service cost	3 577 000	3 230 000
Interest cost	4 293 000	4 748 000
Actuarial (gains) losses	(6 734 000)	(3 001 000)
Benefits paid	(3 086 000)	(5 090 000)
	(1 950 000)	**(113 000)**

Notes to the Annual Financial Statements

	2024	2023

16. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Medical health gross discount rate	11.56 %	11.93 %
Healthcare cost inflation rate	5.62 %	6.08 %
Medical aid contribution inflation rate	7.12	7.58 %
Medical healthcare net discount rate	4.14 %	4.04 %
Long service award gross discount rate	10.75 %	11.01 %
Long service award CPI rate	4.94 %	5.44 %
Long service award salary inflation rate	5.94 %	6.44 %
Long service award net discount rate	4.54 %	4.29 %

	2024	2023

16. Employee benefit obligations (continued)

Other assumptions

• Pre retirement mortality	SA 85-90 light-1
• Post retirement mortality	PA (90)-1, with 1% p.a. mortality improvement from 2019
• Normal retirement age	62 years
• Spouse age differences (Male older than female)	3 years
• AIDS	No assumptions made
• Proportion with a spouse dependant at retirement	60%
• Continuation of membership at retirement	75%
• Proportion of eligible in-service non-members joining a scheme by retirement and continuing with the subsidy at hand and after retirement	15%

The assumed general earnings, healthcare inflation rate and discount rate have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed general earnings would have the following effects:

	One percentage point increase	One percentage point decrease
General earnings		
Effect on the aggregate of the service cost and interest cost	241 000	(219 000)
Effect on defined benefit obligation	956 000	(880 000)
Discount rate		
Effect on the aggregate of the service cost and interest cost	(171 000)	192 000
Effect on defined benefit obligation	(3 094 000)	3 558 000
Medical aid contribution inflation rate		
Effect on the aggregate of the service cost and interest cost	11 000	(16 000)
Effect on defined benefit obligation	55 000	(69 000)

Amounts for the current and previous four years are as follows:

	2024	2023	2022	2021	2020
Employee benefit obligation	45 306 000	44 904 000	48 857 000	46 967 000	44 873 000

Reconciliation of leave provision	Opening balance	Leave paid out	Decrease in provision	Total
Leave provision	(37 841 715)	2 897 863	3 617 908	(31 325 944)

A provision has been raised for the unused leave days held by employees. The provision is reduced as leave days are used or when the leave is paid out. Leave days are paid out when an employee leaves the employment of the Municipality. It is not possible to predict when the provision amounts will be used or paid out as employees are not restricted in when they are allowed to use the leave and leave days can be carried forward to future leave cycles, subject to limits.

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	-	3 091 620
Municipal Disaster Relief Grant	40 068 185	7 316 000
	40 068 185	**10 407 620**

Notes to the Annual Financial Statements

	2024	2023

17. Unspent conditional grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	10 407 620	23 428 090
Additions during the year	113 397 000	75 819 000
Income recognition during the year	(83 736 435)	(88 839 470)
	40 068 185	**10 407 620**

18. VAT accrual - output

VAT accrual - output	87 112 187	75 934 035

19. Finance lease obligation

Minimum lease payments due		
- within one year	1 218 703	1 042 768
- in second to fifth year inclusive	-	1 218 703
	1 218 703	2 261 471
less: future finance charges	-	(444 785)
Present value of minimum lease payments	**1 218 703**	**1 816 686**

Present value of minimum lease payments due		
- within one year	1 095 566	721 122
- in second to fifth year inclusive	-	1 095 566
	1 095 566	**1 816 688**

The municipality entered into a finance lease for printing equipment.

The average lease term is 3 years and the average effective borrowing rate is 14%

Notes to the Annual Financial Statements

	2024	2023

20. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Fair value adjustment	Interest	Total
Landfill site	246 955 189	(164 804 774)	22 966 833	105 117 248

Reconciliation of provisions - 2023

	Opening Balance	Fair value adjustment	Interest	Total
Landfill site	155 710 120	82 433 310	8 811 759	246 955 189

Environmental rehabilitation provision

The operation of a landfill results in an obligation to rehabilitate the landfill and prevent any further pollution after closure thereof in terms of section 28 of the National Environmental Management Act, Act 107 of 1998, sections 3(14) – (16) and 4 (10) of Government Notice 718 of 3 July 2009, and the landfill permits issued under section 20 of the Environment Conservation Act, Act 73 of 1989, or the waste management licenses issued under section 50 of the National Environmental Management: Waste Act, Act 59 of 2008.

The expected future cost to rehabilitate the landfill site is the best estimate of the expenditure required to settle the present obligation. This is determined as 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. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

21. Service charges

	2024	2023
Sale of electricity	262 636 654	244 269 427
Refuse removal	85 174 078	76 690 562
	347 810 732	**320 959 989**

22. Rental of facilities and equipment

	2024	2023
Premises		
Rental of municipal properties	3 340 997	3 342 436
Garages and parking		
Rental of carports	1 966	1 260
Facilities and equipment		
Rental of container	20 578	20 578
Rental of street signs	310 724	226 034
	331 302	**246 612**
	3 674 265	**3 590 308**

Notes to the Annual Financial Statements

	2024	2023

23. Income from agency services

Vehicle Registration	4 420 273	3 954 977

The income from agency fees consists of commission received from the Department of Transport for the issuing of vehicle registrations. The municipality (agent) collects licencing fees for vehicles on behalf of the Department of Transport (principal).

24. Licences and permits

Drivers licences	4 112 077	3 448 397
Trading, transport and special	581 043	9 163
	4 693 120	**3 457 560**

25. Other revenue

Department of Transport	104 847 005	48 336 540

The municipality received funds from the Department of Transport for projects involving provincial roads.

26. Other income

Advert costs	130	-
Building plan fees	538 151	441 638
Burial fees	1 727 762	1 680 953
Commission	3 392 993	2 455 238
Electricity reconnection fees	861 910	644 901
Gate Monies	36 739	53 788
Insurance claims	86 180	103 643
Miscellaneous income	700 022	435 871
Pound fees	145 960	314 665
Roadworthy certificates	19 409	23 114
Sale of tender documents	315 189	291 073
	7 824 445	**6 444 884**

27. Investment revenue

Interest revenue		
Bank	522 314	664 870
Investments	6 283 662	4 026 605
	6 805 976	**4 691 475**

	2024	2023

28. Property rates

Rates received

	2024	2023
Property rates	146 525 792	147 336 827

Valuations

	2024	2023
Agricultural	4 694 584 567	4 694 584 567
Business	2 566 420 106	2 608 805 106
Church	211 475 010	211 475 010
Education	153 806 000	153 806 000
Government	906 810 031	906 810 031
Industrial	166 451 008	166 451 008
Municipal	1 323 742 134	1 323 742 134
Other	45 620 004	45 620 006
Public service infrastructure	553 697 026	553 697 024
Residential	8 822 453 593	8 819 953 593
Vacant land	358 233 931	358 349 931
	19 803 293 410	**19 843 294 410**

The last general valuation came into effect on 1 July 2019. The general valuation roll was compiled by Ndlala Mass Valuation Services.

The below rates are applied to property valuations to determine assessment rates:

Category	2024	2023
Domestic	0.01039390	0.00980560
Commercial / Industrial	0.01313940	0.01239570
Agriculture	0.00259850	0.00245140
Government	0.01039542	0.00980700
Public service infrastructure	0.00259850	0.00245140
Vacant land	0.04854580	0.04579790

29. Government grants and subsidies

Operating grants	2024	2023
Equitable share	229 921 000	215 409 000
Expanded Public Works Programme Grant	2 294 000	3 088 000
Finance Management Grant	3 100 000	3 100 000
Library Grant	5 250 000	5 250 000
DEDEAT	3 000 000	-
Disaster Relief Grant	9 928 815	-
LGW&RSETA	581 943	583 919
SETA	682 500	-
	254 758 258	**227 430 919**

	2024	2023

29. Government grants and subsidies (continued)

Capital grants		
Integrated National Electrification Programme Grant	-	9 737 000
Municipal Infrastructure Grant	63 163 621	67 664 069
Office of the Premier	31 898 279	26 932 437
	95 061 900	**104 333 506**
	349 820 158	**331 764 425**

Equitable Share

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

Financial Management Grant

Balance unspent at beginning of year	-	-
Current-year receipts	3 100 000	3 100 000
Conditions met - transferred to revenue	(3 100 000)	(3 100 000)
	-	**-**

Expanded Public Works Programme Grant

Balance unspent at beginning of year	-	-
Current-year receipts	2 294 000	3 088 000
Conditions met - transferred to revenue	(2 294 000)	(3 088 000)
	-	**-**

Municipal Infrastructure Grant

Balance unspent at beginning of year	3 091 620	23 428 089
Current-year receipts	60 072 000	47 328 000
Conditions met - transferred to revenue	(63 163 620)	(67 664 469)
	-	**3 091 620**

Integrated National Electrification Programme Grant

Current-year receipts	-	9 736 999
Conditions met - transferred to revenue	-	(9 736 999)
	-	**-**

Municipal Disaster Relief Grant

Balance unspent at beginning of year	7 316 000	-
Current-year receipts	42 681 000	7 316 000
Conditions met - transferred to revenue	(9 928 815)	-
	40 068 185	**7 316 000**

Library subsidy

Current-year receipts	5 250 000	5 250 000
Conditions met - transferred to revenue	(5 250 000)	(5 250 000)
	-	**-**

Notes to the Annual Financial Statements

	2024	2023

29. Government grants and subsidies (continued)

Office of the Premier

Current-year receipts	31 898 279	26 932 437
Conditions met - transferred to revenue	(31 898 279)	(26 932 437)
	-	-

DEDEAT

Current-year receipts	3 000 000	-
Conditions met - transferred to revenue	(3 000 000)	-
	-	-

30. Public contributions and donations

Donation of assets in kind	90 713	2 791 626

2024

The Department of Sports, Recreation, Arts and Culture donated computers to the value of R90 713 to the Ashley Wyngaard Library.

2023

SA Library for the Blind donated computers, equipment and office furniture to the value of R584 873 to various libraries.

