Midvaal Local Municipality
(Demarcation code GT422)
Annual Financial Statements
for the year ended June 30, 2024
Auditor-General of South Africa (AGSA)
Chartered Accountants (S.A.)
Registered Auditors

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General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The main business operations of the municipality is to engage in local government activities, which includes planning and promotion of integrated development planning, land use management, economic and environmental development and supplying of the following services to the community. General Services - All types of services rendered by the municipality, excluding the supply of housing to the community. Waste Management Services - the collection and disposal of waste. Electricity Services - Electricity is bought in bulk from Eskom and distributed to the consumers of the municipality in licensed areas. Waste Water Management - Collection and purification of waste water. Water Services - Supply of purified water.
Legislation governing the municipality's operations	Constitution of the Republic of South Africa (Act 108 of 1998) Municipal Finance Management Act (Act 56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Municipal Property Rates Act (act of 6 2004) Division of Revenue Act (Act 1 of 2007)

Executive mayor and chairperson of mayoral commitee

Portfolio	**Councillor**
Executive mayor and chairperson of mayoral committee	Ald. Peter John Teixira
Speaker	Cllr. Alan Ross McLoughlin
Chief WIP	Ald. Philippus Christoffel Pretorius
MMC - Corporate	Cllr. Mokete Ishmael Motsamai
MMC - Community	Cllr. Marry-Anne Myburg
MMC - Engineering	Cllr. Reginald James Hubbard
MMC - Development and Planning	Cllr. Thembekile Martha Modiba
MMC - Finance	Ald. Patricia Daphne Pretorius
MMC - Public Safety and Roads	Cllr. Chantal Lynette Gomes

Executive management

Position	**Name**
Municipal Manager	Mr AM Groenewald
Chief Financial Officer (CFO)	Mr ZN Mhlongo
Executive Director: Engineering	Mr P Magodi
Executive Director: Corporate Services	Mr S Cave
Executive Director: Development and Planning	Mr K Mokwena
Executive Director: Community Services	Ms T Mnguni
Executive Director: Public Safety and Roads	Mr E Lensley

General Information

Council Members

Nr	Surname	Initials	Nr	Surname	Initials
1	Peters	FW	2	Janse van Rensburg	S
3	Jordaan	EJ	4	Myburgh	M
5	Pretorius	PD	6	Sithole	TS
7	Visser	LTH	8	Ndebele	MM
9	Hubbard	RJ	10	Mokhomo	DT
11	Maimane	MA	12	Kruger	MC
13	Viljoen	JG	14	Pretorius	PC
15	Dickinson	AH			

Grading of local authority Grade 4 Local Municipality

Registered head office 25 Mitchell Street
Meyerton
Gauteng
1961

Postal address P.O.Box 9
Meyerton
1960

Bankers Nedbank

Auditors Auditor-General of South Africa (AGSA)

Demarcation code GT422

Legal representative Panel of attorneys appointed for cost effectiveness: Lusenga Attorney Inc, Seleka Attorneys Inc, Madhlopa & Thenga Inc, Klopper Jonker Inc, AV Theron & Swanepoel, Madiba Motsai Masitemyame & Githiri Attorneys, Katlego Ralikhuvhana Mokgola Inc, Ramatshila-Mugeri Attorney, Mamatela Attorneys, Enderstein Malumbete Inc, Mkhabela Huntley Attorneys Inc, Blignaut Neerhoo Inc, Mudau & Netshipise Attorneys, Cheadle Thompson & Haysom Inc, Majang & Associates Inc, Mmakola Matsimela Inc, Matabena Inc

Abbreviations

AGSA	Auditor-General of South Africa
ASB	Accounting Standards Board
CIGFARO	Chartered Institute of Government, Finance, Audit and Risk Officers
COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
DCPI	Directorate for Priority Crime Investigation
DORA	Division of Revenue Act
DSACR	Department of Sport, Arts, Culture and Recreation
ED	Executive Director
GFS	Government Finance Statistics
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
INEP	Integrated Electrification Programme
IPSAS	International Public Sector Accounting Standards
LGSETA	Local Government Services Sector Education and Training Authority
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPAC	Municipal Public Accounts Committee
MPRA	Municipal Property Rates Act
mSCOA	Municipal Standard Chart of Accounts
MSIG	Municipal System Improvement Grant
NEMA	National Environmental Management Act
NDPG	Neighbourhood Development Partnership Grant
SALGA	South African Local Government Association
SAPS	South African Police Services
SARS	South African Revenue Services
SCM	Supply Chain Management
SRAC	Sports, Recreation, Arts and Culture
VAT	Value-Added Tax
WSIG	Water and Sanitation Infrastructure Grant

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

The annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standards Board. The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent management judgements and estimates.

I, as the accounting officer acknowledges that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable us to meet these responsibilities, we have set standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. In the year under review , the systems of internal control have been boosted by municipal ICT infrastructure upgrade and migration. The improved firewall protections, access protocols, encryptions and password complexities have enabled the accounting officer to fulfil this responsibility. 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 operational risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

I am of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. This assurance is further supported by the fact that all MSCOA version and patch upgrades were implemented in line with National Treasury's requirements. However, any system of internal financial control can provide only reasonable, and not absolute assurance against material misstatement or deficit.

I have reviewed the municipality's cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future. An assessment to this effect has been confirmed by Gauteng Provincial Treasury, as an independant structure and Ratings Afrika being a ratings agency that specialises in ratings and gauging financial soundness and governance. The annual financial statements are prepared on the basis that the municipality is a going concern and that Midvaal Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of it's operations.

Although, I am primarily responsible for the financial affairs of the municipality, this is supported by the municipality's senior management team, external auditors and other oversight governance structures of Council.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 37 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Governments determination in accordance with the Act.

The external auditor, being the Auditor General of South Africa, is responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented separately.The annual financial statements set out on pages 14 to 113 which have been prepared on the going concern basis, were approved and signed by the accounting officer:

Accounting Officer
Mr. AM Groenewald

Meyerton

Saturday, 31 August 2024

Performance and Audit Committee Annual Report

REPORT OF THE AUDIT, PERFORMANCE, INTEGRITY & RISK MANAGEMENT COMMITTEE

During the financial year ended 30 June 2024, the Audit, Performance, Integrity and Risk Mangement Committee convened eight times to discharge its statutory responsibility in terms of the MFMA and its responsibilities in terms of its Charter.

Legislative Framework

Section 166(1) of the Local Government Municipality Finance Management Act, Act 56 of 2003 as amended, referred to as the MFMA, requires from each Municipality to have an Audit Committee.

In terms of Section 166(2)(a) of the MFMA, the Audit Committee is an independant advisory body which must amongst others advise the Municipal Council on matters relating to:

1. Internal financial control and internal audits
2. Risk management
3. Accounting policies
4. The adequacy, reliability and accuracy of financial reporting and information.
5. Performance management
6. Effective governance
7. Compliance with this Act, the Annual Division of Revenue Act, and any other applicable legislation
8. Performance evaluation,
9. Other issues referred to it by the Municipality, Audit, Performance, Integrity and Risk Mnagement Committee Charter.

Standing Items

As part of the oversight role to be played by the Committee, service delivery was included as a standing item in the agenda of all the meetings.This is an effort to support and assist the Municipality to avoid unnecessary poor performance of maintenance of the infrastructure and in so doing avoid any uprisings, protests and unrests by members of the community.

The following matters will always be discussed under this item:
1. Maintenance of roads
2. Electricity shortage
3. Water shortage
4. Grass cutting
5. Beautifying of the municipal area
6. Implementation of new projects and monitoring thereof
7. Developments of significance in the Midvaal Local Municipality:
8. Land invasions in the area of Midvaal Local Municipality
9. Waste management (including landfill sites)
10. PPP - electricity

Comprehensive Agenda

The meeting Agenda was structured to cover all aspects of the municipal operations and the Committee's mandate. The Agenda covered item such as:

Legislative Section
1. Auditor General (SA) Reports issued and audit related matters;
2. Internal Financial Control and Internal Audits;
3. Risk Management;
4. Performance Management;
5. Effective governance - includes Integrity Management;
6. Compliance with the MFMA, the Annual Division of Revenue Act and any other applicable legislation;
7. Performance Evaluation;
8. Any other issues referred to it by the municipality.

Performance and Audit Committee Annual Report

Overview

As an overview only, and not to be regarded as an exhaustive list, the Committee carried out the following duties:

Internal Audit Function

The Committee has played an oversight role in respect of the internal audit function, which was originally outsourced - where the internal audit function is conducted by an external service provider, however, during the year it became Co-sourced – where the external service provider works together with in-house internal audit resources. The municipality is transitioning to have a fully-fledged in-house function. The Committee has been monitoring the transition.

Amongst others, the Committee:
1. Approved the Internal Audit plan;
2. Ensured that the internal audit plan was risk based and addressed the strategic and operational risks of the municipality;
3. Ensured that Internal Audit adheres to the IIA Standards and Code of Conduct;
4. Ensured that the Internal Audit was functioning effectively;
5. Considered all the Chief Audit Executives Quaterly Reports and were satisfied that no material items were identified;
6. Reviewed the Internal Audit Action plan and progress made;
7. Did not receive any complaints relating to the internal audit of the municipality.

External Audit and Related Matters

The AG (Auditor General of South Africa) conducts the external audit of the municipality. The Committee played an oversight role in respect of the external audit process to ensure its effectiveness.

Amongst others the Committee:
1. Approved the AG's Engagement Letter;
2. Noted the AG's key focus areas for audit;
3. Noted the AG's audit strategy;
4. Reviewed the quality and effectiveness of the external audit process;
5. Reviewed the AG's Management Report and management's responses thereto;
6. Reviewed significant judgements and/or unadjusted differences resulting from the audit, as well as any reporting decisions made;
7. Noted the Emphasis of Matter Items raised by the AG and Managements responses thereto.

Risk Management Assurance and Ethics

The Committee formed an integral component of the risk management framework.

Amongst others the Committee:
1. Monitored financial reporting risks, internal financial controls, fraud risks and ICT risks, as these relate to financial reporting;
2. The Committee played an oversight role in respect of risk management, combined assurance and ethics;
3. Reviewed the Organisational and Operational Risk Register;
4. Reviewed the Risk Management Policy, Risk Management Strategy and the Risk Management Implement Plans;
5. Reviewed the Integrity Management: Strategy , Implementation Plan and Progress Reports;
6. Reviewed the Intergrity Management: Ethics Risk Register Review;
7. Reviewed the Quaterly Assurance and Improvement Programme Status Report;
8. Reviewed the Combined Assuramce Framework, Combined Assurance Plan and Progress Reports;
9. Reviewed Risk Appetite and Tolerance Levels set;
10. Noted the Risk Maturity Improvement Plan and Progress made.

Annual Financial Statements and Annual Report

The Committee reviewed the Annual Financial Statements, Annual Report and the Performance Reports of the municipality.

Performance and Audit Committee Annual Report

Amongst others the Committee:
1. Provided inputs to the Annual Financial Statements prior to its release to the AG for audit;
2. Reviewed the principles, policies and accounting practices and standards adopted in the preparation of the annual financial statements and commented thereon;
3. Monitored compliance with all statutory/legal/regulatory requirements;
4. Reviewed the underlying assumptions on which the Draft budget was based, for it being sound, realistic and achievable.

Furthermore no complaints relating to the accounting practices or the contents or auditing of the annual financial statements, or any related matter, were received by the Committee.

Compliance with MFMA, the Annual Division of Revenue Act, and any other applicable legislation

Amongst others the Committee:
1. Noted issues of non-compliance regarding the licence conditions of the landfill site;
2. An administrative fine was imposed and negotiations are still under way;
3. Noted the changes to the Public Audit Act and the Material Irregularity Regulations that became applicable to municipalities.

Performance Management

Amongst others the Committee;
1. Reviewed the Performance Reports on Predetermined Objectives;
2. Reviewed Financial Performance Reports;
3. Reviewed the Non-Financial Performance Reports;
4. Noted the mid- year Performance Assessment.
5. Noted the performance for the year - the number of KPI's assessed was 105 compared to 59 the previous year (2022/2023).

The table below is the summary of the achievements for the year 2023/2024:

Department	Number of Indicators	Unacceptable	Not Fully Effective	Fully Effective	Above Expectations	Outstanding Performance	%	Not Evaluated
Development and Planning	10	-	1	2	1	6	90%	-
Corporate	16	-	-	9	1	6	100%	-
MM	10	-	-	3	1	5	100%	1
Community	21	-	-	3	3	15	100%	-
Finance	12	-	-	2	3	7	100%	-
Engineering	20	-	-	1	5	13	100%	1
Public safety and Roads	16	-	2	4	2	8	88%	-
	105	-	3	24	16	60	97%	2

Performance and Audit Committee Annual Report

Members attendance at meetings:

Name	Council Resolution	Term	Position	2023/2024							
				30/08/23	27/09/23	11/10/23	27/11/23	26/01/24	14/03/24	15/04/24	16/05/24
				1st Spec for 23/24	1st O for 23/24	1st O for 23/24 (Continued)	2nd O for 23/24	2nd Spec for 23/24	3rd O for 23/24	3rd Spec for 23/24	4th O for 23/24
1. Mr. A. Lambat	C2807/04/2022 28/04/2022	01/05/2022-30/04/2025	Chairperson	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2. Mrs. T.L. Pino	C2968/10/2022 27/10/2022	01/10/2022-30/09/2025	Member	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
3. Mr. S. Maharaj	C2997/11/2022 25/11/2022	28/11/2022-30/11/2025	Member	Yes	Virtual	Virtual	Apology	Virtual	Yes	Virtual (Present 24 minutes)	Virtual
4. Mr. M. Radebe	C2997/11/2022 25/11/2022	25/11/2022-30/11/2025	Member	Yes	Yes	Virtual	Yes	Yes	Yes	Yes	Yes
5. Mr. Y. Chamda	C3233/11/2023 30/11/2023	01/12/2023-30/11/2026	Member	-	-	-	-	Yes (Appointed 01/12/2023)	Yes	Yes	Yes

Performance and Audit Committee Annual Report

It is a requirement for all members to attend the meetings in person, unless there are exceptional circumstances that preludes one from attending personally.

This ensures constructive participation and commitment by all members.

Expression of gratitude

I would like to thank:
1. All the members of the Committee for their inputs, contributions and active participation at the meetings;
2. The Municipal Manager and the Senior Management for their inputs into the robust discussions at the meetings;
3. The staff who are dedicated and "Proud to be Midvaal";
4. The support from the Speaker and Council;
5. All other role players in making Midvaal the best municipality in Gauteng Province.

Ahmed Lambat (Mr.)
B.Com B.Acc CA(SA)
Chair of the Audit, Performance, Integrity and Risk Management Committee

Date: 31 August 2024

Accounting Officer's Report

The Accounting Officer submits his report for the year ended June 30, 2024.

1. Review of activities

Main business and operations

Net surplus of the municipality was R 33,479,255 (2023: surplus R 158,736,321).

2. Going concern

I draw attention to the fact that at June 30, 2024, the municipality had an accumulated surplus of R 2,624,458,720 and that the municipality's total assets exceed its liabilities by R2,624,458,720.

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

The municipality has assessed that no going concern issues have been noted and that the municipality can continue in operational existence for the foreseeable future.

The financial indicators are as follows:

	2023/24	**2022/23**
Current ratio (norm 2:1)	2.92:1	3.23:1
Cost coverage ratio (norm 3 months or more)	4.30 months	5.13 months
Creditors days (norm 30 days)	30 days	30 days
Debtors collection rate	89.6%	97%

3. Subsequent events

The Accounting Officer is aware of one circumstance that arose since the end of the financial year that needed to be adjusted, see note 48.

4. Accounting policies

The annual financial statements prepared in accordance with the Municipal Finance Management Act and effective standards of Generally Recognised Accounting Practices, including any interpretations of such Statements issued by the Accounting Practices Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised - March 2012) and the hierachy approved in Directive 5 issued by the Accounting Standards Board.

5. Integrity management

Council’s stance to fraud and corruption is zero tolerance. In line with this, the efficient application of instructions contained in the policies and procedures of Midvaal, is one of the most important duties to be applied by every employee in the execution of their daily tasks.

The Reviewed Integrity Management Policy & Plan, 2020 has been reviewed and approved by Council per Council Resolution C2359/08/2020 dated 27 August 2020. No amendments to the policy were required for the period under review, due to no legislative changes and/or amendments.

Accounting Officer's Report

. Integrity management (continued)

The main principles included in the Policy and Plan are the following:

1. Creating a culture which is ethical and intolerant to fraud and corruption;

2. Deterrence of fraud and corruption;

3. Preventing fraud and corruption which cannot be deterred;

4. Detection of fraud and corruption;

5. Investigating detected fraud and corruption;

6. Taking appropriate action in the event of such irregularities, e.g. disciplinary action (consequence management), recovery of losses, to the extent required, and prosecution; and

7. Applying sanctions, that includes blacklisting and prohibition from further employment.

Council has a very strong attitude towards legislative compliance, specifically supply chain management principles and also the proper functioning of the Audit, Performance, Integrity & Risk Management Committee, referred to as the Committee, Municipal Public Accounts Committee (MPAC) and the Financial Disciplinary Board. These committees are functioning without councillor and/or political interference. Where required, matters are reported to the relevant external authorities for further investigation. Appropriate and relevant consequence management is initiated to prevent recurrence, as and when required/identified.

The components of the Policy and Plan also focuses on the following:

1. The organisation;

2. Employees;

3. Stakeholders;

4. Enforcement;

5. Implementation.

All staff, including senior management and councillors, are obliged to annually declare specific personal assets and private business interests. These Annual Financial Declarations are subjected to verification and where identified life-style audits are done.

