Mpofana Local Municipality
(Registration number KZ223)
Annual Financial Statements
for the year ended June 30, 2024

General Information

Nature of business and principal activities	Providing Municipal Services
Members of Council	
Mayor	Cllr TM Magubane
	Speaker - Cllr ZA Dladla
Councillors	Member of EXCO - Cllr Z Mchunu
	Member of EXCO - Cllr ES Buthelezi
	Cllr ME Majola (resigned on 17 April 2024)
	Cllr LW Wayne
	Cllr XB Zikhali
	Cllr PB Gunundu
	Cllr SM Mchunu
	Cllr JJ Dlomo
Grading of local authority	2
Chief Financial Officer (CFO)	Mr P Molefe (Resigned 12 July 2024)
	Mr SS Sithole (Acting CFO)
Accounting Officer	Dr EH Dladla
Registered office	10 Claughton Terrace
	Mooi River
	3300
Municipal Contact Details	033 263 1221/7700
Postal Address	P O Box 47
	Mooi River
	3300
Bankers	First National Bank (FNB)
Auditors	Auditor General South Africa (AGSA)

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Abbreviations used:

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
iGRAP	Interpretation of Generally Recognised Accounting Practice
VAT	Value Added Tax
PAYE	Pay As You Earn
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
LGSETA	Local Government Sector Education and Training Authority
INEP	Integrated National Electrification Programme

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

In December 2017, the municipality was placed under Administration, in terms of Section 139(1)(b) of the Constitution which requires the Provincial government to assume responsibility because the municipality could not fulfil an obligation. The following Administrators were appointed:
1. Mr M Sithole was appointed in January 2018 to March 2019;
2. Mr K Perumal was appointed in April 2019 to August 2019;
3. Mr ME Ngonyama was appointed in September 2020 to October 2021;
4. Ms N Khanyile was appointed in November 2021 to August 2024; and
5. Dr NJ Sibeko is the current Administrator.

a) Municipality has deficit of R77 509 685 and that the municipality total liabilities exceeded its assets by R295 924 152.
b) The liquidity ratio of the municipality is below 1 which means that the municipality is not able to pay its creditors as they fall due. The cash coverage ratio is less than 1 month.
c) The unspent conditional grant funding has for several years not been cash backed.

The above implies that the municipality is not in a position to meet its short term obligations if they fall due at a specific point in time.

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

The accounting officer certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officers Bearers Act and the Minister of Provincial and Local Governments's determination in accordance with this Act.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal auditors.

The annual financial statements set out on page 8, which have been prepared on the going concern basis, were approved by the accounting officer on August, 31 2024 and were signed on its behalf by:

Accounting Officer's Responsibilities and Approval

Accounting Officer
Dr EH Dladla

Audit Committee Report

We are pleased to present our report for the financial year ended June 30, 2024.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet four(4) times per annum as per its approved terms of reference. During the current year four (4) number of meetings were held.

Number of members	Number of meetings
Mr. Z. Zulu (Chairperson)	4
Miss S. Keshav	4
Prof. B. Stobie	4
Mr. A. Singh	4
Mr. S. Mabaso	4

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the accounting officer of the municipality during the year under review.

Evaluation of annual financial statements

The audit committee has:
- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the accounting officer; on the 27 August 2024
- reviewed the Auditor-General of South Africa's management report and management’s response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

These financial statements are prepared in accordance with the South African standards of Generally Recognised Accounting (GRAP)and in the manner required by the Municipal Finance Management Act and Division of Revenue.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Systems of Internal Control