31. Fines, Penalties and Forfeits

Electricity	2 302 171	2 733 242
Traffic	808 748	852 656
	3 110 919	**3 585 898**

32. Employee related costs

Basic	202 352 711	218 394 614
Bonus	16 191 812	17 768 810
Bargaining council	101 034	100 896
Casual labour	7 039 382	5 896 764
Contract workers	16 715 456	12 375 349
EPWP	2 922 005	4 624 761
Group life insurance	821 857	930 718
Leave pay	(3 617 908)	(8 940)
Housing benefits and allowances	649 041	678 875
Long-service awards	2 464 773	2 099 226
Medical aid - company contributions	20 186 945	19 955 656
Night shift services	1 511 876	1 593 260
Overtime payments	5 460 997	5 381 293
Pension - company contributions	35 921 461	37 353 478
Skills development levy	2 392 857	2 515 894
Transport allowances	9 272 012	9 343 091
UIF	1 517 219	1 588 084
	321 903 530	**340 591 829**

Notes to the Annual Financial Statements

	2024	2023

32. Employee related costs (continued)

Remuneration of Municipal Manager

Basic salary	1 228 646	515 244
Travel allowance	189 078	-
Remote Allowance	62 475	20 825
UIF	2 125	708
Bargaining council	137	43
Contributions to pension fund	150 973	4 631
Skills development levy	13 687	5 407
	1 647 121	**546 858**

Remuneration of former Municipal Manager

Basic salary	-	405 536
Backpay	-	8 002
Director backpay	-	23 082
Leave paid out	-	230 826
Travel allowance	-	100 000
Remote allowance	-	21 441
Contributions to pension fund	-	20 340
UIF	-	708
Bargaining council	-	41
Contributions to retirement annuity fund	-	62 875
Skills development levy	-	4 184
	-	**877 035**

Remuneration of Chief Finance Officer (Acting)

Basic salary	802 278	-
Bonus	66 857	-
Acting allowance	11 700	-
Travel allowance	150 000	-
Housing allowance	12 141	-
UIF	2 125	-
Bargaining council	137	-
Contributions to pension fund	144 410	-
Contributions to medical fund	49 378	-
Skills development levy	10 067	-
Group life insurance	16 447	-
	1 265 540	**-**

	2024	2023

32. Employee related costs (continued)

Remuneration of the Chief Financial Officer

Basic salary	952 966	947 642
Transport allowance	154 196	150 000
Remote allowance	51 070	51 574
Backpay	-	27 045
UIF	2 125	2 125
Bargaining council	137	130
Contributions to pension fund	171 534	170 576
Skills development levy	10 424	10 814
Pension allowance	-	20 340
	1 342 452	**1 380 246**

The CFO was placed on suspension on precautionary suspension on 12 December 2023 and the Expenditure Manager is currently acting in the position.

Remuneration of the Director: Technical Services (Acting)

Basic salary	648 081	-
Bonus	54 007	-
Acting Allowance	28 786	-
Travel allowance	150 000	-
Skills development levy	8 502	-
UIF	2 125	-
Bargaining council	137	-
Contributions to medical aid	57 550	-
Contributions to retirement fund	116 655	-
	1 065 843	**-**

Remuneration of the Director: Technical Services

Basic salary	759 998	761 192
Backpay	-	23 900
Travel allowance	181 543	181 543
Housing allowance	136 076	136 076
Remote allowance	51 070	51 448
UIF	2 125	2 125
Bargaining council	137	130
Contributions to pension fund	136 800	137 013
Contribution to medical fund	60 084	52 394
Skills development levy	10 842	11 188
Pension allowance	-	16 950
	1 338 675	**1 373 959**

The Director of Technical Services was placed on precautionary suspension on 1 April 2024 and the PMU Manager is currently acting in the position.

	2024	2023

32. Employee related costs (continued)

Remuneration of the former Director: Community and Social Services

Basic salary	-	206 583
Backpay	-	23 586
Leave payout	-	210 108
Travel allowance	-	60 000
Remote allowance	-	13 522
UIF	-	531
Bargaining council	-	31
Contributions to retirement fund	-	57 525
Contributions to medical aid	-	10 143
Skills development levy	-	5 138
	-	**587 167**

Remuneration of the Director: Community and Social Services

Basic salary	1 034 720	-
Remote allowance	51 070	-
UIF	2 125	-
Bargaining council	137	-
Contributions to pension fund	179 696	-
Contributions to medical fund	60 084	-
Skills development levy	10 562	-
	1 338 394	**-**

The former Director: Community and Social Services resigned in 2023. The new director was appointed in the current year.

Remuneration of the Director: Corporate and Support Services

Basic salary	-	390 244
Performance bonus	-	4 230
Acting allowance	-	10 577
Car allowance	-	60 000
Remote allowance	-	21 279
UIF	-	886
Bargaining council	-	54
Contributions to pension fund	-	70 224
Skills development levy	-	4 390
	-	**561 884**

Remuneration of the former Director: Corporate and Support Services (Backpay - prior year)

Remote allowance	692	-
Backpay	17 296	-
Contributions to pension fund	18 645	-
Skills development levy	366	-
	36 999	**-**

Remuneration of the Director: Corporate and Support Services (Acting)

Acting allowance	-	11 388

Notes to the Annual Financial Statements

	2024	2023

32. Employee related costs (continued)

The Director of Corporate Services was suspended in January 2022 and the Manager of Corporate Services has been acting in the position since then. The Director of Corporate Services resigned in May 2022. The new director was appointed in March 2023.

Remuneration of the Director: Strategic Executive

	2024	2023
Basic salary	946 416	941 537
Director backpay	-	27 059
Bonuses	100 000	100 000
Acting allowance	-	43 794
Travel allowance	168 000	168 000
Pension allowance	-	20 340
Remote allowance	51 070	51 574
UIF	2 125	2 125
Bargaining council	137	130
Contributions to medical fund	60 084	58 681
Skills development levy	12 921	13 775
	1 340 753	**1 427 015**

Remuneration of the Director: Strategic Executive (Acting)

	2024	2023
Basic salary	618 066	-
Bonus	51 506	-
Acting allowance	5 920	-
Travel allowance	163 065	-
Bargaining council	137	-
Contributions to medical aid	57 550	-
Contributions to retirement fund	111 252	-
Skills development levy	8 095	-
UIF	2 125	-
	1 017 716	**-**

The Director was placed on suspension in 2023 and the Risk Manager is currently acting in the position.

Remuneration of the Director: Integrated Planning & Economic Development

	2024	2023
Basic salary	1 214 416	253 186
Remote allowance	51 070	10 350
Travel allowance	7 086	-
UIF	2 125	531
Bargaining council	137	32
Contributions to medical aid	60 084	5 007
Skills development levy	13 322	2 686
	1 348 240	**271 792**

33. Remuneration of councillors

	2024	2023
Honourable Mayor	989 867	560 919
Chief Whip	772 092	716 736
Speaker	820 964	764 183
MPAC	723 862	660 480
Executive Committee Members	6 203 379	6 230 983
Councillors salaries	18 853 594	18 354 259
	28 363 758	**27 287 560**

Notes to the Annual Financial Statements

	2024	2023

34. Depreciation and amortisation

Property, plant and equipment	76 721 053	67 189 025

35. Finance costs

Interest on provision for rehabilitation of landfill	22 966 833	8 811 759
Other interest paid	49 832 391	89 947 124
	72 799 224	**98 758 883**

36. Debt impairment

Contributions to debt impairment provision	295 598 478	131 924 105

37. Repairs and maintenance

Plant and machinery	1 422 630	143 323
Buildings and grounds	1 227 133	714 893
Roads and stormwater	5 779 577	1 406 489
Electrical infrastructure	15 918 344	21 790 394
ICT and other	8 407	708 609
	24 356 091	**24 763 708**

38. Bulk purchases

Electricity - Eskom	377 658 224	311 219 146

Electricity losses

	Number 2024	Number 2023		
Units purchased	211 239 909	200 915 478	377 658 224	327 270 906
Units sold	(116 497 689)	(102 339 738)	(264 179 185)	(252 274 246)
Total loss	**94 742 220**	**98 575 740**	**113 479 039**	**74 996 660**
Comprising of:				
Technical losses	-	-	-	-
Non-technical losses	94 742 220	98 575 740	113 479 039	74 996 660
Total	**94 742 220**	**98 575 740**	**113 479 039**	**74 996 660**
Percentage Loss:				
Technical losses	- %	- %	- %	- %
Non-technical losses	45 %	49 %	30 %	23 %
Total	**45 %**	**49 %**	**30 %**	**23 %**

The loss in electricity sales is due to the high instance of illegal connections and meter tampering.

Notes to the Annual Financial Statements

	2024	2023

39. Contracted services

Legal fees	8 033 102	7 542 607
Maintenance	25 990 046	20 596 315
Accounting and MSCOA	16 178 144	10 841 227
Fleet management	2 194 173	7 066 585
	52 395 465	**46 046 734**

40. Transfers and subsidies

SPCA	25 000	175 000
Free basic services	1 604 816	1 562 018
	1 629 816	**1 737 018**

Transfers and subsidies consist of financial support provided to the SPCA and the cost of free units of electricity provided to indigent consumers who are located in areas serviced directly by Eskom.

41. General expenses

Accommodation	829 118	642 098
Audit committee	296 664	250 910
Advertising	469 099	795 714
Alternative energy	1 733 831	1 716 000
Assets expensed	191 729	492 919
Auditors remuneration	7 113 972	6 107 871
Bank charges	1 758 155	1 586 463
Cleaning	-	18 400
Commission paid	4 832 206	4 305 298
Learnerships and internships	1 418 653	-
Consumables	4 431 959	1 115 335
Entertainment	771 933	559 177
Fuel and oil	5 676 934	5 645 182
Insurance	3 985 632	3 406 974
Medical expenses	438 097	14 589
Postage and courier	4 023	2 322
Printing and stationery	890 270	850 636
Project expenditure	96 454 138	49 297 202
Promotions	859 912	48 415
Protective clothing	1 665 690	90 745
Rentals	11 729 897	4 003 055
Subscriptions and membership fees	4 160 433	3 579 712
Telephone and fax	4 191 137	5 681 029
Training	190 202	260 007
Travel - local	41 736	34 722
Other committee fees	295 084	14 400
Utilities	1 400	3 803 481
Vehicle licenses	860 281	46 974
Ward committees	3 749 000	3 870 000
Workmen's compensation	6 865 067	3 285 036
	165 906 252	**101 524 666**

42. Eskom interest waiver

Eskom has forgiven a portion of the interest on the municipality's debt.

Notes to the Annual Financial Statements

	2024	2023

43. Auditors' remuneration

Fees	7 113 972	6 107 871

44. Impairment of assets

Impairments		
Property, plant and equipment	34 627 269	-
Reversal of impairments		
Property, plant and equipment	-	(2 201)
Total impairment losses (recognised) reversed	**34 627 269**	**(2 201)**

45. Cash generated from operations

Deficit	(291 132 736)	(186 641 525)
Adjustments for:		
Depreciation and amortisation	76 721 053	67 189 025
Fair value adjustment	(874 803)	1 893 500
Eskom debt waiver	(64 692 243)	-
Impairment	34 627 269	2 677 123
Debt impairment	295 598 478	131 924 105
Movements in Employee benefit obligations	(5 154 423)	901 309
Non-cash donations	(90 713)	(2 791 626)
Fair value adjustment	(43 782)	286 417
Interest on provision	22 966 833	8 811 759
Actuarial gains	(3 296 000)	(3 001 000)
Changes in working capital:		
Inventories	(3 180 236)	-
Decrease/(Increase) in Receivables from exchange transactions	(101 639 683)	(112 578 479)
Decrease/(Increase) in Receivables from non-exchange transactions	(42 542 447)	(154 413 338)
Increase/(Decrease) in Payables from exchange transactions	198 181 821	332 401 495
Increase/(Decrease) in VAT	(13 201 285)	(12 762 765)
Increase/(Decrease) in Unspent conditional grants and receipts	29 660 565	(13 020 466)
Increase/(Decrease) in Consumer deposits	326 028	252 269
	132 233 696	**61 127 803**

46. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	141 981 810	212 831 335
Total capital commitments		
Already contracted for but not provided for	141 981 810	212 831 335

Total commitments

Total commitments		
Authorised capital expenditure	141 981 810	212 831 335

This committed expenditure relates to property, plant and equipment and will be financed by retained surpluses, existing cash resources, and grant funding.