Declarations include the following:

1. Shares and other financial interests (not bank accounts with financial institutions);

2. Directorships and partnerships (also those held by the spouse and close family members);

3. Remunerated work outside of the municipality;

4. Consultancies and retainerships;

5. Sponsorships;

6. Gifts and hospitality from a source other than a family member (exceeding the value of R350 over a 12 month period);

7. Land and property registered in their name;

8. Vehicle(s) owned (registered) in their name;

9. Participation in elections.

Accounting Officer's Report

. Integrity management (continued)

The status of reported cases is as follows:

	2020/2021	2021/2022	2022/2023	2023/2024
Total Number of Cases reported	39	37	38	23
Total Number of Cases resolved	34	26	24	11
Total Number of Cases pending	5	11	14	12
% Resolved	87%	70%	63%	48%

The primary reported transgressions are summarized as follows:

1. Recruitment/Appointment related irregulaties, fraud and corruption
2. Theft of Electricity/water including meter tempering and by-passing
3. Tender related irregularities, fraud and corruption
4. Transgression of Code of Conduct for Municipal Staff
5. Non-compliance with relevant laws and regulations (NEMA)
6. Theft of Council's Assets
7. Possible unathorised, irregular, fruitless and wasteful expenditure

According to Council's policies, processes and procedures, aligned with the relevant legislation the required consequence management principles are initiated, including criminal and civil prosecution

Matters reported to external authorities, i.e. Directorate for Priority Crime Investigation (DPCI) for further investigation. Frequent engagements are taking place including communication with the Commercial High Court.

Midvaal's tolerance to fraud, theft and corruption is zero and through its fraud hotline, all reported matters are attended to in terms of Council's policy.

Midvaal through its fraud hotline takes all matters very seriously by means of it's Integrity Management Strategy. As such Midvaal often receives tip-offs regarding possible irregularities which are not always confined to the definition of unauthorised, irregular, fruitless and wasteful expenditure.

Statement of Financial Position as at June 30, 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	484,529,708	495,402,407
Receivables from exchange transactions	3	246,143,336	224,802,022
Receivables from non-exchange transactions	4	129,690,224	118,258,372
Inventories	5	22,859,268	23,766,432
Value-added-tax	6	24,070,198	17,885,407
Total Current Assets		**907,292,734**	**880,114,640**
Non-Current Assets			
Property, plant and equipment	7	2,274,027,158	2,143,586,668
Investment property	8	49,234,032	49,234,032
Intangible assets	9	11,389,921	9,210,489
Heritage assets	10	18,701	18,701
Total Non-Current Assets		**2,334,669,812**	**2,202,049,890**
Total Assets		**3,241,962,546**	**3,082,164,530**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	242,024,845	205,266,286
Consumer deposits	12	23,657,733	22,374,777
Borrowings	13	22,884,362	17,315,599
Unspent conditional grant	14	101,744	11,764,412
Lease liabilities	15	9,429,633	7,426,513
Income received in advance from developer contribution	16	8,075,234	6,371,653
Provisions	17	5,000,000	-
Total Current Liabilities		**311,173,551**	**270,519,240**
Non-Current Liabilities			
Borrowings	13	181,821,853	110,098,645
Provisions	17	75,464,725	76,721,025
Employee benefit obligation	18	21,312,017	19,317,785
Lease liabilities	15	27,731,680	14,528,371
Total Non-Current Liabilities		**306,330,275**	**220,665,826**
Total Liabilities		**617,503,826**	**491,185,066**
Net Assets		**2,624,458,720**	**2,590,979,464**
Net assets presented by:			
Accumulated surplus		2,624,458,720	2,590,979,464

* See Note 46

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from Exchange transactions			
Services charges – Electricity	19	487,421,178	438,811,085
Services charges – Water	19	271,745,032	246,053,636
Services charges – Waste water management	19	66,825,276	61,722,624
Services charges – Waste management	19	61,185,921	57,489,732
Interests on investments	20	43,678,123	32,679,289
Interest earned from receivables	21	24,666,097	16,074,126
Sales of goods and rendering of services	22	8,113,252	8,247,317
Operational revenue	23	1,620,299	3,877,636
Hire of facilities	24	1,234,092	1,092,755
Total Revenue from Exchange transactions		**966,489,270**	**866,048,200**
Revenue from Non-Exchange transactions			
Property Rates	25	322,760,372	296,169,086
Transfers and subsidies	26	294,621,941	281,356,538
Fines, penalties and forfeits	27	45,061,686	73,359,634
Interest earned from receivables	21	16,506,617	13,793,558
Inventory (surplus)	28	-	23,422
Total Revenue from Non-Exchange transactions		**678,950,616**	**664,702,238**
Total Revenue		**1,645,439,886**	**1,530,750,438**
Expenditure			
Bulk Purchases	29	625,677,443	520,800,144
Employee related cost	30	368,363,734	345,631,625
Contracted services	31	193,610,889	145,648,397
Depreciation and amortisation	32	104,713,763	98,891,237
Debt Impairment	33	151,414,870	117,670,080
Operating expenses	34	99,371,307	71,212,281
Finance costs	35	21,671,576	22,946,244
Inventory consumed	36	28,354,073	28,480,770
Remuneration of councillors	37	15,167,639	14,364,228
Losses on disposal of fixed assets	38	2,332,928	4,903,834
Inventories (write-down)	28	4,204	-
Transfers and subsidies	39	1,278,205	1,465,277
Total Expenditure		**1,611,960,631**	**1,372,014,117**
Surplus for the year		**33,479,255**	**158,736,321**

* See Note 46

Statement of changes in net assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at July 1, 2022	**2,425,300,745**	**2,425,300,745**
Surplus for the year	158,736,321	158,736,321
Total changes	158,736,321	158,736,321
Opening balance as previously reported	2,584,037,066	2,584,037,066
Adjustments :		
Correction of errors	6,942,399	6,942,399
Restated* Balance at July 1, 2023 as restated*	**2,590,979,465**	**2,590,979,465**
Surplus for the year	33,479,255	33,479,255
Total changes	33,479,255	33,479,255
Balance at June 30, 2024	**2,624,458,720**	**2,624,458,720**

* See Note 46

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from non exchange transactions		577,205,032	542,521,128
Cash receipts from exchange transactions		825,507,765	773,611,849
Finance Income		43,678,123	32,679,289
Payments			
Employees		(381,537,141)	(363,592,536)
Finance charges		(14,624,552)	(15,771,015)
Suppliers		(905,630,398)	(770,108,415)
Net cash from(used) operating activities	40	**144,598,829**	**199,340,300**
Cash flows from investing activities			
Receipts			
Proceeds on disposal of fixed and intangible assets		-	1,476,641
Payments			
Capital assets		(242,381,780)	(165,980,199)
Intangible assets		(5,588,148)	(2,785,619)
Net cash flows from investing activities		**(247,969,928)**	**(167,289,177)**
Cash flows from financing activities			
Receipts			
Increase in borrowing long-term		94,550,000	14,720,000
		-	-
Increase in finance lease long-term		22,989,244	4,453,150
Payments			
Decrease in borrowing long-term		(17,258,029)	(35,069,758)
Decrease in finance lease		(7,782,815)	(8,714,594)
Net cash flows from financing activities		**92,498,400**	**(24,611,202)**
Net increase/(decrease) in cash		**(10,872,699)**	**7,439,921**
Cash and cash equivalents at the beginning of the year		495,402,407	487,962,486
		484,529,708	**495,402,407**

* See Note 46

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

Budget on Accrual Basis

Figures in Rand	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual outcome as % of final budget	Reason for the material variance
2024							
Financial performance							
Revenue by source							
Exchange revenue							
Service charges - Electricity	601,336,775	(57,118,518)	544,218,257	487,421,177	(56,797,080)	89.56 %	Consumers moving to solar power and the impact of loadshedding
Service charges - Water	274,371,935	725,250	275,097,185	271,745,032	(3,352,153)	98.78 %	
Service charges - Waste Water Management	58,893,370	7,880,895	66,774,265	66,825,276	51,011	100.08 %	
Service charges - Waste Management	59,433,009	2,529,420	61,962,429	61,185,921	(776,508)	98.75 %	
Sale of goods and rendering of services	7,272,892	1,214,567	8,487,459	8,113,252	(374,207)	95.59 %	
Interest earned from receivables	17,662,051	7,689,933	25,351,984	24,666,097	(685,887)	97.29 %	
Interest earned from current and non current assets	21,143,831	23,200,000	44,343,831	43,678,123	(665,708)	98.50 %	
Rental from fixed assets	1,315,044	(79,973)	1,235,071	1,234,092	(979)	99.92 %	
Operational revenue	3,918,317	603,458	4,521,775	1,620,300	(2,901,475)	35.83 %	Decline in economic activity
	1,045,347,224	**(13,354,968)**	**1,031,992,256**	**966,489,270**	**(65,502,986)**	**93.65 %**	
Non-exchange revenue							
Property rates	321,361,621	5,371,899	326,733,520	322,760,372	(3,973,148)	98.78 %	
Fines, penalties and forfeits	124,812,528	(44,975,053)	79,837,475	45,061,686	(34,775,789)	56.44 %	Economic difficulties
Transfer and subsidies - Operational	193,220,720	(2,966,876)	190,253,844	189,554,633	(699,211)	99.63 %	
Interest	10,254,320	6,141,910	16,396,230	16,506,617	110,387	100.67 %	
	649,649,189	**(36,428,120)**	**613,221,069**	**573,883,308**	**(39,337,761)**	**93.59 %**	
Total Revenue by source (excl. capital transfers and contributions)	**1,694,996,413**	**(49,783,088)**	**1,645,213,325**	**1,540,372,578**	**(104,840,747)**	**93.63 %**	
Expenditure							
Employee costs	(433,982,242)	38,587,039	(395,395,203)	(368,363,734)	27,031,469	93.16 %	

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

Figures in Rand	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual		Reason for the material variance
Remuneration of councillors	(13,859,926)	(2,375,078)	(16,235,004)	(15,167,639)	1,067,365	93.43 %	
Bulk purchases - Electricity	(507,668,356)	47,275,483	(460,392,873)	(457,788,664)	2,604,209	99.43 %	
Inventory consumed	(209,964,986)	(12,821,808)	(222,786,794)	(196,242,850)	26,543,944	88.09 %	
Debt impairment	(169,656,000)	65,224,425	(104,431,575)	(102,029,756)	2,401,819	97.70 %	
Depreciation and amortisation	(140,855,336)	26,509,641	(114,345,695)	(104,713,763)	9,631,932	91.58 %	
Finance charges	(24,212,190)	9,468,548	(14,743,642)	(21,671,576)	(6,927,934)	146.99 %	Interest on landfill provision budgeted under operational cost
Contracted services	(195,538,691)	(28,193,623)	(223,732,314)	(193,610,889)	30,121,425	86.54 %	Strict performance monitoring of contractors
Transfers and subsidies	(1,500,000)	143,031	(1,356,969)	(1,278,205)	78,764	94.20 %	
Irrecoverable debts written off	(6,496,180)	(51,355,210)	(57,851,390)	(49,385,116)	8,466,274	85.37 %	Anticipated lower collection rate
Operational costs	(97,300,913)	(23,723,108)	(121,024,021)	(99,371,307)	21,652,714	82.11 %	Cost containment measures
Losses on disposal of Assets	-	-	-	(2,332,928)	(2,332,928)	- %	
Other Losses	-	-	-	(4,204)	(4,204)	- %	
Total Expenditure	**(1,801,034,820)**	**68,739,340**	**(1,732,295,480)**	**(1,611,960,631)**	**120,334,849**	**93.05 %**	
Deficit	**(106,038,407)**	**18,027,812**	**(88,010,595)**	**(71,588,053)**	**16,422,542**	**81.34 %**	
Transfers and subsidies - capital (monetary allocations)	101,139,750	4,209,412	105,349,162	105,067,308	(281,854)	99.73 %	
Surplus for the year	**(4,898,657)**	**22,237,224**	**17,338,567**	**33,479,255**	**16,140,688**	**193.09 %**	
Financial position							
Assets							
Current assets							
Cash and cash equivalents	274,860,332	163,377,568	438,237,900	484,529,708	46,291,808	110.56 %	Cost containment measures
Trade and other receivables from exchange transactions	297,405,042	(39,249,149)	258,155,893	246,143,336	(12,012,557)	95.35 %	Increased revenue collections
Receivables from non-exchange transactions	27,486,946	123,378,147	150,865,093	129,690,224	(21,174,869)	85.96 %	Decreased revenue collection
Inventory	14,542,927	11,074,112	25,617,039	22,859,268	(2,757,771)	89.23 %	Decreased stock on hand
VAT	15,501,479	(3,689,392)	11,812,087	24,070,198	12,258,111	203.78 %	Increase due to grants received
Other current assets	(15,517)	15,517	-	-	-	- %	

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

Figures in Rand	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual		Reason for the material variance
Total current assets	**629,781,209**	**254,906,803**	**884,688,012**	**907,292,734**	**22,604,722**	**102.56 %**	
Non-current assets							
Investment property	49,351,032	-	49,351,032	49,234,032	(117,000)	99.76 %	
Property, plant and equipment	2,483,576,536	(201,863,015)	2,281,713,521	2,274,027,158	(7,686,363)	99.66 %	
Heritage assets	18,701	-	18,701	18,701	-	100.00 %	
Intangible assets	30,797,719	(13,111,013)	17,686,706	11,389,921	(6,296,785)	64.40 %	
Total non-current assets	**2,563,743,988**	**(214,974,028)**	**2,348,769,960**	**2,334,669,812**	**(14,100,148)**	**99.40 %**	
Total assets	**3,193,525,197**	**39,932,775**	**3,233,457,972**	**3,241,962,546**	**8,504,574**	**100.26 %**	
Liabilities							
Current liabilities							
Financial liabilities	-	27,672,359	27,672,359	32,313,995	4,641,636	116.77 %	Increased lease agreements
Consumer deposits	20,757,337	2,917,120	23,674,457	23,657,733	(16,724)	99.93 %	
Trade and other payables from exchange transactions	72,803,432	104,632,568	177,436,000	242,024,845	64,588,845	136.40 %	Increase in accrual at year end
Trade and other payables from non-exchange transactions	148,423,426	(141,115,303)	7,308,123	8,075,234	767,111	110.50 %	
Provision	16,845,000	(16,845,000)	-	5,000,000	5,000,000	- %	Subsequent event see note 48
Other current liabilities	-	-	-	101,744	101,744	- %	
Total current liabilities	**258,829,195**	**(22,738,256)**	**236,090,939**	**311,173,551**	**75,082,612**	**131.80 %**	
Non-current liabilities							
Financial liabilities	235,463,978	(15,789,075)	219,674,903	209,553,533	(10,121,370)	95.39 %	
Other non-current liabilities	88,783,735	(3,001,407)	85,782,328	96,776,742	10,994,414	112.82 %	
Total non-current liabilities	**324,247,713**	**(18,790,482)**	**305,457,231**	**306,330,275**	**873,044**	**100.29 %**	
Total liabilities	**583,076,908**	**(41,528,738)**	**541,548,170**	**617,503,826**	**75,955,656**	**114.03 %**	
Net assets	**2,610,448,289**	**81,461,513**	**2,691,909,802**	**2,624,458,720**	**(67,451,082)**	**97.49 %**	
Community wealth/ Equity							
Accumulated Surplus/(Deficit)	2,610,448,289	81,461,513	2,691,909,802	2,624,458,720	(67,451,082)	97.49 %	

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

Figures in Rand	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual		Reason for the material variance
Cash flow							
Cash flow from operating activities							
Receipts							
Property rates	295,652,692	16,736,740	312,389,432	282,583,091	(29,806,341)	90.46 %	
Service charges	927,798,609	(37,195,619)	890,602,990	825,507,765	(65,095,225)	92.69 %	
Other revenue	35,489,717	(57,902,424)	(22,412,707)	-	22,412,707	- %	
Transfers and Subsidies - Operational	345,059,720	(158,857,000)	186,202,720	189,554,633	3,351,913	101.80 %	
Transfers and Subsidies - Capital	101,139,750	(6,375,000)	94,764,750	105,067,308	10,302,558	110.87 %	
Interest	21,143,831	23,200,000	44,343,831	43,678,123	(665,708)	98.50 %	
	1,726,284,319	**(220,393,303)**	**1,505,891,016**	**1,446,390,920**	**(59,500,096)**	**96.05 %**	
Payments							
Suppliers and employees	(1,519,873,318)	2,521,473	(1,517,351,845)	(1,287,167,539)	230,184,306	84.83 %	
Finance charges	(24,212,190)	2,000,000	(22,212,190)	(14,624,552)	7,587,638	65.84 %	
	(1,544,085,508)	**4,521,473**	**(1,539,564,035)**	**(1,301,792,091)**	**237,771,944**	**84.56 %**	
Net cash from/(used) operating activities	**182,198,811**	**(215,871,830)**	**(33,673,019)**	**144,598,829**	**178,271,848**	**(429.42)%**	
Cash flow from investing activities							
Payments							
Capital assets	(249,492,261)	444,652	(249,047,609)	(247,969,928)	1,077,681	99.57 %	
Cash flow from financing activities							
Receipts							
Borrowing long term/refinancing	116,080,000	3,710,000	119,790,000	117,539,244	(2,250,756)	98.12 %	
Payments							
Repayment of borrowing	(42,233,000)	(5,547,501)	(47,780,501)	(25,040,844)	22,739,657	52.41 %	
Net cash from/(used) financing activities	**73,847,000**	**(1,837,501)**	**72,009,499**	**92,498,400**	**20,488,901**	**128.45 %**	
Net Increase/ (Decrease) in cash held	**6,553,550**	**(217,264,679)**	**(210,711,129)**	**(10,872,699)**	**199,838,430**	**5.16 %**	

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

Figures in Rand	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual		Reason for the material variance
Cash/cash equivalents at the year begin:	150,433,388	373,677,734	524,111,122	495,402,407	(28,708,715)	94.52 %	
Cash/cash equivalents at the year end:	156,986,938	156,413,055	313,399,993	484,529,708	171,129,715	154.60 %	

The accounting policies on pages 23 to 54 and the notes on pages 55 to 116 form an integral part of the annual financial statements.

Accounting Policies

The annual financial statements of Midvaal Local Municipality for the year ended June 30, 2024 were authorised for issue by the Accounting Officer on August 31, 2024.

Basis of presentation

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).

The annual financial statements includes any interpretations, guidelines and directives issued by the Accounting Standards Board.

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.

Offsetting
Assets, liabilities, revenues and expenses committee 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 period.

The Statement of Financial Performance has been prepared to classify expenses by nature, whilst revenue is classified in a manner appropriate to the municipality's operations. The Cash Flow Statement has been prepared using the Direct Method.

1. Summary of significant accounting policies

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 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.