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Audit Committee Report

Chairperson of the Audit Committee

Date: ______________________________

Statement of Financial Position as at June 30, 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	3	33 434 464	33 413 014
Other financial assets	4	1 680 253	4 023 811
Receivables from non-exchange transactions	5	12 345 018	13 632 851
VAT receivable	6	55 174 522	44 281 309
Receivables from exchange transactions	7	8 617 395	6 016 490
Loan receivables	8	399 638	399 638
Cash and cash equivalents	9	2 304 053	1 407 394
		113 955 343	**103 174 507**
Non-Current Assets			
Property, plant and equipment	10	217 620 582	213 411 779
Intangible assets	11	83 450	104 805
Heritage assets	12	204 000	192 000
		217 908 032	**213 708 584**
Total Assets		**331 863 375**	**316 883 091**
Liabilities			
Current Liabilities			
Operating lease liability	13	8 617	3 422
Payables from exchange transactions	14	563 502 868	482 663 406
Consumer deposits	15	368 552	369 759
Employee benefit obligation	16	1 140 018	1 120 603
Unspent conditional grants and receipts	17	26 600 510	17 867 457
Provisions	18	820 292	2 041 346
		592 440 857	**504 065 993**
Non-Current Liabilities			
Employee benefit obligation	16	17 686 378	16 361 486
Provisions	18	17 660 292	14 870 079
		35 346 670	**31 231 565**
Total Liabilities		**627 787 527**	**535 297 558**
Net Assets		**(295 924 152)**	**(218 414 467)**
Accumulated deficit		(295 924 152)	(218 414 467)
Total Net Assets		**(295 924 152)**	**(218 414 467)**

* See Note 40

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	47 513 722	54 338 772
Rental of facilities and equipment	20	249 884	218 516
Licences and permits	21	4 965 144	4 768 032
Construction contractor revenue (INEP)	51	27 196 661	10 701 500
Other income	22	6 521 073	7 272 254
Interest received	23	572 186	14 116 945
Gain on disposal of assets and liabilities		-	89 482
Actuarial gains		731 910	2 334 933
Total revenue from exchange transactions		**87 750 580**	**93 840 434**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	17 242 076	16 204 665
Transfer revenue			
Government grants & subsidies	25	76 803 737	63 842 394
Finance costs reversed	50	35 860 029	-
Fines, Penalties and Forfeits	26	7 191 953	7 278 947
Total revenue from non-exchange transactions		**137 097 795**	**87 326 006**
Total revenue		**224 848 375**	**181 166 440**
Expenditure			
Employee related costs	27	(62 296 963)	(58 757 252)
Remuneration of councillors	28	(3 094 715)	(3 158 783)
Construction contract expenditure (INEP)	52	(27 196 661)	(10 701 500)
Depreciation and amortisation	29	(14 814 212)	(18 104 162)
Finance costs	30	(33 548 952)	(35 854 766)
Debt Impairment	31	(14 558 711)	(48 252 246)
Bulk purchases	32	(72 721 413)	(73 717 692)
Contracted services	33	(5 799 456)	(7 037 865)
General Expenses	34	(68 338 977)	(68 270 036)
Total expenditure		**(302 370 060)**	**(323 854 302)**
Deficit for the year from continuing operations		**(77 521 685)**	**(142 687 862)**
Fair value adjustment	12	12 000	7 000
Deficit for the year		**(77 509 685)**	**(142 680 862)**

* See Note 40

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	(75 996 902)	(75 996 902)
Adjustments		
Correction of errors 40	263 297	263 297
Balance at July 1, 2022 as restated*	**(75 733 605)**	**(75 733 605)**
Changes in net assets		
Deficit for the year	(142 680 862)	(142 680 862)
Total changes	(142 680 862)	(142 680 862)
Opening balance as previously reported	(184 543 324)	(184 543 324)
Adjustments		
Correction of errors 40	(33 871 143)	(33 871 143)
Restated* Balance at July 1, 2023 as restated*	**(218 414 467)**	**(218 414 467)**
Changes in net assets		
Deficit for the year	(77 509 685)	(77 509 685)
Total changes	(77 509 685)	(77 509 685)
Balance at June 30, 2024	**(295 924 152)**	**(295 924 152)**

* See Note 40

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Taxation		25 721 862	27 803 882
Service charges		30 352 899	28 129 396
Grants and subsidies received		85 536 790	66 576 938
Interest income		572 186	14 116 945
Other receipts		28 039 549	9 992 286
		170 223 286	146 619 447
Payments			
Employee costs		(61 637 839)	(58 162 123)
Suppliers		(86 535 458)	(71 573 102)
Finance charges		(4 804 950)	(5 268 419)
		(152 978 247)	(135 003 644)
Net cash flows from operating activities	36	**17 245 039**	**11 615 803**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(18 677 388)	(13 650 338)
Proceeds from sale of property, plant and equipment	10	-	89 482
Purchase of other intangible assets	11	(14 550)	-
Proceeds from sale of financial assets		2 343 558	(166 333)
Net cash flows from investing activities		**(16 348 380)**	**(13 727 189)**
Net increase/(decrease) in cash and cash equivalents		**896 659**	**(2 111 386)**
Cash and cash equivalents at the beginning of the year		1 407 394	3 518 780
Cash and cash equivalents at the end of the year	9	**2 304 053**	**1 407 394**