Notes to the Annual Financial Statements

	2024	2023
47. Contingencies		
Pending litigations and claims:		
Matter 16666 GHT H/C - Jan Draghoender v Lukhanji Local Municipality	-	1 092 926
Plaintiff sues municipality for damages arising out of his utilisation of municipal property. Reasonable prospects of success.		
Matter 8092 Qtn Mag Crt - A Motile v Lukhanji Municipality	-	129 814
2005 Applicant seek damages for repairs and maintenance to property he leased from the municipality for an amount of R94 814.Reasonable prospects of success.		
Mat 17611 Qtn Mag Crt - Luyolo Siyongwana v Lukhanji Municipality	130 000	-
Plaintiff sues the municipality for R100 000.00 damages arising from a wrongful arrest. Claim has been dismissed.		
Matter 849/2017 GHT/HC - Phumla Madlavu v Enoch Mgijima Municipality	1 800 000	1 900 000
Plaintiff sues the municipality for injuries caused to her child due to an unattended electricity substation wherein her child was electrocuted. Reasonable prospects of success.		
Case No. 1078/2011 Mthatha High Court - Pinky Gidzana	-	4 623 886
Plaintiff sues the municipality for injuries caused to her child due to alleged negligence by the municipality leading to cement pipes falling on her child causing pelvic injuries to her. Judgment granted for plaintiff.		
ECQTNRC29/2018 - Nomabhaca Lourna Mgulwa	-	480 000
The plaintiff sues the municipality together with Cllr Mbengo for R400 000 for damages arising out of alleged comments by the councilor in a local newspaper about plaintiff.		
Case No. 04/2018 - Tian Schoeman v Enoch Mgijima and Nozibele Makanda	-	166 450
Plaintiff sues the municipality for loss and damage of his vehicle to the value of R86 450.00 due to an accident allegedly caused by former mayor Makanda		
Case No. 2297/2016 - Nosibulelo Dalasile v Enoch Mgijima	160 000	160 000
Plaintiff sues the municipality for R100 000.00 for injuries caused when she fell onto an open and unattended drain.Reasonable prospects of success.		
Case No. 648/2018 - Axolile Qononda v Enoch Mgijima LM/ Elliot Tromp	58 400	28 400
Plaintiff sues municipality for R28 400.47 for damages to his car due to negligent driving by the municipal employee.Reasonable prospects of success.		
MAT9476 Qtn Mag Crt - Lukhanji Municipality vs. Malongwe KS	-	100 000
2004 Instructed to launch an application for demolition of an irregular building.		
Mat 23154 - Zepe & Company vs Lukhanji Municipality	-	226 348
Action for the recovery of legal costs in a matter in which the Plaintiff acted for the municipality. The Plaintiff has to tax their costs.		

	2024	2023

47. Contingencies (continued)

Case No. ECD 3083/18 - Ikamva Architects and Another vs EMLM	1 157 592	1 893 804
Application to compel the municipality to supply electricity on uninterrupted basis, among other relief sought. Reasonable prospects of success.		
Mat 23033 - M Yelani vs EMLM	-	126 500
Motor vehicle collision claim July 2016. Reasonable prospects of success.		
PR 302/17 - T Matyalana vs EMLM	-	50 000
Application for reinstatement. Awaiting outcome of leave to appeal.		
ECD 121721 - P Parker & Others vs EMLM	-	100 000
Application for reinstatement.		
PR 190/17 - A Nuku vs Lukhanji Municipality & Others	-	100 000
Application for arbitration award to be replaced with compensation award.		
MAT8082 - Lukhanji Municipality vs Tyaliti Family Trust Application to demolish	-	100 000
Case No. ECQTNRC 87/2018 - Tynetix Trading (Pty) Ltd & Another Claim for services rendered. Reasonable prospects of success.	361 979	381 979
ED#2018/11/17 - Economic Development & Economic Affairs Department	-	625 000
Penalty for non-compliance with National Environmental Management Act. Penalty has been paid		
Mat 25554 - Gcobisa Matakane v EMLM	-	32 020
Default judgement against the municipality		
Case No. 3010/2021 GHC - Batalala Construction	5 191 613	5 446 486
Contractual dispute based on project costs incurred out of mandate. Claim for services rendered. Reasonable prospects of success.		
Case No: 2989/19 - Lifetime Connections Man and Supply	-	12 008 066
Payment of alleged outstanding payment certificates and claims in the amount of R1 736 637.80 (Part A) and R9 969 427.92 (Part B). Pending litigation. Claim for services rendered. Reasonable prospects of success.		
MHC 2050/19 - T. Bukani & Another	-	50 000
Eviction with claim against Municipality. Reasonable prospects of success.		
Case No. 51/20 GTHC - Enoch Mgijima Farmers Union v EMLM & Others	-	150 000
Application for supervisory structural interdict.		

Notes to the Annual Financial Statements

	2024	2023
47. Contingencies (continued)		
Case No. 1774/2020 Vuyani Shumi v EMLM	5 100 000	5 300 000
Application for payment of amount allegedly owed by municipality for unlawful occupation of Erf 1977 & 1979 Zone 1, Ezibeleni by another occupier.. Reasonable prospects of success.		
Case No. 162/21 Booi & Sons	-	48 000
Payment of amount allegedly owed by EMLM for services rendered and goods delivered (Lucerne). Pending litigation.		
Case No: 131/2021 Maseti Professional Funeral Directors cc	-	158 000
Claim for damages to a building structure allegedly caused by some unknown municipal employees. Pending litigation.		
ECQTNRC 55/21 9Iger Trading (Pty) Ltd	406 350	550 000
Claim for payment for services rendered and goods delivered. Pending litigation. Claim for services rendered. Reasonable prospects of success.		
Case No. 1631/2020 Nonkebhotani Agricultural Primary Co-operative Ltd and 50 Others v Minister of Public Works and Infrastructure and Others	-	100 000
Application for the municipality to provide sanitation and housing services improperly.		
PS 50/20 PELC - Asanda Mbengo	-	300 000
Applicant challenges his dismissal from erstwhile Inkwanca Municipality. Pending hearing.		
Case No. 104/19 QTMC - Thobela Pearl Bukani vs Mbebe and Another	-	750 000
Counter application for eviction in the matter of Bukani and Mbebe for ownership rights on a property. Pending litigation.		
CA 115/2021 ECD - Twizza (Pty) Ltd and 3 Others	-	488 082
Application for contempt of ccourt against the Municipal Manager and former Executive Mayor. Appeal heard. Judgement is reserved.		
Case No. 1222/2021 ECD - Eskom Holdings	-	1 604 156
Application for recission of order of High Court. Enrolled for hearing. Claim for services rendered. Reasonable prospects of success.		
Nobuhle Sondlo obo Mpetsheni Wrongful arrest Trial stage. Reasonable prospects of success.	684 000	-
Case No. 1073/2020 - Lukhozi Consulting Engineers	27 151	17 151
Claim for payment for services rendered and goods delivered. Matter to be settled. Awaiting confirmation of services by Plaintiff.Claim for services rendered. Reasonable prospects of success		

Notes to the Annual Financial Statements

	2024	2023

47. Contingencies (continued)

Case No. 1074/2020 - Lukhozi Consulting Engineers	23 541	13 541

Claim for payment for services rendered and goods delivered.
Matter to be settled. Awaiting confirmation of services by Plaintiff.
Claim for services rendered. Reasonable prospects of success

Case No. 1075/2020 - Lukhozi Consulting Engineers	41 827	31 827

Claim for payment for services rendered and goods delivered.
Matter to be settled. Awaiting confirmation of services by Plaintiff.
Claim for services rendered. Reasonable prospects of success

Case No. 1076/2020 - Lukhozi Consulting Engineers	20 203	10 203

Claim for payment for services rendered and goods delivered.
Matter to be settled. Awaiting confirmation of services by Plaintiff. Claim for services rendered. Reasonable prospects of success

Letter of demand - Enigma Chartered Accountants	-	3 452 216

Claim for payment for services rendered.

ECD 091918 - P. Chibwe and 2 Others	-	30 000

Application for review and set aside of Arbitrator's Award. Matter is at exchange of pleadings.

Case No. GTHC - Express Builders CC	2 261 288	2 461 288

Claim for payment in respect of loss of profits, security interest, management fees, wrongful and unlawful deductions from appointment for construction contract. Claim for services rendered. Reasonable prospects of success

Letter of demand - Big Family Construction / Nduvho Construction JV	-	1 066 781

Claim for payment of disputed loss of profit on terminated contract. A report was forwarded to the Public Protector.

Case No. 794/21 QTN - Witness Ndakuthini Malgas	10 732	7 322

Claim for pothole related damages. Pending request and submission of further particulars by Plaintiff. Claim for services rendered. Reasonable prospects of success

Case No. 1131/2021 QTN - Thembisile Feni	20 000	17 000

Claim for payment for arrear stipends arising from employment as Ward Committee member. Pending litigation.

Case No. 628/2022 GTHC - Independent Councillors Enoch Mgijima & Another	-	100 000

Interdict against award of construction contract and application for access to documents. Part A has been heard. Judgement was reserved.