Material variances are defined as any differences above 10% with a value limited to R1,000,000. Explanations for material differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

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

1.4 Significant judgements and sources of estimation uncertainty

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

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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 considered first for individually significant receivables and then calculated on a portfolio basis, for the remaining balance, including those individually significant receivables for which no indicators of impairment were found. For amounts due to the municipality, significant financial difficulties of the receivable, probabillity that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment of Traffic Fines

Assessing and recognising impairment of Receivables for Traffic Fines is an event that takes place subsequent to the initial recognition of revenue charged. The municipaity assesses the probability of collecting revenue when accounts fall into arrears.

Allowance for slow moving, damaged and obsolete stock

An assessment is made of net realisable value or current replacement cost, where applicable, of inventory at the end of each reporting period. A write down of inventory to the lower of cost or current replacement cost, where applicable, is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in surplus or deficit.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

Impairment testing

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

Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors such as inflation and interest.

Judgements are made by management in applying the criteria to designate assets as non-cash-generating units or cash-generating units. The designation is made on the basis as described in accounting policy 1.13 - Impairment of non-cash-generating assets.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. The provision is discounted when the time value of money is material. Additional disclosure of these estimates of provisions are included in note 17 - Provisions

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the best estimate or net present valueof the future expected cash flows to rehabilitate the landfill site at year-end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance. Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.

- Interest rates (investment rate) linked to prime was used to calculate the effect of the time value of money.

Leave accrual

The provision for staff leave is based on accrued leave at year-end. The uncertainty is when the leave will be taken or if employment will be terminated.

Prepaid electricity

Pre-paid electricity is only recognised as income as electricity is consumed. The estimate is based on pre-paid electricity sold at year-end, but still unused.

Estimates of unused consumption of prepaid metered services, based on the consumption history, are made at year-end. Sales for prepaid metered services are recognised as revenue upon receipt of payment for these services, except at year-end when estimates for unused consumption up to reporting date are reversed from revenue and accrued as payment for services received in advance. These accruals are reversed in the new financial year to revenue again, deemed to be consumed after 30 June. In respect of estimates of consumption between the last date of purchase and the reporting date, an accrual for payments received in advance is made based on the average monthly consumption of consumers on the reporting date.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate involves a matter of judgement based on the experience of the municipality with similar assets, and whether the assets will be sold or used to the end of their economic lives and the condition at the time. The municipality considers all the facts and circumstances estimating the useful lives of assets, which included the consideration of financial, technical and other facts. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than the previously estimated useful lives.

The estimation of residual values of assets is also based on management's judgement 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.

The policy is also applicable to certain intangible assets and investment property.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement and long term benefit obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds. Where there is no deep market in the government bonds with a sufficiently long maturity to match the estimated maturity of all the benefits paid, the municipality uses current market rates of the appropriate term to discount shorter payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Due to the long-term nature of the plan, the estimates are subjected to significant uncertainty.

Other key assumptions for post retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in Note 18.

Effective interest rate

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

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

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

Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, where the level indicates the depth of the water in the reserviour, which is then converted into volumes, based on the total capacity of the relevant reserviour. Furthermore, the length and width of all pipes are also considered in determining the volume of water on hand at year-end.

Offsetting

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

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.

1.5 Investment property (continued)

Initial recognition and measurement

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.

Management applies the category below to distinguish Investment Property from Property Plant and Equipment:
- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are calssified as investment properties;
- Land held for a currently underterminded future use;
- A building owned (or held by under a finance lease) and leased out under one or more operating lease;
- Leased properties that are held to provide social (community) service or that are neccessay for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held;
- A building that is vacant but is held to be leased out under one or more operating lease;
- Property that is being constructed or developed for future use as investment property.

Subsequent measurement – cost model

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

Item	**Useful life**
Investment Property	Indefinite

Derecognition/Disposal

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

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

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

1.6 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 year.

Management applies the category below to distinguish Property, Plant and Equipment from Investment Property:

- Owner- occupied property (including held for future use);

- Owner-occupied property held for disposal;

- Property held by the municipality to fulfil their mandated function rather than rental or capital appreciation and;

- Property held by the municipality for a strategic purpose

1.6 Property, plant and equipment (continued)

Initial recognition

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.

Initial measurement

Property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

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

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

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

Subsequent measurement – cost model

Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component once it meets the recognition criteria.

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

The measurement and recognition of impairment losses are indicated in accounting policies 1.13 Impairment of cash-generating assets and 1.14 Impairment of non-cash generating assets.

Accounting Policies

1.6 Property, plant and equipment (continued)

Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight line method, to allocate their cost less their residual values over the estimated useful lives of the assets. Depreciation of an asset commences when the asset is ready for its intended use and ceases when the asset is derecognized. The depreciation method used reflects the pattern in which the assets' future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation rates are based on the following estimated useful lives:

Item	Depreciation method	Average useful life
Land		indefinite
Machinery and equipment		
• Office equipment	Straight-line	3 - 10
• Bins and containers	Straight-line	5 - 10
Furniture and office equipment	Straight-line	10
Transport assets		
• Specialised vehicles	Straight-line	10 -30
• Other vehicles	Straight-line	5
• Vehicles	Straight-line	5
IT equipment	Straight-line	3 - 10
• Water	Straight-line	5 - 55
Infrastructure		
• Buildings	Straight-line	30
• Water	Straight-line	5 - 55
• Water	Straight-line	5 - 55
• Water	Straight-line	5 - 55
• Sewerage	Straight-line	10 - 60
• Landfill site	Straight-line	17
Community		
• Buildings	Straight-line	30
• Recreational facilities	Straight-line	20 - 30
• Security	Straight-line	5
Other assets		
• Buildings	Straight-line	30
Motor vehicles leased	Straight-line	5

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

The measurement and recognition of impairment losses are indicated in accounting policies 1.13 Impairment of cash-generating assets and 1.14 Impairment of non-cash generating assets.

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

1.6 Property, plant and equipment (continued)

Derecognition

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit whenthe 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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 7).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 7).

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

Site rehabilitation and restoration costs

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

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

1.7 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services.

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

Initial recognition and measurement

An intangible asset is recognised when:

- It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity.
- The cost or fair value of the asset can be measured reliably.

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

1.7 Intangible assets (continued)

Subsequent measurement

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

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values. The amortisation charge for each period is recognised in surplus or deficit. Amortisation begins when the asset is available for use.

An intangible asset with an indefinite useful life shall not be amortised.

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

Derecognition

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

The gain or loss arising from the derecognition of intangible assets is determined as the difference between the sales proceeds and the carrying value and is included in surplus or deficit when the asset is derecognised.

Item	Amortisation method	Average useful life
Computer software	Straight-line	3 - 5 years
Servitudes		Indefinite

1.8 Heritage assets

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

The municipality has classified the mayoral chain as a heritage asset.

Initial recognition and measurement

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

Heritage assets are 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.

Dererecognition

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

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

Accounting Policies

1.8 Heritage assets (continued)

Impairment

A heritage asset shall not be depreciated but an entity shall assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity shall estimate the recoverable amount or the recoverable service amount of the heritage asset.

In assessing whether there is an indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

External sources of information
- During the period, a heritage asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use
- The absence of an active market for a revalued heritage asset.

Internal sources of information
- Evidence is available of physical damage or deterioration of a heritage asset
- A decision to halt the construction of the heritage asset before it is complete or in a usable form

1.9 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.

Initial recognition and measurement

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

1.9.1 Classification of financial instruments

Financial assets

Financial assets are:
- Cash;
- a residual interest of another municipality; or
- a contractual right to:;
  - receive cash or another financial asset; or
  - exchange financial assets or financial liabilities under conditions that are potentially favourable to the municipality

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

Type of financial asset	**Classification in terms of GRAP 104**
Receipts from exchange transactions	Financial assets at amortised cost
Receipts from non-exchange transactions	Financial assets at amortised cost
Cash and cash equivalents	Financial assets at amortised cost

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

Receipts from exchange transactions exclude prepayments and advances.

Receivables from non-exchange transactions exclude Fines, Property rates, and VAT as these form part of statutory receivables (1.10)

Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement for financial assets

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

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

Financial liabilities

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

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

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

Type of financial liability	Classification in terms of GRAP 104
Borrowings	Financial liability at amortised cost
Current portion of borrowings	Financial liability at amortised cost
Finance lease liability	Financial liability at amortised cost
Current portion of finance lease liability	Financial liability at amortised cost
Trade and other payables from exchange transactions	Financial liability at amortised cost
Consumer deposits	Financial liability at amortised cost

1.9.2 Initial and subsequent measurement

Initial recognition and measurement

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

Subsequent measurement – Financial liabilities

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

1.9.3 Impairment of financial assets

Receivables

For receivables, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable the government bond rate is used as the risk-free rate and adjusted for any risks specific to the receivables.

1.9 Financial instruments (continued)

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of financial performance.

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 through the Statement of financial performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

1.9.4 Derecognition

Financial assets

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

Financial liabilities

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

1.10 Statutory receivables

1.10.1 Identification

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

The municipality has the following major categories under the ambit of statutory receivables:
- VAT receivables
- Property rates debtors
- Traffic fine debtors

1.10.2 Recognition

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

1.10.3 Initial and subsequent measurement

The municipality initially measures statutory receivables at their transaction amount.

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

1.10.4 Impairment

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.

1.10 Statutory receivables (continued)

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

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

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

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

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

Rates debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios,qualitative factors (correspondence from attorneys).

Assessing and recognising impairment of receivabes for traffic fines is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears.

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 through the Statement of financial performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

1.10.5 Derecognition

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

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

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

1.10.6 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.

1.10 Statutory receivables (continued)

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. (policy 1.20)

1.10.7 Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the municipality applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers) (policy 1.20).

1.11 Leases

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

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately. The leased assets are subsequently measured at cost, less accumulated depreciation and accumulated impairment losses.

Municipality as lessee - Finance leases

Initial recognition and measurement

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

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Subsequent measurement

Subsequent to the 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 the finance cost and the capital repayment using the municipalitiy's incremental borrowing rate. Finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated as per stated accounting policy applicable to property, plant and equipment on note 1.6.

Municipality as lessee - Operating leases

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.

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

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

1.12 Inventories

Inventories are assets in the form of materials or supplies to be consumed or distributed in the rendering of services or held for distribution in the ordinary course of operations.

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the municipality and the cost of the inventories can be measured reliably.

1.12 Inventories (continued)

Initial recognition and measurement

Inventories are initially measured at cost. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Where inventories are acquired through a non-exchange transaction, their costs are their fair value as at the date of acquisition.

Subsequent measurement

Subsequently inventories are measured at the lower of cost and net realisable value unless distributed through a non-exchange transaction or consumed in the production process of goods to be distributed at no charge or for a nominal charge, in which case they are measured at the lower of cost and current replacement cost.

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

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. The cost of inventories is assigned using the first-in, first-out (FIFO) formula, except for water which is determined at cost at the reporting date due to it being measured at the lower of cost and current replacement cost.

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.

Redundant and slow-moving inventories are identified and written down/written off. Inventories identified for write down/write offf, but for which a council resolution to authorise the write down/write off, has not yet been obtained, are provided for as a provision for obsolete stock. Differences arising on the valuation of inventory are recognised in the statement of financial performance in the year in which they arise.

Water inventory

Water is regarded as inventory when the Municipality purhases water in bulk with the intention to resell it to the consumers or to use it internally, or where the Municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes). However, water in dams, that are filled by natural resources and that has not yet been treated and is under the control of the Municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purcased and not yet sold at Satement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in the reservoirs at year-end.

1.13 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.

1.13 Impairment of cash-generating assets (continued)

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or a cash-generating asset as a cash-generating unit. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Identification

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

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

In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

External sources of information

(a) During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.

(b) Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, int he technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.

(c) Market interest ratesor other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

Internal sources of information

(d) Evidence is available of obsolescence or physical damage of an asset.

(e) Significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changed include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

(f) A decision to halt the construction of the asset before it is complete or in a useable condition.

(g) Evidence is available from internal reporting that indicates that the economic performance of an asset is,or will be, worse than expected.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

1.13 Impairment of cash-generating assets (continued)

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

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

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's lenght transaction adjusted for the incremental cost that would be directly attributable to the disposal af the asset.

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.

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.

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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.

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

- 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.

1.14 Impairment of non-cash-generating assets

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

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

* Assets acquired by the municipality are mainly used as per the municipality's mandate for service delivery purposes to customers that pay for the services but also to indigents. As the assets that are used for service delivery are similar, assets that generate cash flows cannot be distinguished from the non-cash generating assets and therefor are distinguished as non-cash generating.
* In the event that the assets that generate cash flows can be clearly identified the assets will be designated as cash-generating.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

Accounting Policies

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

Identification

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

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

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal.

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.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

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.

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

1.14 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.

1.15 Disclosure in term of Section 45 of the municipal Supply Chain Management Regulation

The notes to the annual financial statements of a municipality must disclose particulars of any award of more than R2 000 to a person who is a spouse, child, or parent of such a person in the service of the state, or has been in the service of the state in the previous twelve months.

1.16 Employee benefits

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

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.

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

Post-employment benefits

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

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

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

Defined benefit plans are post-employment plans other than defined contribution plans. Under these plans, the employer has a legal or constructive obligation to provide agreed benefits to current or former employees.

The entity recognizes a net defined benefit liability or asset in its statement of financial position. This is calculated as the present value of the defined benefit obligation minus the fair value of any plan assets.

The obligation is measured using the Projected Unit Credit Method, whic considers each period of service as giving rise to an additional unit of benefit entitlement.

Components of Defined Benefit Cost:

Defined benefit cost is made up of the following components:
1) Service costs
2) Net interest revenue/expense
3) Remeasurements

1) Service cost
Service cost comprises the following costs:
a) Service cost
b) Settlement
c) Past service cost, made up of:
i. Plan amendments
ii. Curtailments

The remeasurements of the net defined liability (asset), to be recognised in surplus or deficit, comprise:
actuarial gains and losses
return on plan asset, excluding amounts in net interest on the net defined benefit liability (asset); and
any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability

Recognition and measurement: Plan assets

Fair Value of plan assets:

The fair value of any plan assets is deducted from the present value of the defined benefit obligation in determining the deficit or surplus.

Plan assets exclude unpaid contributions due from the reporting entity to the fund, as well as any non-transferable financial instruments issued by the entity and held by the fund. Plan assets are reduced by any liabilities of the fund that do not relate to employment benefits, for example, payables and liabilities resulting from derivative financial instruments.
The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out by independent qualified actuaries regularly, as may be required for fair presentation.

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

1.16 Employee benefits (continued)

Long-service employee benefits

The municipality has an obligation to provide Long-service Employee Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the entity instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service.

Long service 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.

The municipality has an obligation to provide long term service allowance benefits to all of its employees.

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

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;
- net interest cost is disclosed as part of the employee related cost in the financial statements
- 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.

Post-employment benefits: Defined contribution plans

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

Leave pay

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

Bonus provisions

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

1.17 Provisions

Provisions are liabilities of uncertain timings or amounts

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

1.17 Provisions (continued)

Measurement
The best estimate of the expenditure required to settle the present obligation is the amount that an Municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses.

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

The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. The discount rate(s) shall not reflect risks for which future cash flow estimates have been adjusted.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

Environmental rehabilitation provisions

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

At year end a provision is raised for the rehabilitation of landfill sites. The provision is the net present value of the future cash flows to rehabilitate damaged land at year end.

As 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 it 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 adjustments results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may be fully recoverable. If there is such an indication, the municipality tests the asset for the impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in the accounting policy on impairment of cash-generating assets and/ or impairment of non-cash generating assets.

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.

Unspent conditional grants

Unspend contidtional grants are liabilites that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. Unspent conditional grants are not considered to be financial insturments as there are no contractual arrangements as required by GRAP104. The revenue received is driven from legislation. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent grant is reclassified as payables, which is considered a financial instrument. This liability always must be cash-backed.

The following provisions are set for the creation of utilisation of this creditor:
Unspent conditional grants are recognised as a liability when the grant is received. When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.

The cash which backs up the creditor is invested until it is utilised.

1.18 Contingent assets and contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

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

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

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

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

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

1.19 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.20 Revenue

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

Recognition and measurement

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. Services rendered are recognised by reference to the stage of completion of the transaction at the reporting date. Services rendered are recognised also when transaction costs and cost to complete can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable.

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

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

Accounting Policies

1.20 Revenue (continued)

1.20.1 Revenue from exchange transactions

Service charges

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

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

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Pre-paid electricity

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

Interest earned and rentals received

Interest and rentals are recognised on a time proportion basis that takes into account the effective yield on the investment. .

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

Tariff charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff.

Sale of goods

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

Revenue recognition of unclaimed deposits

Unclaimed deposits older than three (3) years are recognised as revenue.

1.20 Revenue (continued)

1.20.2 Revenue from non-exchange transactions

Property rates

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

Fines

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

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

Government grants and subsidies

Unconditional grants

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

Conditional grants

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

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

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent where the obligations have not been met, a liability is recognised.

Services received in-kind

Services in kind are recognised at its fair value when it is significant to the operations and/or service delivery objectives and when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

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 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

1.21 Borrowing costs

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

Accounting Policies

1.21 Borrowing costs (continued)

Borrowing costs are recognised as an expense in the Statement of financial performance in the period in which they are incurred.

1.22 Current year comparatives

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

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

The presentation and classification of items in the current year is consistent with prior periods, except where otherwise indicated.

1.23 Unauthorised expenditure

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA), defines Unauthorised expenditure as follows:
- Overspending of the total amount appropriated in the municipality's approved budget;
- Overspending of the total amount appropriated for a vote in the approved budget;
- Expenditure from a vote unrelated to the department or functional area covered by the vote;
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- Spending of an allocation referred to in the above paragraphs of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- A grant by the municipality otherwise than in accordance with this Act.

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA) also defines a Vote as:
- One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

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

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

1.24 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 preformance 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.

Additional disclosure for fruitless and wasteful expenditure is disclosed in note 49.2.

1.25 Irregular expenditure

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

Accounting Policies

1.25 Irregular expenditure (continued)

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.

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.

Additional disclosure for irregular expenditure is disclosed in note 49.1.

1.26 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. Reports are used to identify reportable segments and the review thereof, eg. monthly section 71 reports.

The municipality reports a measure of assets and liabilities for each reportable segment if such an amount is regularly provided to management."

The municipality does not disclose the geographical areas in which it operates as it is not relevant for decision-making purposes.

Measurement

The municipality uses section 71 reports to assess performance. The measurement basis per the monthly reports is the same as the annual financial statements.

1.27 Budget information

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

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

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

1.27 Budget information (continued)

The approved budget covers the fiscal period from 7/1/2023 to 2024/06/30.