* See Note 40

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	76 724 208	(8 721 066)	**68 003 142**	47 513 722	**(20 489 420)**	(a)
Rental of facilities and equipment	179 820	28 364	**208 184**	249 884	**41 700**	(b)
Licences and permits	4 794 660	325 621	**5 120 281**	4 965 144	**(155 137)**	
Construction contractor revenue (INEP)	-	-	**-**	27 196 661	**27 196 661**	(c)
Other income	13 648 980	(6 965 718)	**6 683 262**	6 521 073	**(162 189)**	
Interest received	27 240 360	7 317 319	**34 557 679**	572 186	**(33 985 493)**	(d)
Total revenue from exchange transactions	**122 588 028**	**(8 015 480)**	**114 572 548**	**87 018 670**	**(27 553 878)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	15 815 640	70 353	**15 885 993**	17 242 076	**1 356 083**	(e)
Transfer revenue						
Government grants & subsidies	74 597 004	(1 437 999)	**73 159 005**	76 803 737	**3 644 732**	(f)
Finance costs reversed	-	-	**-**	35 860 029	**35 860 029**	(g)
Fines, Penalties and Forfeits	8 044 212	(298 009)	**7 746 203**	7 191 953	**(554 250)**	
Total revenue from non-exchange transactions	**98 456 856**	**(1 665 655)**	**96 791 201**	**137 097 795**	**40 306 594**	
Total revenue	**221 044 884**	**(9 681 135)**	**211 363 749**	**224 116 465**	**12 752 716**	
Expenditure						
Employee related costs	(61 595 795)	3 099 884	**(58 495 911)**	(62 296 963)	**(3 801 052)**	(h)
Remuneration of councillors	(3 145 440)	8 947	**(3 136 493)**	(3 094 715)	**41 778**	
Construction contractor expenditure (INEP)	-	-	**-**	(27 196 661)	**(27 196 661)**	(i)
Depreciation and amortisation	(17 994 264)	(109 912)	**(18 104 176)**	(14 814 212)	**3 289 964**	(j)
Finance costs	-	(29 386 366)	**(29 386 366)**	(33 548 952)	**(4 162 586)**	(k)
Debt Impairment	(6 943 884)	(12 570 715)	**(19 514 599)**	(14 558 711)	**4 955 888**	(l)
Bulk purchases	(67 832 532)	5 701 533	**(62 130 999)**	(72 721 413)	**(10 590 414)**	(m)
Contracted Services	(15 297 936)	1 332 245	**(13 965 691)**	(5 799 456)	**8 166 235**	(n)
General Expenses	(17 618 088)	(22 195 475)	**(39 813 563)**	(68 338 977)	**(28 525 414)**	(o)
Total expenditure	**(190 427 939)**	**(54 119 859)**	**(244 547 798)**	**(302 370 060)**	**(57 822 262)**	
Operating deficit	**30 616 945**	**(63 800 994)**	**(33 184 049)**	**(78 253 595)**	**(45 069 546)**	
Actuarial gains/losses	-	-	**-**	731 910	**731 910**	(p)
Deficit	**30 616 945**	**(63 800 994)**	**(33 184 049)**	**(77 521 685)**	**(44 337 636)**	
Deficit for the year before fair value adjustments	**30 616 945**	**(63 800 994)**	**(33 184 049)**	**(77 521 685)**	**(44 337 636)**	
Fair value adjustments	-	-	**-**	12 000	**12 000**	(q)
Surplus/(Deficit) for the year	**30 616 945**	**(63 800 994)**	**(33 184 049)**	**(77 509 685)**	**(44 325 636)**	

The explainations has been provided below for all the variances that are above 10% and/or above R1,2 million.