Notes to the Annual Financial Statements

	2024	2023
47. Contingencies (continued)		
Ephraim Fuzani	27 407	-
Dormant. Reasonable prospects of success. Plaintif sued out the Municipality for damges due to collision with a pot hole in Hospital Rd		
Amzisile Titus Cetywayo Plaintinf sued out the defendant for damges due to collision with a pot hole in Queendustria. Dormant. Reasonable prospects of success.	3 000	-
Witness Ndakuthini Malgas Plaintinf sued out the defendant for damges due to collision with a pot hole in Queendustria. Dormant. Reasonable prospects of success.	10 322	-
EMLM vs Various suppliers	-	500 000
High Court Review to set aside Panel Appointments. Pending hearing.		
EMLM vs Thomas & Others	-	100 000
Eviction of Illegal Occupants from municipal owned properties. Pending litigation.		
Case no. 04-2021 - Sada Retail Centre	704 511	18 346
Payment of amount owed by EMLM for services rendered and goods delivered. Claim for services rendered. Reasonable prospects of success		
Let's Talk Komani	500 000	-
Application to dissolve the Enoch Mgijima Local Municipality for failure of Constitutional obligations		
Case no. 340/17 ECQTNRC (2021) - Nobuhle Mbulawa v EMLM	-	120 479
Plaintiff sues for warrant of execution against goods for payments outstanding interest in the amount of R120 478.64 arising from motor vehicle damages related claim.		
Tshiya Infrusture Development	103 618	-
Plaintiff cuased Summons be issed for damages claim for breach of contract by defendant. Trial stage. Reasonable prospects of success.		
Thalami Civils	573 247	-
Plaintiff cuased Summons be issed for damages claim for breach of contract by defendant. Trial stage. Reasonable prospects of success.		
Siphelo Motshoba Plaintinf sued out the Municipality for damges due to collision with a pot hole in Gwadana. Dormant. Reasonable prospect of success.	43 465	-
Case no. 09/2023 - Mariska Bezuidenhout v EMLM	44 531	-
Pothole damages claim for R34 530.94 at or near Griffiths Road, near McDonalds, Komani, on the 5th of June 2022. Claim for services rendered. Reasonable prospects of success		

Notes to the Annual Financial Statements

	2024	2023
47. Contingencies (continued)		
Case no. 23-086209 - Fleet Horizon Solution	4 194 671	-
Plaintiff issued Summons for unpaid invoice claiming damages for breach of contract. Pleading stage. Claim for services rendered. Reasonable prospects of success		
Case no. ECEL4792-21 (CCMA - East London)(2022) - EMLM v IMATU obo Mvana & 21 Others	2 909 287	-
Employees lodged a grievance in terms of Sec73A of BCEA and alleging breach of MWA. Arbitration. Claim for services rendered. Reasonable prospects of success		
Case no. P90/2022 - EMLM v Xolela Mzini & 11 Others	259 154	-
Employees who are General Workers lodged a claim & wanted to be paid as Fire Fighter. Pleading stage. Claim for services rendered. Reasonable prospects of success		
Case no. ECD042310 - EMLM v L Blignaut	906 576	-
Worker lodged a dispute of unfair dismissal which was found in her favour by SALGBC. Pleading stage. Claim for services rendered. Reasonable prospects of success		
Case no. PR161/2023 - EMLM v Luzuko Nqotola	163 197	-
Worker lodged a dispute of unfair dismissal which was found in his favour by SALGBC. Pleading stage. Claim for services rendered. Reasonable prospects of success		
EMLM v Luzuko Nqotola (2) Claim for services rendered. Reasonable prospects of success	279 000	-
EMLM v Veronica Qwase Claim for services rendered. Reasonable prospects of success	264 000	-
EMLM v William Tsoyi Claim for services rendered. Reasonable prospects of success	128 000	-
Case no. ECD 022320 EMLM v IMATU obo ZR Mbona	254 347	-
Employee lodged an unfair labour practice arising from his dismissal with SALGBC. Pleading stage.		
Case no. PR 237/2023 - EMLM vs SALGBC, IMATU, SAMWU	300 000	-
Employer filed exemption application with SALGBC to be exempted on paying salary increases. Pleading stage. Claim for services rendered. Reasonable prospects of success		
Case no. 2606/2023 - L & D Mbambo Properties (Pty) Ltd Application to obtain interdict against EMLM from threats to demolish. Claim for services rendered. Reasonable prospects of success	200 000	-
Case no. 1047/2023 - Thembisa Nkanti (Executrix) Application for condonation for late filing of claim for damages. Pleading stage. Claim for services rendered. Reasonable prospects of success	20 000	-

Notes to the Annual Financial Statements

	2024	2023
47. Contingencies (continued)		
Case no. 1170/2023 - Thembisa Nkanti	60 000	-
Plaintiff sued the municipality for damages as a result of defendant's pole fell on her house. Claim for services rendered. Reasonable prospects of success		
Case no. 869/2024 - EMLM v EMC: COGTA & Others	300 000	-
The municipality brought an application to set aside incorrect grade 7 salaries. Pleading stage. Reasonable prospects of success		
Case no. 3616/2023 - Mxolisi Quinton Masayimani	5 300 000	-
Plaintiff sued the municipality for damages after her minor child got electrocuted by izinyoka. . Reasonable prospects of success		
Case no. 3616/2023 - Zine Fanti obo Yomela Fanti	5 300 000	-
Plaintiff sued the municipality for damages after her minor child got electrocuted by izinyoka. Reasonable prospects of success		
Case no. 125/2023C - Kumyolz Investments (Pty) Ltd	311 500	-
Summons for unpaid invoices claiming damages for breach of contract. Reasonable prospects of success		
Case no. 100/2024C - Electrostorm Engineering	366 148	-
Claim for unpaid invoice for services delivered at the defendant's instance & request. Reasonable prospects of success		
Case no. 350/2024 - Camagu Mathile Trading & Project	25 550	-
Claim for damages for breach of contract for services delivered at the defendant's instance and request. Reasonable prospects of success		
Case no. 470/2024 - ABT Telecoms (Pty) Ltd	4 817 600	-
Claim for damages for breach of contract for services delivered at the defendant's instance and request. Reasonable prospects of success		
Case no. 497/2024 - Isaac Boahene Aboagye	29 834	-
Summons for damages to motor vehicle after collision with defendant's vehicle. Reasonable prospects of success		
	45 853 641	**47 216 071**

Contingent assets

Pending litigations and claims:

Case no. B242/2024 - EMLM v Guardrisk Insurance

The municipality issued a summons against insurance for rejecting its Town Hall claim of R25 875 850. Pleading stage.

Notes to the Annual Financial Statements

Figures in Rand

48. Related parties

Accounting Officer	A V Ntengenyane
Councillors	Refer to General Information page
Audit Committee	C Sparg I Dlala W S Manthe W Mushohwe T Sagela
Members of key management	P Mahlasela - Chief Financial Officer N E Tyali - Acting Chief Financial Officer D A Van Wyk - Strategic Executive Officer Z H Nkosinkulu - Director of Technical Services T Malingtshoni - Acting Director of Technical Services A A Mkhangelwa - Director of Community Services N C Mazwayi - Director of Corporate Services K Maceba - Director IPED

48. Related parties (continued)

Related party transactions

Remuneration of management

Councillors and Mayoral committee members

2024

Name	Basic salary	Travel allowance	Telephone and data allowance	Pension, Medical and other contributions	Backpay	Total
M Papiyana (Mayor)	696 863	212 802	44 400	9 115	26 688	989 868
T Bunu (IPED Portfolio Head)	470 281	159 601	44 400	58 795	45 937	779 014
N S Ndlebe (Chief Whip)	470 280	159 601	44 400	58 796	39 015	772 092
A N Hendricks (Sec79 MPAC)	507 319	154 919	44 400	6 757	10 467	723 862
Z N E Ralane (Public Safety PortfolioHead)	470 280	159 601	44 400	58 796	39 015	772 092
N Nqabisa (Speaker)	557 493	170 241	44 400	7 381	41 450	820 965
B C Simina (SPU Portfolio Head)	470 280	159 601	44 400	58 795	38 711	771 787
P Madubedube (Corporate Services Portfolio Head)	486 355	159 601	44 400	42 697	38 711	771 764
M Mangcotywa (Technical Services Portfolio Head)	486 355	159 601	44 400	42 697	38 712	771 765
S S Lali (Community Services Portfolio Head)	470 280	159 601	44 400	58 796	37 842	770 919
U Galada (Budget and Treasury Portfolio Head)	505 552	159 601	44 400	24 229	38 554	772 336
L A Haggard	191 764	67 343	44 400	33 844	16 547	353 898
P P Z Mandile	168 797	56 120	37 000	17 051	16 547	295 515
N C Twalo	176 732	67 344	44 400	46 481	16 547	351 504
Z S Tutwana	230 836	22 448	44 400	37 524	16 547	351 755
O Adonisi	522 832	180 688	44 400	7 071	38 711	793 702
M Ngesi	191 761	67 344	44 400	31 409	16 547	351 461
S Mkhunqe	203 807	67 344	44 400	19 608	16 547	351 706
M S Hokolo	220 533	67 344	44 400	3 188	16 547	352 012
A Ngonyama	205 147	67 344	44 400	18 266	16 547	351 704
L C S Tokwe	176 733	67 344	44 400	46 480	16 547	351 504
H A Deysel	205 146	67 344	44 400	18 267	16 547	351 704

Notes to the Annual Financial Statements

Figures in Rand

48. Related parties (continued)

B Quqa	205 146	67 344	44 400	18 267	16 547	351 704
A A Ganca	205 146	67 344	44 400	18 267	16 547	351 704
M M Mnyaka	197 102	67 344	44 400	26 322	16 391	351 559
D D MacTaggart	220 532	67 344	44 400	3 188	16 391	351 855
D U Stellenberg	220 532	67 344	44 400	3 188	16 391	351 855
K L Clark	220 532	67 344	44 400	3 188	16 391	351 855
S C Ndarala	205 147	67 344	44 400	18 265	16 391	351 547
A T Cetwayo	220 532	67 344	44 400	3 188	16 391	351 855
N M Solani	220 532	67 344	44 400	3 188	16 391	351 855
S V Mkefa	220 532	67 344	44 400	3 188	16 391	351 855
V S Nqayi	205 147	67 344	44 400	18 266	16 391	351 548
A B Zondi	220 532	67 344	44 400	3 188	16 391	351 855
F N Duda	220 532	67 344	44 400	3 188	16 391	351 855
W Booi	207 654	67 344	44 400	15 809	16 391	351 598
K Nonyongo	220 532	67 344	44 400	3 188	16 391	351 855
N S Kweza	220 532	67 344	44 400	3 188	16 391	351 855
E Mavango	203 404	67 344	44 400	20 316	16 391	351 855
S Neli	220 532	67 344	44 400	3 188	16 391	351 855
Z Baleni	220 532	67 344	44 400	3 188	16 391	351 855
X Williams	262 571	5 612	44 400	22 611	16 391	351 585
A Sizani	220 532	67 344	44 400	3 188	16 391	351 855
M Ndyalivani	205 147	67 344	44 400	18 266	16 391	351 548
N Nduku	220 532	67 344	44 400	3 188	16 391	351 855
L L Ndlebe	220 532	67 344	44 400	3 188	16 391	351 855
Z S Manqaphela	220 532	68 668	44 400	3 201	16 391	353 192
T M Panya	220 532	67 344	44 400	3 188	16 391	351 855
T Vali	220 532	67 344	44 400	3 188	16 391	351 855
N X Tom	205 147	67 344	44 400	18 265	16 391	351 547
S Dukwe	205 147	67 344	44 400	18 265	16 391	351 547
L Komeni	205 147	67 344	44 400	18 265	16 391	351 547
M Matsolo	205 147	67 344	44 400	18 265	16 391	351 547
N F Papiyana	-	-	-	-	27 613	27 613
S Plaatjie	205 147	67 344	44 400	18 265	16 391	351 547
N Makasi	220 532	67 344	44 400	3 188	16 391	351 855
A Keva	205 147	67 344	44 400	18 265	16 391	351 547
N Yaliwe	191 761	67 344	44 400	31 410	16 391	351 306