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.

Comparative information is not required.

In general, a difference of 10% or more with a value limited to R1,000,000 is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the annual financial statements in determining whether a difference between the budgeted and actual amount is material.

All comparisons of the budget and actual amounts shall be presented on a comparative basis to the budget. Comparative information includes the following:
- the approved and final amounts;
- actual amounts and final budget amounts.

1.28 Related parties and related party transactions

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

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

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

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

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

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

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

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

1.29 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.

Accounting Policies

1.29 Events after reporting date (continued)

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.

1.30 Value Added Tax

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

Revenue, expenses and assets are recognised net of the amounts of value-added tax. The net amount of value-added tax recoverable from, or payable to SARS is included as part of receivables or payables in the Statement of Financial Position,

1.31 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surplus realised during a specific financial year is credited against the accumulated surplus.

Prior year adjustments, relating to income and expenditure are credited/debited against accumulated surplus/(deficit) when retrospective adjustments are made.

1.32 Cash and cash equivalents

Cash includes cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried at amortised cost. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are carried at amortised cost.

1.33 Consumer deposits

The municipality recognises consumer deposits as a current liability when the municipality becomes a party to the contract i.e. when the deposit is made. The consumer deposit is recognised as a liability as the municipality has an obligation to pay the money back to the consumer once the consumer account is closed. As the timing of when a consumer will close their account is unknown, the consumer deposits are classified as a current liability.

Consumer deposits are levied in line with council's policy to consumers when services are initially connected.

When services are terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

1.34 Change in accounting policies, estimates and errors

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

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

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

1.35 New standards and interpretations

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

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

1.35 New standards and interpretations (continued)

Standard/ Interpretation:

	Effective date: Years beginning on or after	**Expected impact:**
• iGRAP 21: The Effect of Past Decisions on Materiality	April 1, 2023	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	April 1, 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the Standards of GRAP 2020	April 1, 2023	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	April 1, 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Materiality)	April 1, 2023	Unlikely there will be a material impact

1.35.2 Standards, amendments to standards and interpretations issued, but not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2024 or later periods but are not relevant to its operations:

Standard/ Interpretation:

	Effective date: Years beginning on or after	**Expected impact:**
• GRAP 2023: Improvements to the Standards of GRAP 2023	No effective date as yet	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	No effective date as yet	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	No effective date as yet	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	April 1, 2025	Unlikely there will be a material impact

Figures in Rand	2024	2023

2. Cash and cash equivalents

2.1 Cash and cash equivalents

Cash and cash equivalents consist of the following:

	2024	2023
Call deposits and investments		
Bank guarantee	49,007,901	330,000
Call account - Nedbank	423,694,000	-
Cash at bank		
Bank account	11,825,087	495,069,687
Cash on hand	2,720	2,720
Total cash and cash equivalents	**484,529,708**	**495,402,407**

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

Call accounts are held with primary bank and are redeemable at any given time.

Cash at banks include an amount of R101 744 (2023: R11 764 412) held to fund unspent conditional grants.

Bank Guarantees

Institution	**Deposit held by :**	2024	2023
Nedbank	Eskom	48,397,000	-
Nedbank	Eskom	240,000	240,000
Nedbank	South African Post Office	60,000	90,000
Absa	Eskom and SAPO	310,901	-
		49,007,901	**330,000**

2.2 Bank accounts

The municipality has the following bank accounts:

		2024	2023
ABSA Bank Limited	Cheque - Account Number 4053203845	-	27,342,932
Nedbank Limited	Cheque - Account Number 1224797477	2,007,368	1,035,784
Nedbank Limited	Cheque - Account Number 1224797469	9,817,719	466,690,971
Total		**11,825,087**	**495,069,687**

Credit quality of cash at bank and short term deposits (excluding cash on hand)

The credit quality of cash at bank and short-term deposits, excluding cash on hand, that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

Notes to the Annual Financial Statements

Figures in Rand		2024	2023

2. Cash and cash equivalents (continued)

2.3 Difference between cash book and bank statement

2024

	Cash book	Bank statement	Difference
Nedbank Limited	2,007,368	2,007,368	-
Nedbank Limited	9,817,718	8,934,090	883,628
	11,825,086	**10,941,458**	**883,628**

2023

	Cash book	Bank statement	Difference
ABSA Bank Limited	27,342,932	27,342,932	-
Nedbank Limited	1,035,784	1,035,784	-
Nedbank Limited	466,690,971	466,024,299	666,672
	495,069,687	**494,403,015**	**666,672**

A reconciling list is available for inspection of the difference between the cashbook balance and bank statement. These include undeposited receipts.

Guarantees held in lieu of electricity and water deposits

	2024	2023
Bhawan Family Holdings	1,199,326	1,199,326
Heineken SA (Pty) Ltd	7,109,000	7,109,000
Ontec Systems (Pty) Ltd	13,000,000	13,000,000
	21,308,326	**21,308,326**

3. Receivables from exchange transactions

	Note	2024	2023
Consumer receivables from exchange transactions	3.1		
Electricity		36,962,340	37,893,656
Waste management		24,214,140	20,610,519
Waste water management		23,146,481	20,001,740
Water		106,337,165	95,532,811
Sundries		33,472,092	28,847,450
		224,132,218	**202,886,176**
Other receivables from exchange transactions	3.2		
Deposits held in trust		570,121	570,121
Sundry debtors		10,954,866	10,611,590
Prepayments and advances		10,486,131	10,734,135
		22,011,118	**21,915,846**
Total receivables from exchange transactions		**246,143,336**	**224,802,022**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

3. Receivables from exchange transactions (continued)

3.1 Consumer receivables

The average credit period for consumer receivables is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of consumer receivables.

The management of the municipality is of the opinion that the carrying value of consumer receivables approximate their fair values.

The fair value of consumer receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and consumer receivables as well as the current payment ratio's of the municipality's consumer receivables.

	2024			2023		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables from exchange transactions						
Electricity	45,919,796	(8,957,456)	**36,962,340**	44,373,067	(6,479,411)	**37,893,656**
Waste management	49,466,221	(25,252,081)	**24,214,140**	38,895,764	(18,285,245)	**20,610,519**
Waste water management	46,460,510	(23,314,029)	**23,146,481**	36,758,398	(16,756,658)	**20,001,740**
Water	174,082,187	(67,745,022)	**106,337,165**	149,157,943	(53,625,132)	**95,532,811**
Sundries	50,205,002	(16,732,910)	**33,472,092**	42,778,040	(13,930,590)	**28,847,450**
Total consumer receivables from exchange transactions	**366,133,716**	**(142,001,498)**	**224,132,218**	**311,963,212**	**(109,077,036)**	**202,886,176**

3. Receivables from exchange transactions (continued)

3.1.1 Ageing of consumer receivables

2024

		Not due			Past due		
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions							
Total by debt type							
Electricity	36,962,340	26,202,111	910,334	1,499,600	623,036	2,894,119	4,833,140
Waste management	24,214,140	5,835,369	1,636,303	1,513,513	1,369,982	7,799,307	6,059,666
Waste water management	23,146,481	5,971,285	1,531,657	1,389,317	1,307,968	7,352,277	5,593,977
Water	106,337,165	37,132,995	5,075,177	5,098,682	5,486,449	22,243,378	31,300,484
Sundries	33,472,092	18,848,475	1,404,216	779,951	633,078	3,617,288	8,189,084
Total by debt type	**224,132,218**	**93,990,235**	**10,557,687**	**10,281,063**	**9,420,513**	**43,906,369**	**55,976,351**
Aging per customer group							
Organs of state	39,634,322	18,929,327	1,148,918	334,804	414,975	2,663,862	16,142,436
Commercial customers	30,293,937	22,044,243	579,305	1,268,069	1,267,647	3,380,402	1,754,271
Households	154,203,959	53,016,665	8,829,464	8,678,189	7,737,892	37,862,104	38,079,645
Total by customer group	**224,132,218**	**93,990,235**	**10,557,687**	**10,281,062**	**9,420,514**	**43,906,368**	**55,976,352**

Notes to the Annual Financial Statements

Figures in Rand

3. Receivables from exchange transactions (continued)

2023

Consumer receivables from exchange transactions

Total by debt type							
Electricity	37,893,656	27,550,446	3,235,436	414,702	249,752	1,645,258	4,798,062
Waste management	20,610,519	5,478,233	1,528,272	1,346,537	1,210,228	6,594,150	4,453,099
Waste water management	20,001,740	5,537,680	1,465,288	1,300,731	1,164,370	6,028,036	4,505,635
Water	95,532,811	32,927,201	4,408,308	3,476,154	3,757,310	21,321,883	29,641,955
Sundries	28,847,450	3,689,132	1,357,804	1,293,562	1,314,950	3,488,333	17,703,669
Total by debt type	**202,886,176**	**75,182,692**	**11,995,108**	**7,831,686**	**7,696,610**	**39,077,660**	**61,102,420**

Aging per customer group							
Organs of state	20,291,385	1,378,054	394,442	378,321	365,252	2,485,283	15,290,033
Commercial customers	27,362,099	19,077,838	3,087,103	238,258	146,021	3,498,223	1,314,656
Households	143,140,653	53,851,929	7,841,631	6,495,851	6,546,587	32,454,876	35,949,779
Total by customer group	**190,794,137**	**74,307,821**	**11,323,176**	**7,112,430**	**7,057,860**	**38,438,382**	**52,554,468**

Notes to the Annual Financial Statements

Figures in Rand

3. Receivables from exchange transactions (continued)

3.1.2 Impairment reconciliation of consumer receivables

	2024				2023			
	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance
Consumer receivables from exchange transactions								
Electricity	(6,479,411)	(3,341,569)	863,524	**(8,957,456)**	(15,218,811)	7,811,331	928,069	**(6,479,411)**
Waste management	(18,285,245)	(10,104,398)	3,137,562	**(25,252,081)**	(16,850,524)	(7,176,810)	5,742,089	**(18,285,245)**
Waste water management	(16,756,658)	(10,080,863)	3,523,492	**(23,314,029)**	(13,592,015)	(5,873,329)	2,708,686	**(16,756,658)**
Water	(53,625,132)	(47,490,688)	33,370,798	**(67,745,022)**	(56,697,305)	(30,372,790)	33,444,963	**(53,625,132)**
Service charges	(13,930,591)	(3,529,826)	727,507	**(16,732,910)**	(21,385,436)	2,771,800	4,683,046	**(13,930,590)**
Total consumer receivables	**(109,077,037)**	**(74,547,344)**	**41,622,883**	**(142,001,498)**	**(123,744,091)**	**(32,839,798)**	**47,506,853**	**(109,077,036)**

Notes to the Annual Financial Statements

Figures in Rand

3. Receivables from exchange transactions (continued)

3.1.3 Ageing of impaired consumer receivables

2024

		Not due			Past due		
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions							
Aging by debt type							
Electricity	**(8,957,456)**	(2,541,746)	(229,788)	(405,348)	(358,116)	(1,373,330)	(4,049,128)
Waste management	**(25,252,081)**	(40,485)	(70,654)	(162,315)	(136,103)	(2,804,710)	(22,037,814)
Waste water management	**(23,314,029)**	(30,723)	(58,288)	(116,928)	(124,609)	(2,706,253)	(20,277,228)
Water	**(67,745,022)**	(1,190,883)	(604,227)	(651,063)	(976,574)	(10,801,087)	(53,521,188)
Service charges	**(16,732,910)**	(28,749)	(35,828)	(126,478)	(138,305)	(1,988,500)	(14,415,050)
Total by debt type	**(142,001,498)**	**(3,832,586)**	**(998,785)**	**(1,462,132)**	**(1,733,707)**	**(19,673,880)**	**(114,300,408)**
Aging per customer group							
Organs of state	**(16,414)**	(3,802)	-	-	-	-	(12,612)
Commercial customers	**(6,351,700)**	(2,668,036)	(125,736)	(51,438)	(240,746)	(816,089)	(2,449,655)
Households	**(135,633,384)**	(1,160,747)	(873,049)	(1,410,695)	(1,492,961)	(18,857,791)	(111,838,141)
Total by customer group	**(142,001,498)**	**(3,832,585)**	**(998,785)**	**(1,462,133)**	**(1,733,707)**	**(19,673,880)**	**(114,300,408)**

Notes to the Annual Financial Statements

Figures in Rand

3. Receivables from exchange transactions (continued)

2023

		Not due			Past due		
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions							
Aging by debt type							
Electricity	**(6,479,411)**	(572,580)	(1,208,600)	(161,317)	(153,058)	(721,860)	(3,661,996)
Waste management	**(18,285,245)**	(93,763)	(44,988)	(131,796)	(204,067)	(2,491,887)	(15,318,744)
Waste water management	**(16,756,658)**	(131,222)	(44,889)	(111,119)	(181,010)	(2,552,934)	(13,735,484)
Water	**(53,625,132)**	(1,577,043)	(541,268)	(546,601)	(637,083)	(6,912,388)	(43,410,749)
Sundries	**(13,930,590)**	(31,599)	(40,798)	(93,182)	(111,535)	(1,052,462)	(12,601,014)
Total by debt type	**(109,077,036)**	**(2,406,207)**	**(1,880,543)**	**(1,044,015)**	**(1,286,753)**	**(13,731,531)**	**(88,727,987)**
Aging per customer group							
Commercial customers	**(4,143,498)**	(569,123)	(1,152,673)	(40,565)	(26,079)	(306,977)	(2,048,081)
Households	**(104,933,538)**	(1,837,084)	(727,870)	(1,003,450)	(1,260,674)	(13,424,554)	(86,679,906)
Total by customer group	**(109,077,036)**	**(2,406,207)**	**(1,880,543)**	**(1,044,015)**	**(1,286,753)**	**(13,731,531)**	**(88,727,987)**

3. Receivables from exchange transactions (continued)

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

In determining the recoverability of a consumer receivables, the municipality considers any change in the credit quality of the consumer receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the debt impairment.

3.1.4 Consumer receivables pledged as security

No consumer receivables were pledged as security.

3.1.5 Credit quality of consumer receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

3.2 Other receivables from exchange transactions

	2024		2023	
	Gross	Total	Gross	Total
Other receivables from exchange transactions from exchange transactions				
Deposits held in trust	570,121	**570,121**	570,121	**570,121**
Sundry debtors	10,954,866	**10,954,866**	10,611,590	**10,611,590**
Prepayments and advances	10,486,131	**10,486,131**	10,734,135	**10,734,135**
Total	**22,011,118**	**22,011,118**	**21,915,846**	**21,915,846**

3. Receivables from exchange transactions (continued)

3.2.1 Ageing of other receivables from exchange transactions

2024

	Total	Not due Current
Other receivables from exchange transactions from exchange transactions		
Deposits held in trust	**570,121**	570,121
Sundry debtors	**10,954,866**	10,954,866
Prepayments and advances	**10,486,131**	10,486,131
Total	**22,011,118**	**22,011,118**

2023

	Total	Not due Current
Other receivables from exchange transactions from exchange transactions		
Deposits held in trust	**570,121**	570,121
Sundry debtors	**10,611,590**	10,611,590
Prepayments and advances	**10,734,135**	10,734,135
Total	**21,915,846**	**21,915,846**

Notes to the Annual Financial Statements

Figures in Rand		2024	2023

4. Receivables from non-exchange transactions

		2024	2023
Consumer receivables	4.1		
Property Rates		122,090,171	109,068,196
Other receivables	4.1		
Fines		6,534,406	9,190,176
Fruitless and Wasteful Expenditure		1,065,647	-
		7,600,053	**9,190,176**
Total receivables		**129,690,224**	**118,258,372**

4.1 Receivables from non-exchange transactions

	2024			2023		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables						
Property Rates	243,073,554	(120,983,383)	**122,090,171**	201,450,736	(92,382,540)	**109,068,196**
Other receivables						
Fines	253,730,343	(247,195,937)	**6,534,406**	231,909,948	(222,719,772)	**9,190,176**
Fruitless and Wasteful Expenditure	1,065,647	-	**1,065,647**	-	-	**-**
	254,795,990	**(247,195,937)**	**7,600,053**	**231,909,948**	**(222,719,772)**	**9,190,176**
Total	**497,869,544**	**(368,179,320)**	**129,690,224**	**433,360,684**	**(315,102,312)**	**118,258,372**

4. Receivables from non-exchange transactions (continued)

4.1.1 Ageing of receivables from non-exchange transactions

2024

		Not due	Past due				
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Consumer receivables							
Property rates	122,090,171	30,575,615	8,035,649	6,215,198	5,871,622	29,670,760	41,721,327
Aging per customer group							
Organs of state	10,994,997	753,896	323,689	302,062	295,348	1,998,092	7,321,910
Commercial customers	11,288,074	4,539,592	1,434,648	403,461	276,975	1,414,986	3,218,412
Households	99,807,100	25,282,128	6,277,312	5,509,675	5,299,299	26,257,682	31,181,004
Total by customer group	**122,090,171**	**30,575,616**	**8,035,649**	**6,215,198**	**5,871,622**	**29,670,760**	**41,721,326**
Other receivables							
Fines	6,534,406	85,375	102,086	188,383	209,966	1,354,870	4,593,726
Fruitless and Wasteful Expenditure	1,065,647	1,065,647	-	-	-	-	-
	7,600,053	**1,151,022**	**102,086**	**188,383**	**209,966**	**1,354,870**	**4,593,726**
	129,690,224	**31,726,637**	**8,137,735**	**6,403,581**	**6,081,588**	**31,025,630**	**46,315,053**

Notes to the Annual Financial Statements

Figures in Rand

4. Receivables from non-exchange transactions (continued)

2023

		Not due			Past due		
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Consumer receivables							
Property rates	109,068,196	28,569,060	7,785,703	5,804,196	5,308,498	27,403,376	34,197,363
Aging per customer group							
Organs of state	9,002,428	713,085	298,448	273,261	267,497	1,904,896	5,545,241
Commercial customers	10,749,390	4,562,357	1,427,700	471,854	285,366	1,608,433	2,393,680
Households	89,316,378	23,293,618	6,059,555	5,059,081	4,755,635	23,890,047	26,258,442
Total by customer group	**109,068,196**	**28,569,060**	**7,785,703**	**5,804,196**	**5,308,498**	**27,403,376**	**34,197,363**
Other receivables							
Traffic Fines	9,190,176	43,312	242,602	294,628	168,352	59,333	8,381,949
	118,258,372	**28,612,372**	**8,028,305**	**6,098,824**	**5,476,850**	**27,462,709**	**42,579,312**

Notes to the Annual Financial Statements

Figures in Rand

4. Receivables from non-exchange transactions (continued)

4.1.2 Impairment reconciliation of receivables from non-exchange transactions

	2024				2023			
	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance
Consumer receivables								
Property Rates	(92,382,539)	(33,665,396)	5,064,552	**(120,983,383)**	(87,327,845)	(17,726,611)	12,671,916	**(92,382,540)**
Other receivables								
Fines	(222,719,772)	(40,504,451)	16,028,286	**(247,195,937)**	(175,432,988)	(62,114,561)	14,827,777	**(222,719,772)**
Total	**(315,102,311)**	**(74,169,847)**	**21,092,838**	**(368,179,320)**	**(262,760,833)**	**(79,841,172)**	**27,499,693**	**(315,102,312)**

Notes to the Annual Financial Statements

Figures in Rand

4. Receivables from non-exchange transactions (continued)

4.1.3 Ageing of impaired receivables from non-exchange transactions

2024

		Not due			Past due		
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Consumer receivables							
Property Rates	**(120,983,383)**	(167,820)	(562,196)	(732,139)	(830,323)	(15,279,696)	(103,411,209)
Other receivables							
Fines	**(247,195,937)**	(1,646,375)	(1,968,614)	(3,632,767)	(4,048,984)	(26,127,280)	(209,771,917)
Total	**(368,179,320)**	**(1,814,195)**	**(2,530,810)**	**(4,364,906)**	**(4,879,307)**	**(41,406,976)**	**(313,183,126)**

2023

		Not due			Past due		
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Consumer receivables							
Property Rates	**(92,382,540)**	(365,612)	(326,896)	(782,048)	(1,357,382)	(10,144,414)	(79,406,188)
Other receivables							
Fines	**(222,719,772)**	(943,288)	(5,283,648)	(6,416,722)	(3,666,548)	(1,292,217)	(205,117,349)
Total	**(315,102,312)**	**(1,308,900)**	**(5,610,544)**	**(7,198,770)**	**(5,023,930)**	**(11,436,631)**	**(284,523,537)**

4. Receivables from non-exchange transactions (continued)

Property Rates

Property Rates receivables are statutory receivables and arise from property taxes levied on property owners based on the valuation of properties per the valuation roll in accordance with the Municipal Property Rates Act, No 6 of 2004 and Midvaal Local Municipality's Property Rates Policy. A general valuation is performed every 5 years, with supplementary valuations in between.