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

a) **Service charges** - The industrial customer that was anticipated to resume the operation during the 2023/24 financial period had not started its operations. The industrial customer is the main customer for Mpofana electricity as it had previously consumed 60% of electricity supplies.

b) **Rental of facilities and equipment** - The new lease contract was entered into with lessee over the WozaWoza property at the monthly rental of R6 000 per month which was greater than the previous contract after there has been some space occupied by tghe municipality.

c) **Construction contract revenue** - The revenue from INEP had been incorrectly budgeted as part of grants and subsidies, while the disclosure for INEP revenue has been accounted for in accordance with GRAP 11, construction contracts.

d) **Interest received** - The amount of interest that has been budgeted had included the balance of interest on receivables that should have been charged in accordance with MFMA. However in July 2023, the Council had resolved to suspend the interest on accounts receivables.

e) **Property rates** - The property rates that were used in the budget did not include all the properties. During the current financial period there were properties that were not billed before that has been billed in the current and in the prior years.

f) **Government grants & subsidies** - The grants received has increased as result of provincial grants that has been received from provincial departments. The provincial grants includes Transport Grant and Municipali Disaster Grant.

g) **Finance costs reversed** - The balance was a reversal of interest from ESKOM that was never budgeted. The municipality has been discharged from paying for the interest that has been reversed on the invoice for month of April 2024.

h) **Employee related costs** - During the financial period most of the senior positions were filled by the municipality for most part of the year. There has been new positions that has been filled that were not budgeted such as Building Inspector and Librians Cyber and Weighbridge Controllers.

i) **Construction contract expenditure** - The expenditure from INEP had been incorrectly budgeted as part of general expenses, while the disclosure for INEP expenditure has been accounted for in accordance with GRAP 11, construction contracts.

j) **Depreciation and amortisation** - Due to revision of the remaining useful lives for some of the fixed assets that had a useful lives that are approaching zero and are still in use. Revised useful lives reduces the amount of depreciation and amortisation.

k) **Finance costs** - ESKOM had reversed the interest charged in the current and in the prior years. The reversal of interest was not budgeted as the statement was received after the adjustments budget.

l) **Debt impairment** - The budgeted debt impairment for the period has been budgeted below actual as there has been provisions raised in the prior period without any bad debt write-offs.

m) **Bulk purchases** - The municipality had planned to identify and disconnect all illegal connections as part of reducing the electricity losses.

n) **Contracted services** - The contracted services for administrative and support from Maxprof has been terminated and those services has been assumed by the internal capacity.

o) **General expenses** - The general expenses were under budgeted and the amount of expenditure has increased significantly due to aging electricity infrastructure that needs substantial amount of repairs and maintenance, road infrastructure maintenance.

p) **Actuarial gains/losses** - The actuarial gains for the period were not considered for budget as the number of employees had retired and there has been no replacement for the vacant positions.

q) **Fair value adjustments** - The fair value adjustment on mayoral chain was not budgeted as result of the slow down in the price of silver and gold during the financial period at the time of budgeting.