Notes to the Annual Financial Statements

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48. Related parties (continued)

S A Qwalela	220 532	67 344	44 400	3 188	16 391	351 855
L Pukwana	220 532	67 344	44 400	3 188	16 391	351 855
V V Bomela	205 146	67 344	44 400	18 266	16 391	351 547
B Fingwana Geld	194 099	67 344	44 400	29 115	16 391	351 349
E N Marawu	250 321	-	44 400	40 159	7 938	342 818
G Titus	231 757	56 120	44 400	3 210	7 301	342 788
C O Everitt	287 877	-	44 400	3 323	4 936	340 536
A A Ngoma	287 877	-	44 400	3 322	3 907	339 506
M M Jacobs	240 709	-	37 000	2 777	2 087	282 573
F C Malatoe	9 490	5 612	3 700	177	-	18 979
	17 742 981	**5 240 517**	**2 919 300**	**1 190 742**	**1 292 626**	**28 386 166**

Notes to the Annual Financial Statements

Figures in Rand

48. Related parties (continued)

2023

Name	Basic salary	Travel allowance	Telephone and Data Allowances	Other short-term employee benefits	Backpay	Total
M Papiyana (Executive Mayor)	403 734	128 444	28 742	5 352	-	566 272
T Bunu (Former Mayor / Institutional Planning & Economic Development Portfolio Head)	520 733	181 768	44 400	64 138	10 853	821 892
N S Ndlebe (Chief Whip)	456 767	159 601	44 400	53 979	8 140	722 887
A N Hendricks (MPAC Chairperson)	54 927	12 910	5 831	-	-	73 668
S E Mvana (Former Institutional Planning & Economic Development Portfolio Head)	142 481	53 200	14 800	23 244	6 512	240 237
Z N E Ralane (Public Safety PortfolioHead)	452 749	159 601	44 400	31 622	8 140	696 512
N Nqabisa (Speaker)	538 233	170 241	44 400	7 275	8 682	768 831
B C Simina (SPU Porfolio Head)	452 749	159 601	44 400	58 004	8 140	722 894
P Madubedube (Corporate Services Portfolio Head)	468 823	159 601	44 400	41 935	8 140	722 899
M Mangcotywa (Technical Services Portfolio Head)	468 823	159 601	44 400	41 935	8 140	722 899
O Adonisi (Human Settlement and Land Porfolio Head)	504 596	159 601	44 400	6 868	8 140	723 605
N F Papiyana (Community Services Portfolio Head)	397 900	134 307	42 222	43 218	8 140	625 787
S S Lali (Community Services Porfolio Head / Former MPAC Chairperson)	443 646	155 700	44 400	57 221	7 901	708 868
U Galada (Finance Portfolio Head)	487 316	159 601	44 400	24 128	8 140	723 585
L A Haggard	184 685	67 344	44 400	33 271	3 435	333 135
P P Z Mandile	195 634	67 344	44 400	20 425	3 434	331 237
N C Twalo	169 661	67 343	44 400	19 928	3 435	304 767
Z S Tutwana	244 391	-	44 400	20 189	3 435	312 415
T G Yekani	164 678	61 732	40 700	32 720	3 435	303 265
M M Mbengo	106 457	39 284	25 900	1 818	17 972	191 431
M Ngesi	184 685	67 344	44 400	30 834	3 435	330 698
S Mkhunqe	192 462	67 344	44 400	23 305	3 435	330 946
M S Hokolo	212 914	67 344	44 400	3 146	3 435	331 239
A Ngonyama	197 820	67 344	44 400	17 939	3 435	330 938
L C S Tokwe	170 913	67 344	44 400	44 646	3 435	330 738
H A Deysel	197 820	67 344	44 400	17 939	3 435	330 938
S Miza	97 512	33 672	22 200	8 996	3 435	165 815
B Quqa	197 820	67 344	44 400	17 939	3 435	330 938
A A Ganca	199 026	67 344	44 400	16 757	3 435	330 962

Notes to the Annual Financial Statements

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48. Related parties (continued)

M M Mnyaka	199 026	67 344	44 400	16 757	3 435	330 962
D D MacTaggart	181 745	67 344	44 400	34 315	3 435	331 239
D U Stellenberg	212 914	67 344	44 400	3 146	3 435	331 239
K L Clark	212 914	67 344	44 400	3 146	3 435	331 239
S C Ndarala	197 820	67 344	44 400	17 939	3 435	330 938
M Mxakwe	34 570	11 224	7 400	510	-	53 704
A T Cetywayo	212 914	67 344	44 400	3 146	3 435	331 239
N M Solani	212 914	67 344	44 400	3 146	3 435	331 239
S V Mkefa	212 914	67 344	44 400	3 146	3 435	331 239
V S Nqayi	197 820	67 344	44 400	17 939	3 435	330 938
A B Zondi	212 914	67 344	44 400	3 146	3 435	331 239
F N Duda	212 914	67 344	44 400	3 146	3 435	331 239
W Booi	212 914	67 344	44 400	3 146	3 435	331 239
K Nonyongo	212 914	67 344	44 400	3 146	3 435	331 239
S A Jack	181 102	61 732	40 700	16 448	3 435	303 417
N S Kweza	212 914	67 344	44 400	3 146	3 435	331 239
E Mavango	196 707	67 344	44 400	19 354	3 435	331 240
S Neli	212 914	67 344	44 400	3 146	3 435	331 239
Z Baleni	212 914	67 344	44 400	3 146	3 435	331 239
X Williams	196 481	67 344	44 400	19 280	3 435	330 940
A Sizani	212 914	67 344	44 400	3 146	3 435	331 239
M Ndyalivani	200 231	67 344	44 400	15 575	3 435	330 985
M Nduku	212 914	67 344	44 400	3 146	3 435	331 239
L L Ndlebe	212 914	67 344	44 400	3 146	3 435	331 239
Z S Manqaphela	212 914	67 344	44 400	3 146	3 435	331 239
T M Panya	212 914	67 344	44 400	3 146	3 435	331 239
T Vali	212 914	67 344	44 400	3 146	3 435	331 239
N X Tom	199 025	67 344	44 400	17 035	3 435	331 239
S Dukwe	199 025	67 344	44 400	16 757	3 435	330 961
L Komeni	197 820	67 344	44 400	17 939	3 435	330 938
M Matsolo	197 820	67 344	44 400	17 939	3 435	330 938
S Plaatjie	197 820	67 344	44 400	17 939	3 435	330 938
N Makasi	212 914	67 344	44 400	3 146	3 435	331 239
A Keva	199 025	67 344	44 400	16 757	3 435	330 961
N Yaliwe	189 187	67 344	44 400	26 418	3 435	330 784
S A Qwalela	212 914	67 344	44 400	3 146	3 435	331 239

48. Related parties (continued)

L Pukwana	212 914	67 344	44 400	3 146	3 435	331 239
V V Bomela	197 820	67 344	44 400	17 939	3 435	330 938
M F Ambraal	147 666	67 344	44 400	13 467	3 435	276 312
B Fingwana Geld	212 914	67 344	44 400	3 146	3 435	331 239
G Titus	141 503	-	22 200	-	-	163 703
M C Qamangana	106 457	39 284	25 900	1 818	17 972	191 431
C O Everitt	53 960	-	8 466	624	-	63 050
A A Ngoma	15 848	-	2 486	183	-	18 517
M N Kortman	37 371	11 493	4 092	3 415	-	56 371
	16 859 912	**5 512 053**	**2 955 639**	**1 164 330**	**317 066**	**26 809 000**

Executive management

*Refer to note 32 "Employee related costs" for further information.

Audit Committee Fees

2024

Member	Fees	Travel	Other	Total
M K Mafani	3 888	2 947	-	6 834
C Sparg	15 903	2 578	9 945	28 426
I Dlala	60 812	39 708	20 673	121 193
W S Manthe	21 016	-	11 814	32 830
T Sagela	19 791	-	12 375	32 166
W Mushowe	19 791	-	12 375	32 166
	141 201	**45 233**	**67 182**	**253 615**

2023

Member	Fees	Travel	Other	Total
C Sparg	27 216	11 180	11 149	49 545
I Dlala	22 880	28 480	8 921	60 281
W S Manthe	23 328	26 512	16 886	66 726

Notes to the Annual Financial Statements

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48. Related parties (continued)

T Sagela	17 496	6 318	10 692	34 506
W Mushowe	221 384	6 318	12 150	39 852
	312 304	**78 808**	**59 798**	**250 910**

49. Prior period errors

The correction of the errors results in adjustments as follows:

Statement of Financial Position	Previously reported	Adjustment	As restated	Reference
Receivables from Exchange Transactions	191 566 979	(63 009 958)	128 557 021	1
Receivables from Non-exchange Transactions	75 214 267	4 183 973	79 398 240	2
VAT Receivable	14 496 209	(322 444)	14 173 765	3
Property, plant and Equipment	1 327 066 967	129 972 180	1 457 039 147	4
Payables from exchange transactions	(1 267 822 521)	897 559	(1 266 924 962)	5
Unspent conditional grants and receipts	(3 091 617)	(7 316 003)	(10 407 620)	6
Employee benefit obligation - Current	(50 453 498)	322 613	(50 130 885)	7
Finance lease obligation	(2 279 222)	427 234	(1 851 988)	11
Accumulated surplus	(357 086 325)	(65 150 867)	(422 237 192)	12
	(72 388 761)	**4 287**	**(72 384 474)**	

1 - Receivables from exchange transactions - Statement of Financial Position	
Previously reported 2023 balance	191 566 979
Reversing duplicated allocation of unallocated deposits - 2022	1 266 259
Raising charges on accounts not billed for electricity - 2022	135 822
Raising charges on accounts not billed for refuse - 2022	190 815
Reversing duplicated journal for reversal of charges on Departmental accounts - 2023	1
Reversing duplicated allocation of unallocated deposits - 2023	239 200
Reversed incorrect provision for indigent rebates - 2023	(31 824 359)
Raising charges on accounts not billed for electricity - 2023	225 233
Raising charges on accounts not billed for refuse - 2023	132 880
Raising correct rebates for indigent debtors - 2023	(7 185 945)
Correcting the recording of prepaid electricity vendor sales, commission and receivable - 2023	1 853 329
Prior year billing corrections on individual debtor accounts - 2023	1
Restated 2023 Closing balance	**156 600 215**