The average credit period for property rates receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of property rates receivables.

The management of the municipality is of the opinion that the carrying value of property rates receivables approximate their fair values.

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

In determining the recoverability of a receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in addition to the debt impairment.

Traffic fines

Traffic fines receivables are statutory receivables and arise from traffic infringements commited and traffic fines issued as a result, in terms of the National Road Traffic Regulations of 2000 and the National Road Traffic Act 93 of 1996, as well as the Criminal Procedure Act, No 501 of 1977.

The traffic fines must be issued within 30 days of offence, after which it is payable. No interest is charged.

The management of the municipality is of the opinion that the carrying value of traffic fines receivables approximate their fair values.

The impairment provision was calculated after collectively assessing traffic fines receivables and by calculating the historical payment ratios and assuming that future payment ratios would be similar to the historical payment ratios.

The provision for doubtful debts on traffic fines receivables exist predominantly due to the possibility that these debts will not be recovered were assessed individually for impairment.

Traffic fines amounting to R3,081,281 was written off during the year.

Provincial and District Subsidies

Provincial and District Subsidies amounting to R2,697,681 was written off during the year.

Notes to the Annual Financial Statements

Figures in Rand		2024	2023

5. Inventories

Fuel		-	11,733
Water for distribution	5.1	929,667	927,331
Water maintenance stock		7,668,471	5,284,428
Electricity maintenance stock		14,261,130	17,542,940
Total Inventories		**22,859,268**	**23,766,432**

The amount of write-down of inventories as an expense is R4 204.

The amount of surplus of inventories recognised as an income is R - (2023: R 23,422).

5.1 Water

Opening balance	927,331	891,519
System input volume	167,888,779	149,400,762
Authorised consumption	(110,118,746)	(99,032,963)
Revaluation adjustment	-	35,812
Unavoidable annual real losses	(57,767,697)	(50,367,799)
Closing balance	**929,667**	**927,331**

5.2 Inventory pledged as security

No portion of inventories have been pledged as securities.

6. Value-added-tax

VAT Receivable / (Payable)	24,070,198	17,885,407
VAT receivable	24,070,198	17,885,407

VAT is received and paid as required by the Value Added Tax Act no.89 pf 1991 (VAT Act).

VAT is applied to all relevant goods and services as stated in the VAT Act and the amount thereof is determined in terms of the VAT Act.

VAT is submitted and paid on a monthly basis. Interest is charged on outstanding VAT amounts.

VAT receivable from SARS is not impaired as SARS has sufficient funds to pay any outstanding amounts. VAT on output provision is assessed with the debtors impairment provision and included therein.

7. Property, plant and equipment

7.1 Summary

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	116,531,564	-	116,531,564	116,531,564	-	116,531,564
Transport Assets	86,880,822	(56,666,754)	30,214,068	37,638,446	(21,417,877)	16,220,569
Machinery and Equipment	66,338,344	(29,737,137)	36,601,207	50,051,240	(26,175,676)	23,875,564
Furniture and Office Equipment	28,838,026	(13,284,166)	15,553,860	25,118,894	(11,691,234)	13,427,660
Computer Equipment	32,948,627	(19,343,323)	13,605,304	28,380,658	(15,669,360)	12,711,298
Infrastructure Assets	3,483,891,252	(1,596,138,729)	1,887,752,523	3,322,438,868	(1,516,491,159)	1,805,947,709
Community Assets	201,462,558	(71,408,852)	130,053,706	181,151,723	(66,678,321)	114,473,402
Leased Assets	61,367,663	(19,112,464)	42,255,199	83,138,522	(46,106,050)	37,032,472
Other assets	18,262,989	(16,803,262)	1,459,727	26,566,313	(23,199,883)	3,366,430
Total	**4,096,521,845**	**(1,822,494,687)**	**2,274,027,158**	**3,871,016,228**	**(1,727,429,560)**	**2,143,586,668**

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – 2024

	Opening balance	Additions	Disposals	Reclassifications	Revaluation	Depreciation	Total
Land	116,531,564	-	-	-	-	-	**116,531,564**
Transport Assets	16,220,569	8,289,821	(33,694)	9,337,373	-	(3,600,001)	**30,214,068**
Machinery and Equipment	23,875,564	18,617,065	(612,152)	68,273	-	(5,347,543)	**36,601,207**
Furniture and Office Equipment	13,427,660	5,579,971	(654,021)	-	-	(2,799,750)	**15,553,860**
Computer Equipment	12,711,298	4,816,918	(97,242)	793,539	-	(4,619,209)	**13,605,304**
Infrastructure	1,805,947,709	156,184,720	(927,444)	7,577,327	-	(81,029,789)	**1,887,752,523**
Community Assets	114,473,402	28,861,486	(8,371)	(8,370,867)	-	(4,901,944)	**130,053,706**
Leased Assets	37,032,472	20,031,799	-	(9,405,645)	-	(5,403,427)	**42,255,199**
Other Assets	3,366,430	-	-	-	(8,303,323)	6,396,620	**1,459,727**
Total	**2,143,586,668**	**242,381,780**	**(2,332,924)**	**-**	**(8,303,323)**	**(101,305,043)**	**2,274,027,158**

There were 2 landfill sites under Other Assets that were not in operation due to license issues. We have considered impairment on these temporary closed sites.

Reconciliation of property, plant and equipment – 2023

	Opening balance	Additions	Disposals	Revaluation	Depreciation	Total
Land	116,531,564	-	-	-	-	**116,531,564**
Transport Assets	13,211,200	4,816,295	(119,127)	-	(1,687,799)	**16,220,569**
Machinery and Equipment	21,768,327	6,366,058	(137,200)	-	(4,121,621)	**23,875,564**
Furniture and Office Equipment	11,286,497	4,522,484	(123,568)	-	(2,257,753)	**13,427,660**
Computer Equipment	13,622,318	2,688,304	(85,304)	-	(3,514,020)	**12,711,298**
Infrastructure	1,768,156,277	128,474,102	(3,986,528)	-	(86,696,142)	**1,805,947,709**
Community Assets	104,539,129	15,202,590	(300,848)	-	(4,967,469)	**114,473,402**
Leased Assets	39,201,148	3,910,366	(104,264)	-	(5,974,778)	**37,032,472**
Other Assets	9,518,926	-	-	(16,492,368)	10,339,872	**3,366,430**
Total	**2,097,835,386**	**165,980,199**	**(4,856,839)**	**(16,492,368)**	**(98,879,710)**	**2,143,586,668**

7. Property, plant and equipment (continued)

7.2 Property, plant and equipment under construction

Reconciliation of Work in Progress (WIP) 2024	Opening balance	Additions	Transferred to completed assets	Reclassifications	Total
Community	30,436,080	23,742,944	(5,492,481)	-	48,686,543
Infrastructure	229,631,071	149,490,541	(111,922,319)	-	267,199,293
Intangible assets	303,631	-	-	-	303,631
Computer equipment	3,825	-	(3,825)	-	-
Transport assets	4,406,462	413,970	(4,820,432)	-	-
Machinery	622,947	11,981,822	(567,812)	68,273	12,105,230
Leased assets	2,112,575	-	(2,044,302)	(68,273)	-
Furniture and office equipment	1,452,452	2,073,335	-	-	3,525,787
	268,969,043	**187,702,612**	**(124,851,171)**	**-**	**331,820,484**

Reconciliation of Work in Progress (WIP) 2023	Opening balance	Additions	Transferred to completed assets	Total
Community	30,464,956	13,864,299	(13,893,175)	30,436,080
Infrastructure	204,826,657	120,499,907	(95,695,493)	229,631,071
Intangible assets	303,631	-	-	303,631
Computer equipment	1,640,140	3,825	(1,640,140)	3,825
Transport assets	2,224,137	3,337,900	(1,155,575)	4,406,462
Machinery	248,750	374,197	-	622,947
Leased assets	-	2,112,575	-	2,112,575
Furniture and office equipment	-	1,452,452	-	1,452,452
	239,708,271	**141,645,155**	**(112,384,383)**	**268,969,043**

7.3 Property, plant and equipment pledged as security

No portion of property, plant and equipment has been pledged as security for liabilities, other than obligations under finance leases that are secured by the lessor's right over the leased assets.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

7. Property, plant and equipment (continued)

7.4 Maintenance of property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment		
Employee related costs	91,088,126	86,034,588
Contracted services	78,918,310	67,270,383
Sales of goods / inventory	142,835	73,470
Hire charges	10,601,927	7,455,306
	180,751,198	**160,833,747**

7.5 Funding of property, plant and equipment acquisitions

Infrastructure assets		
Accumulated surplus	9,164,015	29,801,638
Annuity loans	72,217,495	13,594,310
DSCAR	180,000	105,000
Developers contribution	3,721,413	5,595,486
INEP	21,212,000	28,529,106
MIG	16,133,581	22,798,112
NDPG	15,371,292	-
WSIG in kind	-	10,191,070
WSIG	18,184,924	17,859,380
	156,184,720	**128,474,102**

Community assets		
Accumulated surplus	9,825,846	4,397,004
Annuity loans	6,415,319	-
DSCAR	-	500,590
MIG	12,620,321	6,856,409
NDPG	-	3,448,587
	28,861,486	**15,202,590**

Leased assets		
Finance leases	20,031,799	3,910,366

Transport assets		
Accumulated surplus	651,834	1,478,395
Functional Fire and Rescue Grant	5,500,482	-
DSCAR	2,137,505	3,337,900
	8,289,821	**4,816,295**

Computer equipment		
Accumulated surplus	3,086,183	1,524,226
DSCAR	1,725,235	1,115,695
MIG	5,500	48,383
	4,816,918	**2,688,304**

Figures in Rand	2024	2023

7. Property, plant and equipment (continued)

Furniture and equipment		
Accumulated surplus	4,948,700	3,763,774
DSCAR	574,753	696,800
Finance Leases	-	30,669
MIG	56,518	31,241
	5,579,971	**4,522,484**
Machinery and Equipment		
Accumulated surplus	5,612,808	3,732,112
DSCAR	2,715,044	2,623,146
Loans	10,289,213	10,800
	18,617,065	**6,366,058**
Total	**242,381,780**	**165,980,199**

Borrowing costs capitalised

There are no borrowing costs that have been capitalised to the property, plant and equipment value.

Assets held as inventory

In addition to the property, plant and equipment above, the municipality has land on which RDP houses have been built. The land is still registered in the deeds office in the name of the municipality. The municipality does not have control over these properties and it is therefore not recognised as assets as it does not comply with the definition of assets as per GRAP 17. Total value: R9 895 000 (2023: R4 310 000)

8. Investment property

8.1 Reconciliation of carrying value

Opening carrying value		
Cost	49,234,032	49,281,032
Carrying value of disposals / transfers		
Cost	-	(47,000)
Closing carrying value	**49,234,032**	**49,234,032**

Criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business is set out in the accounting policy note of investment property.

There are no restrictions on the realisability of investment property of the remittance of revenue and proceeds of disposal.

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

Council resolved that land amounting to R355 000 be transferred, however, the property has not yet been transferred as at 30 June 2024.

8.1.1 Investment property under construction

No investment property is in the process of being constructed or developed.

Figures in Rand	2024	2023

8. Investment property (continued)

8.2 Investment property pledged as security

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

9. Intangible assets

9.1 Reconciliation of carrying value

2024

	Note	Computer software	Service, operating and land rights	Total
Opening carrying value as at July 1, 2023				
Cost		6,774,490	3,406,252	10,180,742
Accumulated depreciation and impairment		(970,253)	-	(970,253)
		5,804,237	**3,406,252**	**9,210,489**
Additions from acquisitions		5,588,148	-	5,588,148
Amortisation	32	(3,408,716)	-	(3,408,716)
		2,179,432	**-**	**2,179,432**
Closing carrying value as at June 30, 2024		**7,983,669**	**3,406,252**	**11,389,921**

2023

	Note	Computer software	Service, operating and land rights	Total
Opening carrying value as at July 1, 2022				
Cost		3,988,871	3,406,252	7,395,123
Accumulated depreciation and impairment		(958,728)	-	(958,728)
		3,030,143	**3,406,252**	**6,436,395**
Additions from acquisitions		2,785,619	-	2,785,619
Amortisation	32	(11,525)	-	(11,525)
		2,774,094	**-**	**2,774,094**
Closing carrying value as at June 30, 2023		**5,804,237**	**3,406,252**	**9,210,489**

9.2 Intangible assets pledged as security

No portion of intangible assets has been pledged as security for liabilities.

A register containing information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

9.3 Funding of intangible asset additions

Additions to intangible assets were funded from the following sources:

	2024	2023
Computer software		
Accumulated surplus	5,588,148	2,785,619

Notes to the Annual Financial Statements

Figures in Rand		2024	2023

10. Heritage assets

10.1 Reconciliation of carrying value

2024

	Mayoral chain	Total
Opening carrying value as at July 1, 2023		
Cost	18,701	18,701

2023

	Mayoral chain	Total
Opening carrying value as at July 1, 2022		
Cost	18,701	18,701

10.2 Heritage assets pledged as security

No portion of heritage assets has been pledged as security for liabilities.

11. Payables from exchange transactions

Contractors	11.1	20,502,185	16,633,004
Employee benefits	11.2	19,570,600	19,980,783
Other payables	11.3	201,952,060	168,652,499
Total		**242,024,845**	**205,266,286**
Current		242,024,845	205,266,286

11.1 Contractors

Retentions	20,502,185	16,633,004

11.2 Employee benefits

Leave accrual	19,570,600	19,980,783

11.3 Other payables

Payables and accruals	147,595,072	118,251,626
Advance payments	47,880,879	44,986,393
Unallocated deposits	6,476,109	5,414,480
Total	**201,952,060**	**168,652,499**

The average credit period on purchases is 30 days from the receipt of the statement, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit time frame.

The management of the municipality is of the opinion that the carrying value of creditors approximate their fair values.

Payables are recognised net of trade discounts.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

12. Consumer deposits

Electricity	23,564,907	22,304,612
Hire of facilities	92,826	70,165
Total	**23,657,733**	**22,374,777**

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

The carrying amount of consumer deposits approximates its fair value.

13. Borrowings

Total borrowings

Annuity and Bullet Loans	204,706,215	127,414,244
Less: Current portion transferred to current liabilities	(22,884,362)	(17,315,599)
Total non-current borrowings	**181,821,853**	**110,098,645**

13.1 Summary of arrangements

Annuity loans are repaid over periods varying from 10 to 30 (2023: 10 to 30) years and at interest rates varying from 6.75% to 13.54% (2023: 6.75% to 13.54%) per annum.

Annuity loans are not secured.

The fair value of borrowings was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

All loans were obtained in terms of section 45 and 46 of the MFMA.