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	33 476 664	(63 650)	**33 413 014**	33 434 464	**21 450**	
Other financial assets	-	-	**-**	1 680 253	**1 680 253**	(a)
Receivables from non-exchange transactions	(5 228 741)	16 235 577	**11 006 836**	12 345 018	**1 338 182**	(b)
VAT receivable	16 403 376	43 685 053	**60 088 429**	55 174 522	**(4 913 907)**	(c)
Receivables from exchange transactions	41 751 359	26 287 352	**68 038 711**	8 617 395	**(59 421 316)**	(d)
Loan receivables	4 257 120	(3 857 482)	**399 638**	399 638	**-**	
Cash and cash equivalents	4 519 433	(436 084)	**4 083 349**	2 304 053	**(1 779 296)**	(e)
	95 179 211	**81 850 766**	**177 029 977**	**113 955 343**	**(63 074 634)**	
Non-Current Assets						
Investment property	2 200 000	(2 200 000)	**-**	-	**-**	
Property, plant and equipment	218 994 116	29 522 339	**248 516 455**	217 620 582	**(30 895 873)**	(f)
Intangible assets	209 600	(104 795)	**104 805**	83 450	**(21 355)**	(g)
Heritage assets	185 000	7 000	**192 000**	204 000	**12 000**	
Other receivable	-	4 023 811	**4 023 811**	-	**(4 023 811)**	(h)
	221 588 716	**31 248 355**	**252 837 071**	**217 908 032**	**(34 929 039)**	
Total Assets	**316 767 927**	**113 099 121**	**429 867 048**	**331 863 375**	**(98 003 673)**	
Liabilities						
Current Liabilities						
Finance lease obligation	38 707	714 761	**753 468**	-	**(753 468)**	(i)
Operating lease liability	-	-	**-**	8 617	**8 617**	(j)
Payables from exchange transactions	366 826 155	195 157 672	**561 983 827**	563 502 868	**1 519 041**	(k)
VAT payable	13 588 380	(2 354 191)	**11 234 189**	-	**(11 234 189)**	(c)
Consumer deposits	358 848	10 911	**369 759**	368 552	**(1 207)**	
Employee benefit obligation	-	-	**-**	1 140 018	**1 140 018**	(l)
Unspent conditional grants and receipts	15 132 912	33 991 593	**49 124 505**	26 600 510	**(22 523 995)**	(m)
Provisions	2 879 000	(2 584 599)	**294 401**	820 292	**525 891**	(n)
	398 824 002	**224 936 147**	**623 760 149**	**592 440 857**	**(31 319 292)**	
Non-Current Liabilities						
Finance lease obligation	3 150 000	(3 900 046)	**(750 046)**	-	**750 046**	(i)
Employee benefit obligation	16 715 407	(3 513 517)	**13 201 890**	17 686 378	**4 484 488**	(l)
Provisions	13 226 935	7 670 288	**20 897 223**	17 660 292	**(3 236 931)**	(n)
	33 092 342	**256 725**	**33 349 067**	**35 346 670**	**1 997 603**	
Total Liabilities	**431 916 344**	**225 192 872**	**657 109 216**	**627 787 527**	**(29 321 689)**	
Net Assets	**(115 148 417)**	**(112 093 751)**	**(227 242 168)**	**(295 924 152)**	**(68 681 984)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Reserves						
Accumulated deficit	(115 148 417)	(112 093 751)	**(227 242 168)**	(295 924 152)	**(68 681 984)**	

The explainations has been provided below for all the variances that are above 10% and/or above R1,2 million

a) **Other financial assets** - The receivables from non-exchange transactions has a number of customers that are not recoverable as the customers are struggling to settle the accounts. Hence the provision for doubtful debts has been increased that has resulted to amount budgeted more than actual receivables.

b) **Receivables from non-exchange transactions** - The receivables from non-exchange transactions has a number of customers that are not recoverable as the customers are struggling to settle the accounts. Hence the provision for doubtful debts has been increased plus some of the customer accounts has been written-off during the financail period.

c) **VAT receivable** - VAT receivables has been populated incorrectly on the mSCOA chart for MFMA returns for budget reporting tool. VAT has been split between the receivable and payable. However the variance would have still be material as result of budget has presumption that all suppliers are registered for VAT while most of municipal suppliers are not VAT vendors.

d) **Receivables from exchange transactions** - The number of customer has not been paying for their accounts as result of the bad economic climate locally and nationally. The number of industries has been struggling to stay on business and number of people has been layed -off resulting to non-payment of accounts. Hence increased balance of receivables budgeted.

e) **Cash and cash equivalents** - The low cash collections for the period was due to the fact that customers are not able to meet obligations as a result of bad economic climate. Hence the cash balances at year-end was less than budgeted.

f) **Property, plant and equipment** - The expenditure for construction contracts that relates to INEP was budgeted as part of property plant and equipment while the expenditure has been disclosed as part of operating expenditure in profit and loss.

g) **Intangible assets** - At the end of the financial period the intangible assets that are approaching zero carrying amount that are still in use were revised. The actual carrying amount that has been revised has resulted to balance be greater than budgeted.

h) **Other receivable** - The loan receivables from Msunduzi Municipality has been long-overdue as the term of the contract has lapsed. Msunduzi has only paid for the part of loan receivable and the balance is still receivable at year-end. The amount was incorrectly budgeted for as non-current asset instead of current assets as it has been already due.

i) **Finance lease obligation** - The municipality had planned to acquire some of the vehicles via finance lease, however due to financial constraints they resolved to enter into month to month operational lease for vehicles.

j) **Operating lease liability** - The contract for operating lease of photocopying machines has ended at the time of budgeting. Hence there was no budget for the operating lease accrual.

k) **Payables from exchange transactions** - The amount of payables that was budgeted has not taken into consideration the amount increase in the payables such as retentions and salary suspense accounts at the budget.

l) **Employee benefit obligation** - The budget for the current portion of employee benefits obligation was not reclassified to current liabilities at budgeting as all the employee benefits obligation were budgeted as non-current.

m) **Unspent conditional grants and receipts** - The budgeted amount of unspent grant has been increased at budget stage due to the slow spending of MIG and INEP at the adjustments budget.

n) **Provisions** - The budget for the current portion of provision for land-fill site restoration costs was not reclassified to current liabilities at budgeting. The only provision that has budgeted relates to provision for performance bonuses for S57 officials, which was also not probable that it would be payable due to the unfavourable financial position.