2 - Receivables from non-exchange transactions - Statement of Financial Position	
Previously reported 2023 balance	75 214 267
Recalculation of provision for impairment - 2023	1
Reversing duplicated allocation of unallocated deposits - 2022	384 265
Raising charges on accounts not billed for rates - 2022	5 583 075
Reversing duplicated journal for reversal of charges on Departmental accounts - 2023	1
Reversing duplicated allocation of unallocated deposits - 2023	311 836
Raising charges on accounts not billed for rates - 2023	5 862 223
Prior year billing corrections on individual debtor accounts - 2023	1
Restated 2023 Closing balance	**87 355 669**

3 - VAT receivable - Statement of Financial Position	
Previously reported 2023 balance	14 496 209
Correcting retention fees on projects and related VAT - 2022	282 811
Correcting VAT on movable asset additions - 2022	(165 229)
Reversal of accrual for project expenditure and related VAT - 2022	(226 779)
Raising VAT on charges on accounts not billed for electricity and refuse - 2022	(43 451)
Raising VAT on additional accruals identified - 2022	300 201
VAT on donated assets in-kind - 2022	14 757
Adjusting the VAT on recalculation of commission on prepaid electricity sales - 2022	278 446
VAT on rebates for indigent debtors raised - 2023	937 297
Reversing accrual - 2023	(213 548)
Raising VAT on charges on accounts not billed for electricity and refuse - 2023	(42 919)

Notes to the Annual Financial Statements

	2024	2023
49. Prior period errors (continued)		
VAT on donated assets in-kind - 2023		35 231
VAT on corrections on retention fees - 2023		(47 764)
VAT on corrections of prepaid electricity vendor sales, commission and related receivable - 2023		(194 301)
VAT on additional accruals raised - 2023		367 227
Restated 2023 Closing balance		**15 778 188**
4 - Property, plant and Equipment - Statement of Financial Position		
Previously reported 2023 balance		1 327 066 967
Reversing unsupported 2022 balances		129 972 180
Restated 2023 Closing Balance		**1 457 039 147**
4 - Payables from exchange transactions - Statement of Financial Position		
Previously reported 2023 balance		(1 267 822 521)
Retention fee corrections - 2022		(1 844 871)
Reversing duplicated allocation of unallocated deposits - 2022		(1 710 023)
Raising additional accruals - 2022		(2 301 545)
Reallocation of incorrectly allocated payments out of Deposits received - 2023		(4 287)
Retention fee corrections - 2023		366 191
Reallocation of grant receipt from Unallocated deposits to Unspent conditional grants - 2023		7 316 000
Reversing duplicated allocation of unallocated deposits - 2023		(785 566)
Reallocating unallocated deposit from Payments received in advance to Unallocated deposits - 2023		8 113 510
Reallocating unallocated deposit from Payments received in advance to Unallocated deposits - 2023		(8 113 510)
Reversing accruals - 2023		1 637 200
Raising additional accruals - 2023		(6 116 412)
Reallocating amount recorded on the incorrect debtor account resulting in a payments received in advance - 2023		1 678 739
Restated 2023 Closing Balance		**(1 269 587 095)**
6 - Unspent conditional grants and receipts - Statement of Financial Position		
Previously reported 2023 balance		(3 091 617)
Reallocation of MDRG grant receipt from unallocated deposits - 2023		(7 316 000)
Restated 2023 Closing balance		**(10 407 617)**
7 - Employee benefit obligation (current) - Statement of Financial Position		
Previously reported 2023 balance		(50 453 498)
Recalculation of bonus accrual - 2023		322 613
Restated 2023 Closing balance		**(50 130 885)**
9 - Finance lease obligation (current) - Statement of Financial Position		
Previously reported 2023 balance		(2 279 222)
Recalculation and reclassification of current portion of finance lease obligation		427 434
Restated 2023 Closing balance		**(1 851 788)**
10 - Accumulated Surplus - Statement of Financial Position		
Previously reported 2023 Opening balance		(620 141 527)
Effect of opening balance corrections relating to -		326 637
Raising charges on accounts not billed for electricity - 2022		135 822
Raising charges on accounts not billed for refuse - 2022		190 815
		(619 814 890)

49. Prior period errors (continued)

Notes to the Annual Financial Statements

	2024	2023

49. Prior period errors (continued)

RESTATED 2022/23 (Surplus)/Deficit	357 086 325
Reported 2022/23 (Surplus)/Deficit	357 086 325
Net changes to Statement of Financial performance	-
RESTATED 2022/23 CLOSING BALANCE	**(262 728 565)**

2023 Comparative restatements

Statement of Financial Performance	Previously reported	Adjustment	As restated	Reference
REVENUE				
Service charges	292 519 971	32 602 621	325 122 592	i
Rental of facilities and equipment	3 622 232	(27 638)	3 594 594	ii
Income from agency services	3 993 862	827 759	4 821 621	ii
Other Income	71 966 811	(67 354 835)	4 611 976	iii
Property rates	143 504 694	(54 840 655)	88 664 039	v
Fines	3 601 870	(15 972)	3 585 898	vi
EXPENDITURE				
Employee related costs	(340 914 442)	322 613	(340 591 829)	vii
Depreciation and amortisation	(89 187 683)	23 948 133	(65 239 550)	viii
Finance costs	(98 832 053)	73 170	(98 758 883)	ix
Debt impairment	(99 355 580)	(32 568 525)	(131 924 105)	x
Repairs and maintenance	(27 630 351)	(38 962 286)	(66 592 637)	xi
Contracted services	(45 375 196)	(2 375 886)	(47 751 082)	xii
Transfers and Subsidies	(1 615 517)	(121 501)	(1 737 018)	xiii
General expenses	(102 142 896)	(916 168)	(103 059 064)	xiv
Impairment loss	(52 373 381)	52 373 381	-	xi
Fair value adjustments	(1 881 303)	1 881 303	-	0
	(340 098 962)	**(85 154 486)**	**(425 253 448)**	

	2024	2023

49. Prior period errors (continued)

i) Service charges

As previously reported		292 519 971
Billing corrections on accounts not billed for services in prior years		32 602 621
		325 122 592

ii) Income from agency services - Statement of Financial Performance

As previously reported		3 993 862
Reclassification of payments to Department of Transport (Principal) and raising current year collections		827 759
		4 821 621

iii) Other income - Statement of Financial Performance

As previously reported		7 196 811
Reclassification of income from DOT and reduction in debtor		(67 354 835)
		(60 158 024)

iv) Interest earned on debtors - Statement of Financial Performance

As previously reported		87 588 277
		87 588 277

v) Property Rates - Statement of Financial Performance

As previously reported		143 504 694
Billing raised on accounts not billed for rates in prior year		54 840 655
		198 345 349

vi) Fines - Statement of Financial Performance

As previously reported		3 601 870
Recalculation of traffic fines receivable		(15 972)
		3 585 898

vii) Employee Costs - Statement of Financial Performance

As previously reported		(340 914 442)
Recalculation of bonus accrual		322 613
		(340 591 829)

viii) Depreciation and amortisation - Statement of Financial Performance

As previously reported		(89 187 683)
Recompilation of fixed asset register, recomponentisation of projects capitalised in 2023		23 948 133
		(65 239 550)

Notes to the Annual Financial Statements

	2024	2023

49. Prior period errors (continued)

ix) Finance costs - Statement of Financial Performance

As previously reported		(98 832 053)
Interest on additional accruals raised		73 170
		(98 758 883)

x) Debt impairment - Statement of Financial Performance

As previously reported		(99 355 580)
Recalculation and adjustment of provision for debt impairment		(32 568 525)
		(131 924 105)

xi) Repairs and maintenance - Statement of Financial Performance

As previously reported		(27 630 351)
Recompilation of fixed asset register, expensing items not capital and raising of additional accruals		(38 962 286)
		(66 592 637)

xii) Contracted services - Statement of Financial Performance

As previously reported		(45 375 196)
Raising of additional accrued expenses identified		(2 375 886)
		(47 751 082)

xiii) Transfers and subsidies - Statement of Financial Performance

As previously reported		(1 615 517)
Raising additional accruals identified		(121 501)
		(1 737 018)

xiv) General expenses - Statement of Financial Performance

As previously reported		(102 142 896)
Raising additional accruals identified		(916 168)
		(103 059 064)

xi) Impairment losses

As previously reported		(52 373 381)
Recompilation of asset register and reconsideration of impairments on WIP projects		52 373 381
		-

The following disclosures have been restated:

Irregular expenditure

Previous Disclosure

Opening balance		420 077 005
Add: Irregular Expenditure - current year		168 297 668
Less: Amounts written off by Council - prior period		(79 809 936)
		508 564 737

Adjustment

Additional irregular expenditure - opening balance	-	7 752 028
Additional irregular expenditure - current year		5 092 808

49. Prior period errors (continued)

New disclosure

Opening balance		427 829 033
Add: Irregular Expenditure - current year		173 390 476
Less: Irregular expenditure approved by Council for write off		(79 809 936)
		521 409 573

The irregular expenditure was adjusted to take into account the additional irregular expenditure identified by the auditors.

Commitments

Previous disclosure

		1

Authorised capital expenditure

Already contracted for but not provided for

Property, plant and equipment		248 734 333
		248 734 334

Adjustments		
Correction of misstatement of commitments		(26 539 608)
Reversal of Incorrect adjustment in the audited AFS		479 550
Correction of Commitment on contract		3 600 962
Correction of Expenditure Incurred		(13 040 408)
Correction of Variation Orders		(403 495)
		(35 902 999)

Restated disclosure

Authorised capital expenditure

Already contracted for but not provided for

Property, plant and equipment		212 831 335

Contingencies

Previous disclosure

Contingent liabilities		59 855 047

Notes to the Annual Financial Statements

	2024	2023

49. Prior period errors (continued)

Fruitless and wasteful expenditure

Previous disclosure	
Opening balance	169 737 924
Add: Fruitless and wasteful expenditure - current year	135 703 188
Less: Amount written-off by Council - 2020/21	(26 934 592)
Less: Amount written-off by Council - 2021/22	(58 100 974)
	220 405 546
Adjustment	
Add: Additional current year fruitless and wasteful expenditure identified	1 264 507
Add: Fruitless and wasteful expenditure incurred in prior year but identified in current year	105 300
	1 369 807
New disclosure	
Opening balance	169 737 924
Add: Fruitless and wasteful expenditure incurred in current year	136 967 695
Add: Fruitless and wasteful expenditure incurred in prior year but identified in current year	105 300
Less: Fruitless and wasteful expenditure written-off - 2020/21	(26 934 592)
Less: Fruitless and wasteful expenditure written-off - 2021/22	(58 100 974)
	221 775 353

Additional fruitless and wasteful expenditure identified during the audit.

17. Note 58 - Segment reporting

	2024	2023
	100	-

The segment reporting for 2023 included segments that did not meet the definition of a reportable segment. The disclosure was restated in the current year to separately report only the parts of the entity that meet the definition.