Current Liabilities		
ABSA	1,512,471	1,373,064
First National Bank	1,382,432	1,243,816
Nedbank	924,117	697,688
Standard Bank	16,462,292	10,123,772
Development Bank of South Africa	2,603,050	3,877,259
	22,884,362	**17,315,599**

Non current liabilities		
ABSA	3,041,895	4,554,366
First National Bank	14,861,553	16,243,986
Nedbank	13,098,195	14,720,000
Standard Bank	143,494,064	64,708,668
Development Bank of South Africa	7,326,146	9,871,625
	181,821,853	**110,098,645**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

13. Borrowings (continued)

Details of loans	Redeemable	Balance at 30 June 2023	Received during the period	Redeemed during the period	Balance at 30 June 2024
ABSA - 0387231331	12,000,000	5,927,430	-	1,373,064	4,554,366
DBSA - L-029-M-103600/1	15,700,000	3,172,325	-	2,044,862	1,127,463
DBSA - L-030-M-103600/2	12,650,000	7,337,668	-	803,876	6,533,792
DBSA - L-031-M-103600/3	1,500,000	1,281,305	-	27,869	1,253,436
DBSA - L-032-M-103600/4	8,800,000	1,313,873	-	861,289	452,584
DBSA - L-033-M-103600/5	1,350,000	643,713	-	81,791	561,922
Standard Bank - 22044108	43,700,000	24,559,373	-	4,567,340	19,992,033
Standard Bank - 009733922	21,900,000	15,548,293	-	2,016,836	13,531,457
Standard Bank - 009733923	21,500,000	16,857,006	-	1,838,196	15,018,810
Standard Bank - 009733924	21,500,000	18,565,456	-	1,701,399	16,864,056
FNB	18,600,000	17,487,802	-	1,243,817	16,243,985
Nedbank	14,720,000	14,720,000	-	697,688	14,022,312
Standard Bank	94,550,000	-	94,550,000	-	94,550,000
	288,470,000	**127,414,244**	**94,550,000**	**17,258,027**	**204,706,216**

Notes to the Annual Financial Statements

Figures in Rand

14. Unspent conditional grant

		2024				2023				
		Opening balance	Funds received	Transfer to revenue	Closing balance	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance
Monetary Allocations	14.1	11,764,412	111,505,000	(123,167,668)	**101,744**	3,260,177	104,268,497	(93,351,262)	(2,413,000)	**11,764,412**

14. Unspent conditional grant (continued)

14.1 Unspent conditional grant

	2024				2023				
	Opening balance	Funds received	Transfer to revenue	Closing balance	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance
National Government									
Expanded Public Works Programme Integrated Grant	-	3,768,000	(3,768,000)	**-**	-	-	-	-	**-**
Integrated National Electrification Programme	-	21,212,000	(21,212,000)	**-**	-	28,775,000	(28,775,000)	-	**-**
Local Government Financial Mangement Grant	-	1,550,000	(1,550,000)	**-**	-	-	-	-	**-**
Municipal Infrastructure Grant	-	34,885,000	(34,783,256)	**101,744**	-	34,179,497	(34,179,497)	-	**-**
Neighbourhood Development Partnership Grant	6,551,292	8,820,000	(15,371,292)	**-**	2,412,879	10,000,000	(3,448,587)	(2,413,000)	**6,551,292**
Water Services Infrastructure Grant	-	19,712,000	(19,712,000)	**-**	-	17,864,000	(17,864,000)	-	**-**
Total	**6,551,292**	**89,947,000**	**(96,396,548)**	**101,744**	**2,412,879**	**90,818,497**	**(84,267,084)**	**(2,413,000)**	**6,551,292**
Provincial Government									
Libraries recapitalisation	1,594,410	19,358,000	(20,952,410)	**-**	119,118	5,650,000	(4,174,708)	-	**1,594,410**
Functional Fire Rescue Grant	3,618,710	2,200,000	(5,818,710)	**-**	728,180	7,800,000	(4,909,470)	-	**3,618,710**
Total	**5,213,120**	**21,558,000**	**(26,771,120)**	**-**	**847,298**	**13,450,000**	**(9,084,178)**	**-**	**5,213,120**
Total unspent conditional grant	**11,764,412**	**111,505,000**	**(123,167,668)**	**101,744**	**3,260,177**	**104,268,497**	**(93,351,262)**	**(2,413,000)**	**11,764,412**

Municipal Infrastructure Grant - rollover application has been submitted with an additional amount of R508,249 for invoices paid but not reported on the MIG management information system.

Notes to the Annual Financial Statements

Figures in Rand		2024	2023

15. Lease liabilities

Finance lease liabilities	15.2	37,161,313	21,954,884
Less: Transferred to current liabilities		(9,429,633)	(7,426,513)
Total non-current liabilities		**27,731,680**	**14,528,371**

15.1 Carrying value of current lease liabilities

2024

		Amortised cost	Deposits	Withdrawals	Total
Carrying value as at June 30, 2024					
Current portion of Finance lease liabilities	15.2	7,426,515	2,621,254	(618,136)	**9,429,633**

2023

		Amortised cost	Deposits	Total
Carrying value as at June 30, 2023				
Current portion of Finance lease liabilities	15.2	6,504,846	921,667	**7,426,513**

15.2 Finance lease payable

The municipality as lessee

The obligations under finance leases are as follow:

	2024	2023
Total future minimum lease payments		
Payable within 1 year	13,021,366	9,156,501
Payable within 2 to 5 years	32,975,997	16,355,798
Total minimum lease payments	**45,997,363**	**25,512,299**
Less: Future finance charges	(8,836,050)	(3,557,415)
Total	**37,161,313**	**21,954,884**

	2024	2023
Present value of minimum lease payments		
Payable within 1 year	9,429,633	7,426,513
Payable within 2 to 5 years	27,731,680	14,528,371
Total	**37,161,313**	**21,954,884**

	2024	2023
Current liability	9,429,633	7,426,513
Non-current liability	27,731,680	14,528,371

It is the municipality's policy to purchase certain motor vehicles and equipment under finance leases.

The average lease term is 5 years and the average borrowing rate is between 6.5% - 12.54% (2023 : 6.5% - 12.54%). All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

16. Income received in advance from developer contribution

	2024	2023
Unspent developer contribution	8,075,234	6,371,653

Notes to the Annual Financial Statements

Figures in Rand		2024	2023

17. Provisions

Provision for landfill site fine	17.1	5,000,000	-
Provision for landfill rehabilitation	17.2	75,464,725	76,721,025
Total		**80,464,725**	**76,721,025**

Current	5,000,000	-
Non-current	75,464,725	76,721,025

17.1 Provision for landfill site fine

Additional provisions raised	5,000,000	-

Current	5,000,000	-

The fine arose on the non-compliance with the National Environmental Management Act for the Walkerville Landfill site. Council has taken a decision to pay the fine in order to speed up possible issuing of licence for the Walkerville Landfill site.

17.2 Provision for landfill rehabilitation

Opening Balance	76,721,025	86,038,163
Increases (Passage of Time/Discounted Rate)	7,047,024	7,175,229
Reversals -Adjustment for change in discount rate	(8,303,324)	(16,492,367)
Closing balance	**75,464,725**	**76,721,025**

The landfill rehabilitation provision is intended for the rehabilitation of the current operational sites which are evaluated at each year-end to reflect the best estimate at reporting date. The sites under consideration are the Henley on Klip, Vaal Marina and Walkerville landfill sites. The valuation for the landfill sites was performed by Mr. Rofhiwa Khaukanani B Eng (Hons) Technology management employed by Infratec (Pty) Ltd. Mr. Khaukanani is a registered member of the Engineering Council of South Africa (ECSA), World Partner in Asset Management (WPiAM) as well as The Association of Energy Engineers (AEE).

Key financial assumptions used in this calculation were as follows:

	Henley on Klip landfill	Vaal Marina landfill	Walkerville landfill
CPI	5.1 %	5.1 %	5.1 %
Discount rate	10.3 %	10.3 %	10.3 %
Nett effective discount rate	5.2 %	5.2 %	5.2 %

The 2024 amount of the discounted landfill closure provision of R75 464 724 (2023 : R76 721 025) represents a decrease of R1 256 300 (2023 : decrease R9 317 137). Composition of this change relate to changes in the CPI, discount rate and unit costs. The interest charge relating to the assessment amounts to R7 047 024 (2023 : R7 175 229). The 2024 amount is a discounted amount based on the expected remaining life of the landfill site and based on the size of the area that had been used for waste disposal as at 30 June 2024. The size of the landfill sites used up until now and estimated remaining useful lives are as follows:

	Henley on Klip landfill	Vaal Marina landfill	Walkerville landfill
Approximate size used until 30 June 2024	1 101 747 cubm	37 370 cubm	272 879 cubm
Remaining useful lives	2 years	1 year	9 years

Notes to the Annual Financial Statements

Figures in Rand		2024	2023

18. Employee benefit obligation

Non-current employee benefits			
Post employment health care benefits	18.1	5,457,405	4,539,106
Long-service awards benefits	18.2	15,854,612	14,778,679
		21,312,017	**19,317,785**

18.1 Post employment health care benefits

The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member aged 55 or older on 1 January 2005 with atleast 25 years of service is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for 50% of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at June 30, 2024 by Mr DT Mureriwa of One Pangaea. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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

	Number	Number
Continuation members (Retirees)	12	12

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

Continuation members (Retirees)	5,457,405	4,539,106

Non-current	5,457,405	4,539,106

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

Figures in Rand	2024	2023

18. Employee benefit obligation (continued)

Rates of interest

	2024	2023
Discount rate	11.30 %	11.58 %
Consumer Price Inflation (CPI)	5.90 %	6.58 %
Health care cost inflation rate	7.40 %	8.08 %
Net effective discount rate	3.63 %	3.47 %

GRAP 25 defines the determination of the investment return assumption to be used as follows:

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

Maturity Analysis		
30/06/2024		528,869
30/06/2025		541,810
30/06/2026		541,030
30/06/2027		540,185
30/06/2028		539,270
30/06/2029		538,281
30/06/2030		537,213
		-

Normal retirement age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements. The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Amounts recognised in the statement of financial position

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

	2024	2023
Opening balance	4,539,106	5,738,074
Net Interest expense	505,519	671,733
Actual benefit payments	(482,297)	(500,404)
Remeasurement over the financial year	895,077	(1,370,297)
Total benefit liability	**5,457,405**	**4,539,106**

Amounts recognised in the statement of financial performance

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

The service cost was nil as there were no active employees eligible for the post-employment medical subsidy during the actuarial valuation period.

Remeasurement over the financial year consists of the following :

Financial assumptions : (R39,207)

Demographic assumptions : R934,284

Notes to the Annual Financial Statements

Figures in Rand		2024	2023

18. Employee benefit obligation (continued)

Net Interest expense		505,519	671,733
Remeasurements over the financial year		895,077	(1,370,297)
Total post-retirement benefit included in employee related costs	30	**1,400,596**	**(698,564)**

Movements in the present value of the defined benefit obligation

Opening balance	4,539,106	5,738,074
Net Interest expense	505,519	671,733
Actual employer benefit payments	(482,297)	(500,404)
Remeasurements over the financial year	895,077	(1,370,297)
Present value of fund obligation at the end of the year	**5,457,405**	**4,539,106**

History of experienced adjustments

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

	+1% Increase	+1% Decrease
Effect on the defined benefit obligation	5,893,799	5,066,350
Effect on the aggregate of the interest cost	635,745	542,813

18.2 Long-service awards benefits

Provision for long-service awards	18.2.1	15,854,612	14,778,679
Non-current		15,854,612	14,778,679

Figures in Rand	2024	2023

18. Employee benefit obligation (continued)

Long-service awards

During the 2023/2024 financial year, Midvaal employees accrued an extra year of service and as a result, the liability increased by R1,518,059.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at June 30, 2024 by Mr DT Mureriwa of One Pangaea. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in future based on service accrued to the valuation date and awards projected to retirement date. In determining these liabilities, due allowance has been made for future award increases.

At year end 822 (2023: 774) employees were eligible for Long Services Awards.

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

Discount rates used	10.66 %	10.86 %
Consumer price inflation	5.50 %	5.94 %
Salary increase rate	6.50 %	6.94 %
Net discount rate	3.91 %	3.67 %

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

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

The Actuaries used the nominal and real zero curves as at June 30, 2024 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, they used the prevailing yield at the time of performing their calculations.

Maturity Analysis	
30/06/2024	1,165,941
30/06/2025	1,757,787
30/06/2026	2,062,553
30/06/2027	3,269,232
30/06/2028	2,690,041
30/06/2029	1,789,364
30/06/2030	2,160,557
	-

Amounts recognised in the statement of financial position

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

Present value of unfunded obligations	15,854,612	14,778,679

Figures in Rand		2024	2023

18. Employee benefit obligation (continued)

Amounts recognised in the statement of financial performance

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

Service cost		1,518,059	1,581,855
Net Interest expense		1,507,158	1,599,087
Remeasurements over the financial year :		(128,866)	(1,547,786)
Total expense included in employee related costs	30	**2,896,351**	**1,633,156**

Remeasurements over the financial year		
Financial Assumptions	(75,531)	(907,189)
Demographic Assumptions	(53,335)	(640,597)
	(128,866)	**(1,547,786)**

18.2.1 Provision for long-service awards benefits

Movements in the present value of the defined benefit obligation		
Opening Balance	14,778,679	14,885,116
Service cost	1,518,059	1,581,855
Increases (Passage of Time/Discounted Rate)	(128,866)	(1,547,786)
Expected benefit payments	(1,820,418)	(1,739,593)
Net Interest expense	1,507,158	1,599,087
Closing balance	**15,854,612**	**14,778,679**
Non-current	15,854,612	14,778,679

The effect of a 1% movement in the salary increase rate are as follow on the ensuing years assumptions:

	1% Decrease	1% Increase
Effect on the defined benefit obligation	14,897,642	16,905,284
Effect on the aggregate of the current service cost	1,464,498	1,715,900
Effect on the aggregate of the interest cost	1,526,234	1,739,670

19. Services charges

Electricity		
Other - Electricity	487,421,178	438,811,085
Waste management		
Other - Waste management	61,185,921	57,489,732
Waste water management		
Other - Waste water management	66,825,276	61,722,624
Water		
Other - Water	271,745,032	246,053,636
Total	**887,177,407**	**804,077,077**
Exchange	887,177,407	804,077,077

Notes to the Annual Financial Statements

Figures in Rand		2024	2023

20. Interests on investments

Short-term investments and call accounts		43,678,123	32,679,289

21. Interest earned from receivables

Exchange receivables	21.1	24,666,097	16,074,126
Non-exchange receivables	21.2	16,506,617	13,793,558
Total		**41,172,714**	**29,867,684**

21.1 Interest earned from exchange receivables

Consumer receivables		
Electricity	2,163,140	2,082,563
Service charges	606,403	(2,902,753)
Waste management	3,935,201	2,975,825
Waste water management	3,760,404	2,546,724
Water	14,200,949	11,371,767
	24,666,097	**16,074,126**

21.2 Interest earned from non-exchange receivables

Consumer receivables		
Property rates	16,506,617	13,793,558

22. Sales of goods and rendering of services

Advertisements	51,288	30,252
Building Plan Approval	381,436	364,655
Cemetery and Burial	894,826	791,877
Grass cutting income	1,189,964	598,875
Clearance Certificates	182,073	206,945
Entrance Fees	236,287	130,921
Escort Fees	3,946	-
Fire Services	1,442,337	1,149,497
Photo copies, Faxes and Telephone charges	4,319	3,433
Sale of Goods	51,132	82,137
Auction proceeds	-	1,476,641
Town Planning and Servitudes	3,675,644	3,412,084
Total	**8,113,252**	**8,247,317**

23. Operational revenue

Administrative Handling Fees	1,026,287	1,094,876
Breakages and Losses Recovered	1,335	2,079
Settlement claim	500,000	-
Incidental Cash Surpluses	11,546	3,918
Insurance Refund	-	1,999,513
Wayleave fee	5,000	129,473
Request for information	78	2,666
Skills Development Levy Refund	-	581,414
Staff and Councillors Recoveries	76,053	63,697
Total	**1,620,299**	**3,877,636**

Notes to the Annual Financial Statements

Figures in Rand		2024	2023

24. Hire of facilities

Hiring fees	1,234,092	1,092,755

25. Property Rates

Agricultural Property	8,686,564	6,643,668
Business and Commercial Properties	22,593,280	21,184,607
Industrial Properties	58,763,799	55,065,786
Mining Properties	31,055	29,091
Public service purposes properties	12,150,437	11,157,171
Residential Properties	220,535,237	202,088,763
Total	**322,760,372**	**296,169,086**

Residential properties

The valuation roll was compiled in terms of the Municipal Property Rates Act, Act 6 of 2004 (MPRA) which is used as a basis to levy property rates. The valuation came into effect on 1 July 2018 and has been extended for 2 years. All objections were referred to the valuer for his comments and letters of outcome. Supplementary valuations are attended to in line with the MPRA. Reconciliations between the valuation roll and billing are completed on a monthly basis.

Valuations on buildings are performed every 5 years. The current valuation roll is effective until 30 June 2025. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on a monthly basis and interest is levied after due date.

Valuation	**R'000**	**R'000**
Business and commercial properties	3,943,775	3,953,590
Municipal properties	447,761	446,226
Other categories	2,986,268	3,132,652
Residential properties	20,511,481	20,250,781
Small Holdings	3,236,263	3,236,540
State-owned properties	747,642	553,978
Total property valuation	**31,873,190**	**31,573,767**

A uniform rate for the same class and type of property was applied with the implementation of the Property Rates Act. A rate on different categories was applied to property valuations to determine assessment rates. Rebates of 85% are applied to pensioners.

Rates are levied for property owners on a monthly basis for monthly rate payers and are payable on the 7th of each month.

26. Transfers and subsidies - Revenue

Operational			
Monetary allocations	26.1	189,554,633	172,218,720
Capital			
Allocations in-kind	26.2	-	10,191,070
Monetary allocations	26.3	105,067,308	98,946,748
Total transfers and subsidies: Capital		**105,067,308**	**109,137,818**
Total		**294,621,941**	**281,356,538**

Notes to the Annual Financial Statements

Figures in Rand		2024	2023

26. Transfers and subsidies - Revenue (continued)

26.1 Monetary allocations: Operational

Provincial and District subsidy		7,193,861	8,372,217
National governments		8,463,772	6,832,503
National revenue fund		160,539,000	143,164,000
Provincial government		13,358,000	13,850,000
Total		**189,554,633**	**172,218,720**

National governments

Expanded Public Works Programme Integrated Grant		3,768,000	2,553,000
Local Government Financial Management Grant		1,550,000	1,550,000
Municipal Infrastructure Grant		1,645,772	1,729,503
Water Services Infrastructure Grant		1,500,000	1,000,000
		8,463,772	**6,832,503**

Provincial government

DSARC		13,358,000	13,850,000

26.2 Allocations in-kind: Capital

Provincial government		-	10,191,070

26.3 Monetary allocations: Capital

National governments		87,932,775	84,267,084
Private enterprises		3,721,413	5,595,486
Provincial government		13,413,120	9,084,178
Total		**105,067,308**	**98,946,748**

National government

Integrated National Electrification Programme		21,212,000	28,775,000
Municipal Infrastructure Grant		33,137,483	34,179,497
Neighbourhood Development Partnership Grant		15,371,292	3,448,587
Water Services Infrastructure Grant		18,212,000	17,864,000
		87,932,775	**84,267,084**

Provincial government

DSARC		7,594,410	4,174,708
Functional Fire Rescue Grant		5,818,710	4,909,470
		13,413,120	**9,084,178**

27. Fines, penalties and forfeits

Fines	27.1	45,061,686	73,359,634

Figures in Rand	2024	2023

27. Fines, penalties and forfeits (continued)

27.1 Fines

Traffic fines		
Municipal fines	44,902,800	73,168,650
Other fines		
Overdue books	120,478	146,265
Pound fees	38,408	44,719
	158,886	**190,984**
Total	**45,061,686**	**73,359,634**

28. Inventory surplus / (write down)

Inventory	(4,204)	23,422

Inventory surplus / (write down) resulting from stock take performed at year end.

29. Bulk Purchases

Electricity: Eskom	457,788,664	371,399,382
Water	167,888,779	149,400,762
Total	**625,677,443**	**520,800,144**

29.1 Electricity losses

	2024		2023	
	KHW	Amount	KHW	Amount
Units purchased	229,676,854	457,788,664	230,772,735	371,399,382
Units sold	(201,983,766)	(402,591,190)	(197,240,331)	(317,433,240)
Total loss	**27,693,088**	**55,197,474**	**33,532,404**	**53,966,142**
Comprising of:				
Technical losses	9,230,106	18,397,318	14,576,536	23,459,082
Non-technical losses	18,462,982	36,800,156	18,955,868	30,507,060
Total	**27,693,088**	**55,197,474**	**33,532,404**	**53,966,142**
Percentage loss:				
Technical losses	- %	4.02 %	- %	6.32 %
Non-technical losses	- %	8.04 %	- %	8.21 %
Total	**- %**	**12.06 %**	**- %**	**14.53 %**

Figures in Rand	2024	2023

29. Bulk Purchases (continued)

Water losses

	2024		2023	
	ML	Amount	ML	Amount
Opening balance of water stock	81,007	927,332	84,907	891,519
Units purchased	13,486,821	167,888,779	13,122,725	149,400,762
Units sold	(8,850,520)	(110,118,746)	(8,698,633)	(99,032,962)
Revaluation adjustment on unit price of stock on hand	-	-	-	35,812
Closing balance of water stock	(74,373)	(929,668)	(81,007)	(927,332)
Total loss	**4,642,935**	**57,767,697**	**4,427,992**	**50,367,799**

Comprising of:				
Technical losses	2,628,830	32,708,070	2,437,610	27,727,474
Non-technical losses	2,014,105	25,059,627	1,990,382	22,640,325
Total	**4,642,935**	**57,767,697**	**4,427,992**	**50,367,799**

Percentage loss:				
Technical losses	- %	19.48 %	- %	19.00 %
Non-technical losses	- %	14.93 %	- %	15.00 %
Total	**- %**	**34.41 %**	**- %**	**34.00 %**

Cost of free basic services		
Cost of free basic water	5,318,717	1,582,300
Cost of free basic electricity	5,167,434	3,802,183
	10,486,151	**5,384,483**

Electricity bulk purchases		
Cost of electricity billed	397,423,756	317,433,240
Electricity technical losses	18,397,318	23,459,082
Electricity non-technical losses	36,800,156	30,507,060
Free basic electricity	5,167,434	-
	457,788,664	**371,399,382**

Water bulk purchases		
Cost of water billed	104,800,028	97,450,662
Water technical losses	32,708,070	27,727,474
Water non-technical losses	25,059,627	22,640,325
Free basic water	5,318,717	1,582,301
Valuation adjustment between opening and closing stock balance	2,337	-
	167,888,779	**149,400,762**

The Municipality is required to report on water losses in terms of MFMA Circular 71 issued by National Treasury, and has been reported accordingly.

Figures in Rand		2024	2023

29. Bulk Purchases (continued)

The Municipality is of the view that the methodology outlined in MFMA Circular 71 is an over simplification and does not take into account various components in the calculation.

The Municipality has also disclosed the water loss calculation as outlined by the International Water Association (IWA) which is a more detailed and comphrehensive calculation. The calculations have been verified by experts in the field, in line with the IWA guideline which is a more reliable and accurate calculation:

Water Loss (Based on IWA guidelines)	31.72 %	30.34 %

30. Employee related cost

Senior management	30.1	7,948,172	6,740,177
Municipal staff	30.2	360,415,562	338,891,448
Total		**368,363,734**	**345,631,625**

30. Employee related cost (continued)

30.1 Senior management costs

2024

	Municipal Manager	Chief Financial Officer	ED Corporate Services	ED Development & Planning	ED Community Services	ED Engineering Services	ED Public Safety & Roads	Total
Basic salary	1,643,769	1,187,666	1,106,625	311,439	355,931	1,040,518	393,727	6,039,675
Bonuses	160,872	97,580	48,790	43,460	27,915	104,278	54,910	537,805
Allowances	27,883	151,647	204,000	119,000	120,000	204,000	98,020	924,550
Bargaining council	137	137	137	-	91	137	68	707
Medical	36,119	-	-	13,203	28,598	-	25,535	103,455
Pension	-	-	-	50,400	57,600	142,560	79,200	329,760
Unemployment insurance	2,125	2,125	2,125	1,240	1,417	2,125	1,063	12,220
	1,870,905	**1,439,155**	**1,361,677**	**538,742**	**591,552**	**1,493,618**	**652,523**	**7,948,172**

2023

	Municipal Manager	Chief Financial Officer	ED Corporate Services	ED Development & Planning	ED Community Services	ED Engineering Services	Total
Basic salary	1,544,485	704,487	664,487	517,298	1,115,802	930,893	5,477,452
Bonuses	-	-	-	171,898	-	112,490	284,388
Allowances	84,000	98,218	136,000	42,864	80,000	204,000	645,082
Bargaining council	130	86	86	43	43	130	518
Medical	22,318	-	-	15,012	8,395	-	45,725
Pension	-	-	-	32,400	108,240	137,340	277,980
Unemployment insurance	2,125	1,417	1,417	1,240	708	2,125	9,032
	1,653,058	**804,208**	**801,990**	**780,755**	**1,313,188**	**1,386,978**	**6,740,177**

Figures in Rand		2024	2023

30. Employee related cost (continued)

30.2 Municipal staff costs

Basic salary	224,570,959	211,649,040
Service-related benefits	53,588,817	51,294,984
Pension	41,427,047	39,058,983
Medical	21,015,989	17,437,708
Allowances	17,901,294	17,650,270
Unemployment insurance	1,664,355	1,644,897
Group life insurance	143,200	141,773
Bargaining council	103,901	97,383
Post-retirement benefit: Medical	-	(83,590)
Total	**360,415,562**	**338,891,448**

Acting allowances for Sec 56 appointments

Chief Financial Officer	-	24,267
Executive Director Corporate Services	-	24,017
Executive Director Development and Planning	33,029	47,983
Executive Director Roads and Public Safety	31,920	70,094
Executive Director Community Services	63,332	65,332
	128,281	**231,693**

31. Contracted services

Consultants and professional services	31.1	20,729,293	14,601,719
Contractors	31.2	80,762,301	69,201,151
Outsourced services	31.3	92,119,295	61,845,527
Total		**193,610,889**	**145,648,397**

31.1 Consultants and professional services

Business advisory services		
Accounting and auditing	601,401	964,255
Business and financial management	8,156,986	6,827,859
Communications	39,551	16,050
Forensic investigators	147,918	484,443
Human resources	2,936,339	2,607,711
Project management	5,812,474	339,883
Research and advisory	759,772	1,147,103
Total business advisory services	**18,454,441**	**12,387,304**
Legal services		
Collection	59,774	56,563
Legal advice and litigation	2,114,773	1,734,145
Total legal services	**2,174,547**	**1,790,708**
Engineering services		
Electrical engineering	-	122,457
Infrastructure and planning services		
Town planner infrastructure and planning	100,305	301,250
Total consultants and professional services	**20,729,293**	**14,601,719**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

31. Contracted services (continued)

31.2 Contractors

General services		
Artists and performers	22,460	46,073
Catering services	319,016	337,909
Chipping	1,658	-
Employee wellness	43,194	28,210
Fire services	7,055	9,110
Medical services	24,872	23,467
Pest control and fumigation	337,090	181,438
Plants, flowers and other decorations	103,984	99,960
Safeguard and security	68,877	26,571
Sports and recreation	298,190	206,736
Stage and sound crew	9,600	16,750
Tracing agents and debt collectors	569,095	873,544
Transportation	38,900	81,000
Total general services	**1,843,991**	**1,930,768**

Maintenance services		
Maintenance of buildings and facilities	8,884,490	9,832,505
Maintenance of equipment	2,360,129	1,431,632
Maintenance of unspecified assets	67,673,691	56,006,246
Total maintenance service	**78,918,310**	**67,270,383**
Total contractor	**80,762,301**	**69,201,151**

31.3 Outsourced services

Business and advisory services		
Occupational Health and Safety	454,404	154,366
Research and Advisory	-	145,287
Valuer	404,608	362,544
Total business and advisory services	**859,012**	**662,197**

General services		
Burial Services	1,271,112	1,134,976
Call Centre	1,391,548	2,574,875
Catering Services	697,439	562,944
Clearing and Grass Cutting Services	5,460,600	4,368,146
Hygiene Services	1,233,900	1,347,319
Illegal Dumping	1,455,655	-
Litter Picking and Street Cleaning	-	518,700
Meter Management	1,015,810	1,075,778
Personnel and Labour	9,396,179	8,299,437
Refuse Removal	17,868,840	3,276,758
Removal of Structures and Illegal Signs	2,871,040	2,582,045
Traffic Fines Management	346,200	420,907
Transport Services	37,850	21,100
Total general services	**43,046,173**	**26,182,985**

Notes to the Annual Financial Statements

Figures in Rand		2024	2023

31. Contracted services (continued)

Trading services			
Connection/Dis-connection: Electricity		4,099,250	2,748,510
Connection/Dis-connection: Restricted water flow		1,497,825	998,535
Connection/Dis-connection: Water		7,816,839	7,383,071
Security Services		34,800,196	23,870,229
Total trading services		**48,214,110**	**35,000,345**
Total outsourced services		**92,119,295**	**61,845,527**

32. Depreciation and amortisation

Amortisation			
Intangible assets	9.1	3,408,716	11,525
Depreciation			
Property, plant and equipment		101,305,047	98,879,712
Total		**104,713,763**	**98,891,237**

33. Debt Impairment

Impairment provision		151,414,870	117,670,080

34. Operating expenses

Achievements and Awards		223,202	25,506
Advertising, Publicity and Marketing		7,354,317	6,247,303
Assets less than the Capitalisation Threshold		-	557
Bank Charges, Facility and Card Fees		682,405	1,137,018
Bargaining Council		4,032,688	3,701,229
Bursaries (Employees)		1,271,442	1,682,880
Cleaning Services		15,913	8,099
Commission		3,127,381	3,236,554
Communication		1,399,683	2,631,627
Courier and Delivery Services		362,720	325,604
Electricity Compliance Certificate		61,402	-
Entertainment		22,653	24,839
External Audit Fees		3,682,245	3,491,046
External Computer Service		27,703,615	15,232,228
Fines and Penalties		5,000,000	-
Hire Charges		20,164,373	12,882,087
Insurance Underwriting		8,314,658	6,993,010
Licences		1,255,099	1,142,958
Printing, Publications and Books		824,114	821,060
Professional Bodies, Membership and Subscription		380,812	142,879
Registration Fees		391,172	283,682
Remuneration to Ward Committees		779,500	841,000
Skills Development Fund Levy		3,173,794	2,983,228
Toll Gate Fees		(396)	15,361
Travel and Subsistence		1,241,307	582,369
Uniform and Protective Clothing		5,577,855	4,484,687
Vehicle Tracking		544,850	712,737
Workmen's Compensation Fund		1,784,503	1,582,733
Total		**99,371,307**	**71,212,281**

Notes to the Annual Financial Statements

Figures in Rand		2024	2023

35. Interest, dividends and rent on land

Interest	35.1	21,671,576	22,946,244

35.1 Interest cost

Financial liabilities	15.1		
• Annuity loans		12,541,703	13,619,349
Finance leases	15.2	2,082,849	2,151,666
Interest costs non-current provisions	17	7,047,024	7,175,229
Total		**21,671,576**	**22,946,244**

36. Inventory consumed

Consumables	19,993,941	20,757,523
Materials and supplies	8,360,132	7,723,247
Total	**28,354,073**	**28,480,770**

37. Remuneration of councillors

Executive Mayor	37.1	1,040,254	996,840
Chief whip	37.2	463,692	440,737
Speaker	37.3	842,114	803,361
Mayoral committee	37.4	4,753,656	4,501,513
Section 79 committee members	37.5	2,155,083	1,716,148
All other councillors	37.6	5,912,840	5,905,629
Total		**15,167,639**	**14,364,228**

37.1 Executive Mayor

Allowances and service related benefits		
Basic salary	990,646	952,440
Cell phone allowance	49,608	44,400
	1,040,254	**996,840**

37.2 Chief whip

Allowances and service related benefits		
Travelling allowance	103,521	99,014
Basic salary	310,563	297,323
Cell phone allowance	49,608	44,400
	463,692	**440,737**

37.3 Speaker

Allowances and service related benefits		
Basic salary	792,506	758,961
Cell phone allowance	49,608	44,400
	842,114	**803,361**

Figures in Rand		2024	2023

37. Remuneration of councillors (continued)

37.4 Mayoral committee

Allowances and service related benefits		
Basic salary	4,270,341	4,029,060
Cell phone allowance	297,648	291,545
Travelling allowance	185,667	180,908
	4,753,656	**4,501,513**

37.5 Section 79 committee members

Allowances and service related benefits		
Basic salary	1,616,400	1,250,221
Cell phone allowance	236,940	177,600
Travelling allowance	301,743	288,327
	2,155,083	**1,716,148**

37.6 All other councillors

Allowances and service related benefits		
Basic salary	4,093,894	4,114,056
Cell phone allowance	804,828	754,800
Travelling allowance	1,014,118	1,036,773
	5,912,840	**5,905,629**

	Amount outstanding for more than 90 days	
Name of the councillor which at any time during the relevant financial year was in arears for more than 90 days		
Councillor PM Lehloka	8,582	29,179
Councillor CM Mboweni	-	7,575
Councillor FW Peters	-	1,720
	8,582	**38,474**

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

Gains/(losses) on disposals	38.1	(2,332,928)	(4,903,834)

38.1 Gains/(losses) on disposals

Investment property	-	(47,000)
Property, plant and equipment	(2,332,928)	(4,856,834)
Total	**(2,332,928)**	**(4,903,834)**

Figures in Rand		2024	2023

39. Transfers and subsidies - Expenditure

Operational			
Monetary allocations	39.1	1,278,205	1,465,277

39.1 Monetary allocations: Operational

Mayoral donations	1,278,205	1,465,277

40. Net cash from/(used) operating activities

Surplus after capital transfers and contributions	33,479,255	158,736,321
Adjustments for:		
Depreciation and amortisation	104,713,763	98,891,237
Bad debts written off	86,001,470	50,570,124
(Gains) / Losses on disposal of assets	2,332,928	3,427,193
Inventory losses	4,204	(23,422)
Provision	12,047,023	(9,317,138)
Employee benefits	1,994,232	2,291,278
Movement in working capital		
(Increase) / Decrease in receivables from non-exchange transactions	(64,508,860)	(76,577,017)
(Increase) / Decrease in inventory	902,960	(9,409,849)
(Increase) / Decrease in receivables from exchange transactions	(54,265,776)	(30,457,918)
VAT receivable	(6,184,791)	(195,230)
Increase / (Decrease) in trade and other payables	36,758,552	602,838
Increase / (Decrease) in unspent conditional grants and receipts trade and other payable non-exchange transactions	(11,662,668)	8,504,235
Increase / (Decrease) in consumer deposits	1,282,956	1,221,604
Increase / (Decrease) in income in advance	1,703,581	1,076,044
Net cash flows from operating activities	**144,598,829**	**199,340,300**

41. Financial instruments

41.1 Fair value of financial instruments

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

41. Financial instruments (continued)

		2024		2023	
		Carrying amount	Amortised cost	Carrying amount	Amortised cost
Financial assets					
Amortised cost					
Trade and other receivables from exchange transactions	3	235,657,205	235,657,205	214,067,887	214,067,887
Cash and cash equivalents	2	484,529,708	484,529,708	495,402,407	495,402,407
		720,186,913	**720,186,913**	**709,470,294**	**709,470,294**
Financial liabilities					
Amortised cost					
Unsecured bank facilities:					
Borrowings	13	181,821,853	181,821,853	110,098,645	110,098,645
Lease liabilities	15	27,731,680	27,731,680	14,528,371	14,528,371
		209,553,533	**209,553,533**	**124,627,016**	**124,627,016**
Trade and other payables:					
Consumer deposits	12	23,657,733	23,657,733	22,374,777	22,374,777
Payables from exchange transactions	11	174,573,366	174,573,366	140,299,110	140,299,110
Current portion of borrowings	13	22,884,362	22,884,362	17,315,599	17,315,599
Current portion of lease liabilities	15	9,429,633	9,429,633	7,426,513	7,426,513
		230,545,094	**230,545,094**	**187,415,999**	**187,415,999**
Total financial liabilities		**440,098,627**	**440,098,627**	**377,010,193**	**377,010,193**
Total financial instruments		**280,088,286**	**280,088,286**	**336,465,960**	**336,465,960**

41.2 Liquidity risk

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

June 30, 2024

	Within 1 year	2 to 5 years	5 years +	Total
Maturity analysis				
Trade and other payables from exchange transactions	242,024,845	-	-	242,024,845
Borrowing	22,884,362	115,618,314	66,203,540	204,706,216
Consumer deposits	23,657,733	-	-	23,657,733
Finance lease obligation	9,429,633	27,731,680	-	37,161,313
	297,996,573	**143,349,994**	**66,203,540**	**507,550,107**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

41. Financial instruments (continued)

June 30, 2023

	Within 1 year	2 to 5 years	5 years +	Total
Maturity analysis				
Trade and other payables from exchange transactions	205,266,286	-	-	205,266,286
Borrowing	17,315,599	66,153,933	43,944,712	127,414,244
Consumer deposits	22,374,777	-	-	22,374,777
Finance lease obligations	7,426,513	14,528,370	-	17,859,555
	252,383,175	**80,682,303**	**43,944,712**	**372,914,862**

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

41.3 Credit risk management

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

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

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

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

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

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

Trade and other receivables from exchange transactions	3	235,657,205	214,067,887
Bank and cash balances	2	484,529,708	495,402,407
Maximum credit and interest risk exposure		**720,186,913**	**709,470,294**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

42. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Infrastructure	13,184,154	46,342,117
Total capital commitments		
Already contracted for but not provided for	13,184,154	46,342,117

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

Figures in Rand	2024	2023
43. Contingent liabilities		
PL Khadebe / Ncube Case # 29665/15	-	525,000
Applied for rescission of judgement regarding a transfer of property back into her name. The matter is currently dormant.		
Mr and Mrs Fereira Erf 702 Golf park Case # 158465 - 842641	9,250,917	9,250,917
Property damages by a broken sewer pipe. The matter is in active litigation.		
Outsurance / C Bosschieter Case # 857/2021	-	40,000
Car damaged as a result of a ditch / pothole. Plaintiff submitted incomplete discovery affidavit. The matter has been dormant for the past 2 years.		
Busisiwe Tsiki/Midvaal Case #573/2024	41,964	-
Claim for damage as a result of alleged pothole. Midvaal has filed Notice of intention to defend.		
Outsurance / L Bodemer Case # 168680 - 851884	247,647	247,647
Car damaged by ditch. Attorney requested contract documents for the construction of the road.		
King Price Insurance / Wynand Bezuidenhout Case # 711/2020	-	20,000
Claim for damage as a result of alleged pothole. Order rescinded and awaiting cost for the application. The matter has been dormant for the past 2 years.		
Nkewu Transport CC Case # 171601 - 854231	288,291	288,291
Vehicle damaged by potholes. Matter was set-down for condonation..		
King Price Insurance/ MA Makhananise Case #166791 - 850230	122,494	122,494
Vehicle damaged by potholes. Matter was set-down for condonation.		
Luigi Giacomozzi Case # 158465 - 842641	9,470,000	9,470,000
Property damaged as a result of leaking sewer pipes and sinkholes.		
Toptrack Thirty Five (Pty) Ltd Case # 158465 -842641	11,730,000	11,730,000
Property damages as a result of leaking sewer pipes / sinkholes.		
DV Brussouw and JMM Brussouw Case # 158465 -842641	2,000,000	2,000,000
Property damages as a result of leaking sewer pipe.		
C Khan Case # AON001-000055356	25,013	25,013
Vehicle damaged on gravel road. Awaiting feedback from third party.		
Alarn Concrete (Pty) Ltd Case # 144234 - 829808	-	165,851
Municipal vehicle collided with the third party vehicle. Case closed and settlement paid.		