GRAP 18 Segment reporting defines a reportable segment as 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 it’s performance; and
- for which separate financial information is available

The municipality charges for the provision of electricity and also refuse collection services therefore Refuse and Electricity are reportable segments. The other segments included in the 2023 annual financial statements do not generate any income and therefore should not have been included.

GRAP 18 further states that parts of an entity which do not meet the definition of a segment are not shown separately in the segment report. Examples would include administrative or functional divisions/units which do not on its own generate economic benefits or have service potential.

50. Risk management

Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which that 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 IAS's 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 of 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 risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function. There has not been any reviews conducted during the year which exposed the municipality to high financial risks. Further quantitative disclosures are included throughout these Annual Financial Statements.

Liquidity risk

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

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

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

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	1 468 613 980	-	-	-
Consumer deposits	11 272 521	-	-	-
Finance lease obligation	621 154	583 958	-	-

At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	1 270 594 334	-	-	-
Consumer deposits	10 946 493	-	-	-
Finance lease obligation	754 963	746 214	701 529	-

Credit risk

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

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

	2024	2023

50. Risk management (continued)

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor (impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank.

Trade and other receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

The municipality's maximum exposure to credit risk is represented by the carrying value of each financial assets in Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The maximum credit risk exposure in respect of the relevant financial instruments at year end were as follows:

Financial instrument	2024	2023
Receivables from exchange transactions	82 226 932	134 989 823
Receivables from non-exchange transactions	110 825 765	141 467 560
Cash and cash equivalents - Bank balances	72 755 914	4 054 476
Cash and cash equivalents - Short-term deposits	66 627 175	33 100 760

Market risk

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest charges. Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances. The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made. Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas.Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handing over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting where applicable. The municipality is not exposed to credit interest rate risk as the municipality has no borrowings. The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

51. Going concern

The Enoch Mgijima Local Municipality’s Annual Financial Statements are prepared on a going concern basis despite the presence of some material uncertainties in the short term. Management’s assumption is that the municipality will continue to exist as a going concern and to exist in the foreseeable future unless de – established or merged into a new entity by the Municipal Demarcation Board.

The municipality is aware of the following financial challenges which threaten its financial viability and as a going concern:

Notes to the Annual Financial Statements

	2024	2023

51. Going concern (continued)

- Operating at a deficit as reported in the Financial Performance at year end

- The municipality’s inability to pay its major creditors over the past 12 months

- Longer debtors payment period

- Increase in Eskom debt, and

- The growing debtors figures and increase in debt impairment that has to be written off at year end

The municipality received confirmation from National Treasury that the equitable share will be paid to the municipality. A portion of the equitable share will be used to pay for the Eskom debt. The municipality’s smart meter project is ongoing. The meter audit has been done and smart meters are being on large power users. A significant increase in electricity sales is anticipated. This will enable the municipality to pay its creditors as they fall due and also report a surplus in future.

As part of the turnaround strategy of the municipality, the municipality is currently implementing a financial recovery programme that entails implementing set of activities that will improve the financial viability of the municipality. Cost containment measures as contained in MFMA circular 68 are currently being implemented with the aim of curbing expenditure on non–essential procurement

The municipality envisages returning to full financial viability in 2024/25, as detailed in the financial plan presented to council and submitted to National Treasury.

The municipality is no longer under administration or overseen by the National Cabinet Regulator.

The municipality has been placed under Section 139(7) National Treasury intervention. This will not impact the municipality's continued operation.

52. Events after the reporting date

A fire occurred at the Mlungisi Library shortly after year end. The extent of the damage is still being assessed.

A fire occurred at the Lawrence De Lange Game Reserve shortly after year end. No animals were lost but there was some property damage. The extent of the damage is still being assessed.

53. Unauthorised expenditure

	2024	2023
Unauthorised expenditure	914 952 331	427 021 722
Add: Unauthorised expenditure - current year	381 588 328	487 930 609
Add: Adjustment for amounts already written off by Council approved for write-off again - 2020/2021	168 819 705	-
Less: Amounts written off by Council - 2020/2021	(189 203 120)	-
Less: Amounts written off by Council - 2021/2022	(406 638 307)	-
Less: Amounts written off by Council - 2022/23	(487 930 609)	-
	381 588 328	**914 952 331**

The unauthorised expenditure for the years ended 30 June 2021, 30 June 2022 and 30 June 2023 were investigated and written off by Council. The unauthorised expenditure for the year ended 30 June 2024 is still under investigation.

	2024	2023

54. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	221 775 353	169 737 924
Add: Fruitless and wasteful expenditure - current year	49 627 642	136 967 695
Add: Additional fruitless and wasteful expenditure identified - 2021/2022	-	105 300
Less: Amount written off by Council - 2020/21	-	(26 934 592)
Less: Amount written off by Council - 2021/22	-	(58 100 974)
Less: Amount written off by Council - 2021/22 Adjustments	(105 300)	-
Less: Amount written off by Council - 2022/23	(89 943 779)	-
Add: Adjustment for amounts already written off by Council	3 320 712	-
Less: Amount written off by Council - current year	(52 924 758)	-
	131 749 870	**221 775 353**

The Fruitless and wasteful expenditure for the years ended 30 June 2021 and 30 June 2022 was investigated and written off in 2022/2023. The Fruitless and wasteful expenditure incurred in the year ended 30 June 2023 was investigated and written off by Council in 2023/24. The remaining fruitless and wasteful expenditure relating to the years ended 30 June 2021, 30 June 2022 and 30 June 2023 and prior years is still under investigation.

55. Irregular expenditure

Opening balance	521 409 573	427 829 033
Add: Irregular Expenditure - current year	208 889 341	173 390 476
Less: Amounts written off by Council - 2022/23	-	(79 809 936)
Less: Amounts written off by Council - 2022/23	(390 733 324)	-
Less: Amounts written off by Council - 2023/24	(122 300 559)	-
	217 265 031	**521 409 573**

The irregular expenditure for the 2022/2023 and 2023/24 financial year and prior year were investigated and approved for write off by council. The remaining balance was referred by MPAC for further action and implementation of consequence management and institution of disciplinary action where deemed appropriate.

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Supply Chain Management Regulation and / or Policy deviations	Items have been referred to MPAC for investigation and the need for criminal proceedings to be determined	106 408 242

56. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	3 534 358	5 056 802
Current year subscription / fee	4 137 795	3 534 358
Amount paid - current year	(3 534 358)	(5 056 802)
	4 137 795	**3 534 358**

Audit fees

Opening balance	298 520	1 870 799
Current year subscription / fee	7 088 547	6 107 871
Amount paid - current year	(7 088 547)	(7 680 150)
	298 520	**298 520**

	2024	2023

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

PAYE

Opening balance	3 714 840	3 366 105
Current year subscription / fee	42 273 971	44 392 888
Amount paid - current year	(42 404 861)	(44 044 153)
	3 583 950	**3 714 840**

UIF

Opening balance	303 218	289 687
Current year subscription / fee	3 537 557	3 619 810
Amount paid - current year	(3 544 796)	(3 606 279)
	295 979	**303 218**

Pension fund contributions

Opening balance	4 601 524	4 482 047
Current year subscription / fee	54 370 881	56 439 454
Amount paid - current year	(54 543 745)	(56 319 977)
	4 428 660	**4 601 524**

Medical aid contributions

Current year subscription / fee	31 999 988	30 748 862
Amount paid - current year	(29 304 960)	(30 748 862)
	2 695 028	**-**

VAT

VAT receivable	1 015 564	1 281 529

Several VAT returns were not submitted by the due date throughout the year and interest and penalties were incurred as a result.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2024:

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

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr A. Keva	2 113	70 026	72 139
Cllr S. Mkhunqe	1 227	44 480	45 707
Cllr M. Ngesi	584	-	584
Cllr Z. N. E. Ralane	641	178	819
Cllr A. T. Cetywayo	2 964	2 227	5 191
Cllr S. N. Neli	35	3 349	3 384
Cllr E. Mavango	707	20 933	21 640
Cllr A. Njikela	1 874	41 768	43 642
Cllr S. A. Qwalela	273	-	273
Cllr M. Matsolo	1 607	59 902	61 509
Cllr D. U. Stellenberg	3 061	12 514	15 575
Cllr S. C. Ndarala	1 591	21 134	22 725
Cllr M. Hokolo	1 147	42 862	44 009
Cllr P. Madubedube	881	43 158	44 039
Cllr M. Mxakwe	1 392	27 748	29 140
Cllr X. Williams	746	-	746
Cllr O. Adonis	1 257	6 862	8 119
Cllr L. C. S. Tokwe	2 263	78 004	80 267
Cllr M. Lali	2 257	28 356	30 613
Cllr N. Nqabisa	576	9 483	10 059
Cllr T. Vali	149	7 298	7 447
Cllr B. C. Simina	292	-	292
	27 637	**520 282**	**547 919**

	2024	2023

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

30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr A Keva	1 746	58 051	59 797
Cllr S Mkhunqe	1 051	37 248	38 299
Cllr M Ngesi	455	-	455
Cllr W Booi	-	1 500	1 500
Cllr V Bomela	90	-	90
Cllr N S Kweza	917	504	1 421
Cllr A T Cetywayo	2 276	2 157	4 433
Cllr S N Neli	34	3 110	3 144
Cllr E Mavango	628	16 563	17 191
Cllr A Njikela	1 486	31 532	33 018
Cllr A Ganca	872	2 733	3 605
Cllr M Matsolo	1 361	50 562	51 923
Cllr D U Stellenberg	2 794	31 150	33 944
Cllr S C Ndarala	1 397	16 903	18 300
Cllr T Vali	1 306	-	1 306
Cllr M Hokolo	989	36 052	37 041
Cllr P Madubedube	795	37 656	38 451
Cllr Z P Mandile	595	7 762	8 357
Cllr M Mxakwe	1 114	20 040	21 154
Cllr O Adonisi	987	3 168	4 155
Cllr A B Zondi	698	660	1 358
Cllr L C S Tokwe	2 036	76 915	78 951
Cllr M Lali	1 400	28 096	29 496
Cllr N Nqabisa	723	20 690	21 413
	25 750	**483 052**	**508 802**

57. Segment information

General information

Identification of segments

The municipality has two activities that generate economic benefits: electricity distribution and sale and refuse collection and disposal services.

The municipality regularly reports its actual spending against the original and adjusted budgets using the municipal votes and sub votes, including sub votes relating to electricity distribution and sale and refuse collection and disposal services.

Aggregated segments

The Electricity distribution and Electricity Infrastructure Development Unit sub votes were combined for reporting on Electricity distribution and sale.

The Cleansing: Open areas, Cleansing: Refuse Disposal, Cleansing: Refuse Removals and Cleansing: Street Cleaning sub votes were combined for the reporting on Refuse collection and disposal.

Types of goods and/or services by segment

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

Reportable segment	**Goods and/or services**
Segment 1	Electricity distribution and sale
Segment 2	Refuse collection and disposal

Segment surplus or deficit, assets and liabilities

2024

	Electricity	Refuse	Total
Revenue			
Revenue from non-exchange transactions	131 268 169	10 216 708	141 484 877
Revenue from exchange transactions	275 790 707	136 342 082	412 132 789
Eskom interest waiver	64 692 243	-	64 692 243
Total segment revenue	**471 751 119**	**146 558 790**	**618 309 909**
Interest received on investments			6 805 976
Income from agency services			4 821 621
Government grants and subsidies			458 591 086
Other unallocated revenue			123 521 018
Total revenue reconciling items			**593 739 701**
Entity's revenue			**1 212 049 610**
Expenditure			
Employee related costs	(127 664 643)	(22 297 367)	(149 962 010)
Debt impairment	-	(188 423 363)	(188 423 363)
General expenses	60 702 260	(7 662 056)	53 040 204
Bulk purchases	(378 966 213)	-	(378 966 213)
Repairs and maintenance	(20 701 731)	(805 519)	(21 507 250)
Finance costs	-	(22 966 833)	(22 966 833)
Total segment expenditure	**(466 630 327)**	**(242 155 138)**	**(708 785 465)**
Total segmental surplus/(deficit)			**(90 475 556)**

57. Segment information (continued)

Employee related costs			(264 190 038)
Remuneration of councillors			(28 363 758)
Depreciation and amortisation			(65 925 089)
Finance costs			(72 571 292)
Transfers and subsidies			(1 629 816)
Debt impairment			39 468 876
Other unallocated expenses			(343 699 066)
Total revenue reconciling items			593 739 701
Entity's surplus (deficit) for the period			**1 715 313 755**
Assets			
Segment assets	630 050 310	2 521 523	632 571 833
Segment assets - additions	65 496 192	-	65 496 192
Total segment assets	**695 546 502**	**2 521 523**	**698 068 025**
Unallocated assets			1 349 497 424
Total assets as per Statement of financial Position			**2 047 565 449**
Liabilities			
Segment liabilities	(963 059 921)	-	(963 059 921)
Unallocated liabilities			(835 350 862)
Total liabilities as per Statement of financial Position			**(1 798 410 783)**

The municipality operates throughout the Enoch Mgijima Municipality in 5 towns in the Eastern Cape,i.e., Komani, Tarkastad, Whittlesea, Molteno and Hofmeyr. Segments were not organised on the basis of differences in geographical areas of operation and the cost to develop such information would be excessive.

2023

	Electricity	Refuse	Total
Revenue			
Revenue from non-exchange transactions	43 484 913	19 864 767	63 349 680
Revenue from exchange transactions	220 176 598	52 495 782	272 672 380
Total segment revenue	**263 661 511**	**72 360 549**	**336 022 060**
Interest received on investments			2 842 071
Income from agency services			3 828 498
Government grants and subsidies			256 689 072
Other unallocated revenue			253 067 838
Total revenue reconciling items			**516 427 479**
Entity's revenue			**852 449 539**
Expenditure			
Employee related costs	(38 137 411)	(30 221 279)	(68 358 690)
Depreciation and amortisation	(873)	-	(873)
General expenses	(4 812 046)	(442 186)	(5 254 232)
Bulk purchases	(277 911 740)	-	(277 911 740)
Repairs and maintenance	(3 052 497)	(964 592)	(4 017 089)
Debt impairment	(274 813 850)	110 968 943	(163 844 907)
Total segment expenditure	**(598 728 417)**	**79 340 886**	**(519 387 531)**
Total segmental deficit			**183 365 470**

57. Segment information (continued)

Total revenue reconciling items			516 427 479
Remuneration of councillors			(25 467 864)
Finance costs			(26 934 766)
Transfers and subsidies			(4 801 836)
Debt impairment			273 269 653
Other unallocated expenses			(389 988 992)
Entity's deficit for the period			**(62 799 683)**
Assets			
Segment assets	526 389 078	-	526 389 078
Segment assets - additions	44 133 570	806 510	44 940 080
Total segment assets	**570 522 648**	**806 510**	**571 329 158**
Unallocated assets			1 096 875 907
Total assets as per Statement of financial Position			**1 668 205 065**
Liabilities			
Segment liabilities	(213 688 266)	-	(213 688 266)
Unallocated liabilities			(691 967 912)
Total liabilities as per Statement of financial Position			**(905 656 178)**

Measurement of segment surplus or deficit, assets and liabilities

The nature and effect of any asymmetrical allocations to reportable segments

The municipality allocated payables from exchange transactions to the electricity segment without allocating the related finance costs to that segment.

	2024	2023

58. Accounting by principals and agents

The municipality is party to several principal-agent arrangements.

The municipality (agent) collects vehicle licencing fees on behalf of the Department of Transport (principal) in exchange for the service the municipality receives commission of 9% on all fees collected.

Utilities world and MussiConlog sell prepaid electricity to customers of the municipality in exchange for commission of 4.8% and 9% on total sales, respectively.

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R4 420 273 (2023: R3 954 977).

Liabilities and corresponding rights of reimbursement recognised as assets

At year end the Municipality had collected R1 833 998 (2023: Rnil) in funds that were owed to the Department of Transport.

Entity as principal

Fee paid

All unpaid rates and taxes recovered by Brandrive (Pty) Ltd are paid directly to the Municipality by the relevant debtors therefore they do not hold any funds on behalf of the Municipality.

59. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	82 226 932	82 226 932
Cash and cash equivalents	72 755 914	72 755 914
	154 982 846	**154 982 846**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	1 468 613 980	1 468 613 980
Consumer deposits	11 272 521	11 272 521
Finance lease obligation	1 205 112	1 205 112
	1 481 091 613	**1 481 091 613**

2023

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	134 989 823	134 989 823

	2024	2023

59. Financial instruments disclosure (continued)

Cash and cash equivalents	37 197 521	37 197 521
	172 187 344	**172 187 344**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	1 270 594 334	1 270 594 334
Consumer deposits	10 946 493	10 946 493
Finance lease obligation	2 202 707	2 202 707
	1 283 743 534	**1 283 743 534**

60. Deviation from supply chain management regulations

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

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

Goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer. The reasons for the deviations were as follows:

Reason for deviation	
Emergency	13 145 475
Impractical / impossible to obtain three quotes	1 287 580
	14 433 055

Awards to persons in service of state

Name of person	State institution	Position	Supplier	Value of award
LL Lwazi Goqwana	Transnet Limited	General Manager	ROCLA	3 216 231

Notes to the Annual Financial Statements

	2024	2023

61. Change in estimate

Property, plant and equipment

Landfill site

In the current financial year there was a change in estimate on the calculation of the provision for rehabilitation of landfill sites which resulted in an decrease in the value of the asset and the depreciation thereon. The change was caused by a change in the the methodology and change in the expert that was used to perform the valuation. The effect of this revision has reduced the depreciation charges for the current and future periods:

	2024
Change in estimate	(164 804 774)
Depreciation	(5 493 492)
	(170 298 266)

	2024	**2025**	**2026**	**2027**	**2028**
Change in estimate	(164 804 774)	(164 804 774)	(164 804 774)	(164 804 774)	(164 804 774)
Depreciation	(5 493 492)	(5 493 492)	(5 493 492)	(5 493 492)	(5 493 492)
	(170 298 266)	**(170 298 266)**	**(170 298 266)**	**(170 298 266)**	**(170 298 266)**

Property, plant and equipment - other

The annual review of the useful lives and residual values of assets resulted in an increase of R5 061 645 in the depreciation and amortisation charge to the statement of financial performance. It is impracticable to estimate the effect of these changes on future periods.

62. Budget differences

Material differences between budget and actual amounts

The actual expenditure for the following expenses varied from the final budget by 10% or more:

62.1 Service charges

The negative variance was due to the illegal connections and electricity tampering that is prevalent in the townships. We collected less than budgeted because of these illegal connections.

60.2 Rental of facilities and equipment

The negative variance is due to the tenants that owe the municipality especially at Sunshine village where most of them are pensioners.

62.3 Interest on debtors

The positive variance is due to the increase in the municipal debtors account. As the debtors figure increases, the interest raised on theses debts increases. The plan of cleansing the data in 2023/24 so as to reduce the debtors amount could not be done due to the delays in the procurement process. This process will only happen in 2024/25. The budget was based on the anticipation of data cleansing happening in the year under review.

62.4 Income from agency fees

The negative variance was due to some people choosing to do vehicle registration with the post office and on line

62.5 Other income

The negative variance was due to reduction in the revenue from some revenue sources such as gate fees at nature reserve, Berry dam and Bonkolo dam, pound sales and pound fees.

62. Budget differences (continued)

62.6 Interest received on investments

The positive variance was due to the increase in the amount of positive balances in our call accounts in the year. The call accounts comprise of conditional grant account balances and the call investment account where surplus funds are invested to earn interest and only transferred to the operating account when needed for payment.

60.7 Public contributions and donations

Public contributions and donations was not anticipated hence there was no budget. The donation was received during the year hence the variance.

60.8 Fines, penalties and forfeits

The negative variance was due to the sharp decline in the traffic fines from the traffic section as a result of high vacancy rate in the section.

	2024	2023

62. Budget differences (continued)
62.9 Depreciation and amortisation

The over expenditure was due to more than anticipated increase of assets in the 2023/24 financial year. The budget was based on the existing asset register at the time of the budget approval by council

62.10 Finance costs

Finance costs are interest charged by Eskom on outstanding Eskom accounts owed. The interest cost increased in the months of April to June 2024 when the municipality defaulted in paying the current accounts.

62.11 Debt impairment

The more than expected debt impairment was due to the less revenue that was collected in the year due to the illegal electricity connections

60.12 Repairs and maintenance

The increase in the repairs / maintenance was due to the un planned repairs and maintenance that had to be carried out on our electrical infrastructure. These frequent break down in the electricity network were not anticipated.

60.13 Bulk purchases

The increase in the Eskom bulk purchases was due to the illegal connections that were using electricity and that were not recorded. The budget was based on usage the current number of meters in our billing system.

60.14 Transfers and subsidies

The negative variance was due to payment to SPCA that was discontinued.

62.15 Gains on the disposal of assets and liabilities

The anticipated sale of land that was budgeted could not materialise as a result of land audit that must first be done.

60.16 Gains on foreign exchange

Gains on foreign was not anticipated and was not budgeted for.

62.17 Actuarial gains / losses

Actuarial gain / losses was not anticipated and was not budgeted for

62.18 Fair value adjustment on biological assets

Fair value adjustment on Biological Assets was not anticipated and was not budgeted for

60.19 Eskom debt waiver

Eskom debt waiver was not anticipated and was not budgeted for.