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
43. Contingent liabilities (continued)		
IB Barber Case # 869499	-	139,336
Vehicle damaged by a pothole. Case closed and settlement paid.		
Wesizwe Risk Solutions (Pty) Ltd Case # AIP322075	119,308	119,308
Municipal vehicle collided with the third party's vehicle. Attorneys are processing the matter and will revert with third party's settlement once it has been finalized.		
Dimakatso Letanta	-	5,032
Grass-cutting tractor drove into the wall and damaged it. Case closed - matter became dormant.		
Raymond Symington	-	3,744
Vehicle damaged by potholes. Case closed - matter became dormant.		
GDARD	-	5,000,000
Fine issued for Walkerville Landfill site. Council resolved to pay the fine while still pursuing the matter legally.		
Irmarie Spamers Case #354/2024	47,448	-
Claim for damage as a result of alleged pothole. Midvaal has filed a Notice of intention to defend.		
Erane Viljoen/Midvaal Case #1345/2023	94,384	-
Claim for damage as a result of alleged pothole.		
BM Meyer Case #896434	21,992	-
Fell in a manhole and got injured.		
Discovery/ Ngoako Mohale Case #850272	211,837	-
Vehicle damaged by a pothole. Currently awaiting pre-trial notices.		
XRS 198 GP - M Khauoe Case #884378	99,850	-
Collided with third party vehicle.		
	-	-
	33,771,145	**39,152,633**

Figures in Rand	2024	2023

44. Related party disclosures

44.1 Nature of related party relationships

Related party	Nature of relationship
Accounting Officer	Refer to accounting officer's report note
Councillors	Refer to acconting officer's page for Councillor names The remuneration to Councillors have been included in note 37
Close family member of management	There were no transactions between close family members of management
Joint venture of key management	None
Associate of close family member of key management	None
Post employment benefit plan for employees of entity and/or other related parties	Refer to note 18
Members of management	No other payments were made outside the contractual employment payments from employment for remuneration refer to note 30

45. Deviations from SCM regulations - SCM Regulation 36

	2024	2023
Emergency	890,019	8,921,526
Sole providers / accredited agents	3,203,969	628,956
Impractical or impossible to follow process	25,382,392	420,178
Arts and historical objects	-	20,000
Total amount approved by the accounting officer and noted by council	**29,476,380**	**9,990,660**

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 audited annual financial statements.

The majority of items mentioned were due to circumstances where it was impractical or impossible to follow a competitive bidding process.

46. Prior year error and reclassification

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

Bulk purchases of 2023 was restated due to a credit of units purchased from Emfuleni Local Municipality which was identified in this financial year. Emfuleni Local Municipality has not refunded the amount and therefore a debtor has also been created.

Inventory surplus was restated from Exchange revenue to Non-exchange revenue.

Provincial and district receivables were reclassified from non-exchange to exchange transactions.

Depreciation incorrectly calculated on Work in Progress and reversed.

Notes to the Annual Financial Statements

46. Prior year error and reclassification (continued)

46.1 Adjustments of Statement of financial position items

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Assets					
Current assets					
Cash and cash equivalents	2	495,402,407	-	-	495,402,407
Receivables from exchange transactions	3	205,981,707	6,728,276	12,092,039	224,802,022
Receivables from non-exchange transactions	4	130,350,411	-	(12,092,039)	118,258,372
Inventories	5	23,766,432	-	-	23,766,432
Value-added-tax	6	17,885,407	-	-	17,885,407
		873,386,364	**6,728,276**	**-**	**880,114,640**
Non-current assets					
Investment property	8	49,234,032	-	-	49,234,032
Property, plant and equipment	7	2,143,372,545	214,123	-	2,143,586,668
Intangible assets	9	9,210,489	-	-	9,210,489
Heritage assets	10	18,701	-	-	18,701
		2,201,835,767	**214,123**	**-**	**2,202,049,890**
Total assets		**3,075,222,131**	**6,942,399**	**-**	**3,082,164,530**
Net assets and liabilities					
Current liabilities					
Lease liabilities	15	7,426,513	-	-	7,426,513
Consumer deposits	12	22,374,777	-	-	22,374,777
Payables from exchange transactions	11	205,266,287	-	-	205,266,287
Payables from non-exchange transactions	14	11,764,412	-	-	11,764,412
Borrowings	13	17,315,599	-	-	17,315,599
Income received in advance from developer contribution	16	6,371,653	-	-	6,371,653
		270,519,241	**-**	**-**	**270,519,241**
Non-current liabilities					
Financial liabilities	15	14,528,371	-	-	14,528,371
Borrowings	13	110,098,645	-	-	110,098,645
Employee benefits	18	19,317,785	-	-	19,317,785
Provisions	17	76,721,025	-	-	76,721,025
		220,665,826	**-**	**-**	**220,665,826**
Total net assets					
Accumulated surplus		2,584,037,064	6,942,400	-	2,590,979,464
Total net assets and liabilities		**3,075,222,131**	**6,942,400**	**-**	**3,082,164,531**

Notes to the Annual Financial Statements

46. Prior year error and reclassification (continued)

46.2 Adjustments of Statement of financial performance items

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue					
Non-exchange revenue					
Property Rates	25	296,169,086	-	-	296,169,086
Transfers and subsidies	26	281,356,538	-	-	281,356,538
Fines, penalties and forfeits	27	73,359,634	-	-	73,359,634
Interest on receivables	21	13,793,558	-	-	13,793,558
Inventory (surpus)	28	23,422	-	-	23,422
		664,702,238	**-**	**-**	**664,702,238**
Exchange revenue					
Services charges - Electricity	19	438,811,085	-	-	438,811,085
Services charges - Waste management	19	246,053,636	-	-	246,053,636
Services charges - Waste water management	19	61,722,624	-	-	61,722,624
Services charges - Water	19	57,489,732	-	-	57,489,732
Hire of facilities	24	1,092,755	-	-	1,092,755
Interest on investments	20	32,679,289	-	-	32,679,289
Interest on receivables	21	16,074,126	-	-	16,074,126
Operational revenue	23	3,877,636	-	-	3,877,636
Sales of goods and rendering of services	22	8,247,317	-	-	8,247,317
		866,048,200	**-**	**-**	**866,048,200**
Total revenue		**1,530,750,438**	**-**	**-**	**1,530,750,438**
Expenditure					
Employee related cost	30	(345,631,625)	-	-	(345,631,625)
Remuneration of councillors	37	(14,364,228)	-	-	(14,364,228)
Debt impairment	33	(117,670,080)	-	-	(117,670,080)
Depreciation and amortisation	32	(99,105,360)	214,123	-	(98,891,237)
Finance costs	35	(22,946,244)	-	-	(22,946,244)
Bulk purchases	29	(527,528,420)	6,728,276	-	(520,800,144)
Inventory consumed	36	(28,480,770)	-	-	(28,480,770)
Contracted services	31	(145,648,397)	-	-	(145,648,397)
Transfers and subsidies	39	(1,465,277)	-	-	(1,465,277)
Operating expenses	34	(71,212,281)	-	-	(71,212,281)
Losses	38	(4,903,834)	-	-	(4,903,834)
Total expenditure		**(1,378,956,516)**	**6,942,399**	**-**	**(1,372,014,117)**

47. Going concern

We draw attention to the fact that at June 30, 2024, the municipality had an accumulated surplus of R 2,624,458,720 and that the municipality's total assets exceed its liabilities by R 2,624,458,720.

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

Notes to the Annual Financial Statements

47. Going concern (continued)

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

48. Events after the reporting date

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

Midvaal Local Municipality, however, received a fine of R5,000,000 for non-compliance with the National Environmental Management Act (NEMA). At year-end 30 June 2024, this fine was disclosed as a contingent liability as the municipality was contesting the fine through the courts.

On 31 October 2024, Council decided to pay the fine in order to speed up possible issuing of licence for the Walkerville Landfill site whilst proceeding to contest the fine legally. This decision triggered an adjusting subsequent event, and the R5,000,000 fine was removed from contingent liability note 43. A provision was raised (note 17.1) and the operating expenses was increased (note 34).

As per Council resolution dated 31 October 2024, despite resolving to pay the fine, Council resolved to proceed to instruct its advocates to compel the Department of Environment to supply the full record of decision in terms of record 53 and request an urgent decision with regard to the issuing of the Walkerville Landfill licence.

Notes to the Annual Financial Statements

49. Unauthorised, irregular, fruitless and wasteful expenditure

49.1 Irregular expenditure

Opening balance as previously reported	3,098,167	513,521
Add: Irregular expenditure - current	560,723	-
Add: Irregular expenditure – prior period	380,614	2,584,646
Closing balance	**4,039,504**	**3,098,167**

Incident	Disciplinary steps/criminal proceedings		
Contract expired and services continued up until November and Section 36 Deviation was never authorized by then HOD and Municipal Manager		380,614	-
Department used a supplier on panel without sourcing request for quotations as per TORs of the tender thus giving instructions to do work to bidder whose tax matters are not in order.		234,727	-
Department used a supplier on panel without sourcing request for quotations as per TORs of the tender thus giving instructions to do work to bidder whose tax matters are not in order.		129,736	-
Rental of Bulldozer at Henley on Klip landfill site - reasons for deviation was not adequate - R505 137 to be recovered from the then Asst. Dir: Roads, Stormwater & Landfill who has resigned.		-	942,770
Supplier was appointed and the tendor was not evaluated according to the specifications.		-	1,641,876
Pricing schedule indicated a monthly rate, however invoices were paid on a weekly tariff structure.		196,260	-
Total		**941,337**	**2,584,646**

Notes to the Annual Financial Statements

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

49.2 Fruitless and wasteful expenditure

Opening balance as previously reported	1,315,873	1,315,873
Add: Fruitless and wasteful expenditure – current	30,450	-
Add: Fruitless and wasteful expenditure expenditure – prior period	62,349	723,262
Less: Amounts written-off – prior period	-	(723,262)
Closing balance	**1,408,672**	**1,315,873**

Incident	Disciplinary steps/criminal proceedings		
The amount was erroneously paid to a supplier. Some of the monies were recovered. Council resolved to write off the unrecoverable amount.		-	723,262
This amount was an overpayment of salary.		62,349	-
Non-attendence by MMC. Authorisation declined by the Executive Mayor as due procedures in terms of Council's policy were not followed.		10,231	-
Non-attendance by the MM due to illness (medical certificate submitted).		4,544	-
Late check in at accomodation.		2,556	-
Cancellation fee due to non-attendance of polygraph interview.		2,650	-
Penalty on late payment of vehicle licences		10,469	-
Total		**92,799**	**723,262**

There are investigations which are still pending finalisation as at the date of audit submission. These matters will be reported on as part of the submission of the next audit, pending the completion during that financial year.

50. In kind donations and assistance

2023/2024

None

2022/2023

None.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA

Current year subscription / fee	4,145,640	3,701,229
Amount paid - current year	(4,145,640)	(3,701,229)
	-	-

Audit fees

Current year subscription / fee	4,268,498	3,491,046
Amount paid - current year	(4,268,498)	(3,491,046)
	-	-

PAYE and UIF

Amount paid - current year	57,008,103	52,825,551

Pension and Medical Aid Deductions

Amount paid - current year - pension	58,361,325	55,105,749
Amount paid - current year - medical	34,155,462	31,286,061
	92,516,787	**86,391,810**

52. Budget information

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

Explanation of variances between approved and final budget amounts

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

Explanation of variances greater than 10% with a limited value of R1,000,000 : Final Budget and Actual Amounts.

53. Additional disclosure in terms of the Broad-Based Black Economic Empowerment Act

Information on compliance with the Broad-Based Black Economic Empowerment Act (B-BBEE) is included in the Annual Report under the section titled Employment Equity.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

54. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of four major functional areas: Community and public safety, Economic and environmental services, Trading services and Governance and administration.. The segments were organised around the type of service delivered and the target market.

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

Reportable segments are identified based on activities performed of the municipality that generates economic benefits or service potential including internal services that contribute to achieving the municipality's objectives without necessarily generating net cash inflows.

Segmental reporting was based and identified on the MFMA s71 monthly budget statements/reports that are reviewed by senior management and Council to make strategic decisions andin monitoring segment performance. The disclosure of information about segments in these reports are organised around the type of service delivered, in a standardised format namely the C2 schedule. This is considered appropriate for external reporting purposes to achieve the objectives of GRAP 18.

Separate financial and other relevant information on geographical areas in which the municipality operates is not available as the municipality only operates in the Gauteng Province, and within its demarcated boundaries.

Aggregated segments

Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

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

Reportable segment	**Goods and/or services**
Community and public safety	Primary services providing community safety, crime prevention and law enforcement
Economic and environmental services	Urban and development planning in accordance with the relevant laws and regulations. Environmental planning and protection for long term sustainability.
Trading services	Primary basic service provision including water, electricity, sanitation and refuse.
Governance and administration	Support services in relation to financial management and financial governance decision making.

2024

54. Segment information (continued)

	Community and public safety	Economic and environmental services	Trading services	Governance and administration	Total
Segment revenue					
External revenue from non-exchange transactions	92,944,069	19,181,694	143,717,192	406,601,044	662,443,999
External revenue from exchange transactions	3,973,745	4,111,947	887,222,625	2,836,733	898,145,050
Interests on investments	-	-	-	43,678,123	43,678,123
Interest earned from receivables	-	-	-	41,172,714	41,172,714
Total	**96,917,814**	**23,293,641**	**1,030,939,817**	**494,288,614**	**1,645,439,886**
Segment expenses					
Total segment expenses	174,097,288	85,651,415	949,299,379	274,190,078	1,483,238,160
Depreciation and amortisation	13,156,847	27,689,699	54,502,337	9,364,880	104,713,763
Loss on disposal of assets	1,041,918	99,028	1,054,652	141,534	2,337,132
Interest expense	649,840	1,784,099	19,086,109	151,528	21,671,576
Total	**188,945,893**	**115,224,241**	**1,023,942,477**	**283,848,020**	**1,611,960,631**
Surplus for the year	**(92,028,079)**	**(91,930,600)**	**6,997,340**	**210,440,594**	**33,479,255**
Other information					
Segment assets	166,324,382	533,354,418	1,509,096,823	1,033,186,923	3,241,962,546
Segment liabilities	-	(23,970,717)	(146,999,571)	(446,533,538)	(617,503,826)
Total capital expenditure	60,350,205	32,899,512	127,200,131	27,520,080	247,969,928

2023

	Community and public safety	Economic and environmental services	Trading services	Governance and administration	Total
Segment revenue					
External revenue from non-exchange transactions	104,213,779	4,355,027	162,143,340	380,173,112	650,885,258
External revenue from exchange transactions	2,804,047	3,809,716	804,148,263	6,532,759	817,294,785
Interests on investments	-	-	-	32,679,289	32,679,289
Interest earned from receivables	-	-	-	29,867,684	29,867,684
Total	**107,017,826**	**8,164,743**	**966,291,603**	**449,252,844**	**1,530,727,016**
Segment expenses					
Total segment expenses	189,044,108	80,407,389	726,260,553	212,806,270	1,208,518,320
Depreciation and amortisation	11,112,821	27,816,015	54,686,774	5,275,627	98,891,237
Loss on disposal of assets	969,809	644,560	39,735,036	285,489	41,634,894
Interest expense	547,159	2,241,688	18,241,462	1,915,935	22,946,244
Total	**201,673,897**	**111,109,652**	**838,923,825**	**220,283,321**	**1,371,990,695**
Surplus for the year	**(94,656,071)**	**(102,944,909)**	**127,367,778**	**228,969,523**	**158,736,321**
Other information					
Segment assets	115,724,615	536,883,424	1,418,077,747	1,011,478,744	3,082,164,530
Segment liabilities	(3,618,710)	(25,513,272)	(66,658,713)	(395,394,371)	(491,185,066)
Total capital expenditure	21,985,627	37,462,649	99,940,451	9,377,091	168,765,818