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation revenue	15 815 640	(2 313 017)	**13 502 623**	25 721 862	**12 219 239**	
Service charges	75 009 060	(8 805 692)	**66 203 368**	30 352 899	**(35 850 469)**	
Grants and subsidies received	117 289 012	(10 311 007)	**106 978 005**	85 536 790	**(21 441 215)**	
Interest income	341 256	215 347	**556 603**	572 186	**15 583**	
Other Revenue	21 438 960	(7 239 885)	**14 199 075**	28 039 549	**13 840 474**	
	229 893 928	**(28 454 254)**	**201 439 674**	**170 223 286**	**(31 216 388)**	
Payments						
Employee Costs	(64 741 235)	3 108 831	**(61 632 404)**	(61 637 839)	**(5 435)**	
Suppliers	(140 174 211)	30 642 651	**(109 531 560)**	(86 535 458)	**22 996 102**	
Finance charges	-	29 386 366	**29 386 366**	(4 804 950)	**(34 191 316)**	
	(204 915 446)	**63 137 848**	**(141 777 598)**	**(152 978 247)**	**(11 200 649)**	
Net cash flows from operating activities	**24 978 482**	**34 683 594**	**59 662 076**	**17 245 039**	**(42 417 037)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(20 827 848)	(35 289 479)	**(56 117 327)**	(18 677 388)	**37 439 939**	
Purchase of other intangible assets	-	-	**-**	(14 550)	**(14 550)**	
Proceeds from sale of loan receivable	-	-	**-**	2 343 558	**2 343 558**	
Net cash flows from investing activities	**(20 827 848)**	**(35 289 479)**	**(56 117 327)**	**(16 348 380)**	**39 768 947**	
Cash flows from financing activities						
Repayment of other financial liabilities	(3 150 000)	3 150 000	**-**	-	**-**	
Net increase/(decrease) in cash and cash equivalents	1 000 634	2 544 115	**3 544 749**	896 659	**(2 648 090)**	
Cash and cash equivalents at the beginning of the year	3 518 784	(2 111 390)	**1 407 394**	1 407 394	**-**	
Cash and cash equivalents at the end of the year	**4 519 418**	**432 725**	**4 952 143**	**2 304 053**	**(2 648 090)**	
Reconciliation						

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2024											
Financial Performance											
Property rates	15 815 640	70 353	15 885 993	-		15 885 993	17 242 076		1 356 083	109 %	109 %
Service charges	76 724 208	(8 721 066)	68 003 142	-		68 003 142	47 513 722		(20 489 420)	70 %	62 %
Investment revenue	27 240 360	7 317 319	34 557 679	-		34 557 679	572 186		(33 985 493)	2 %	2 %
Transfers recognised - operational	53 769 155	1	53 769 156	-		53 769 156	56 587 118		2 817 962	105 %	105 %
Other own revenue	26 667 672	(6 909 742)	19 757 930	-		19 757 930	46 868 625		27 110 695	237 %	176 %
Total revenue (excluding capital transfers and contributions)	**200 217 035**	**(8 243 135)**	**191 973 900**	**-**		**191 973 900**	**168 783 727**		**(23 190 173)**	**88 %**	**84 %**
Employee costs	(61 595 795)	3 099 884	(58 495 911)	-	-	(58 495 911)	(62 296 963)	-	(3 801 052)	106 %	101 %
Remuneration of councillors	(3 145 440)	8 947	(3 136 493)	-	-	(3 136 493)	(3 094 715)	-	41 778	99 %	98 %
Depreciation and asset impairment	(17 994 264)	(109 912)	(18 104 176)			(18 104 176)	(14 814 212)	-	3 289 964	82 %	82 %
Finance charges	-	(29 386 366)	(29 386 366)	-	-	(29 386 366)	(33 548 952)	-	(4 162 586)	114 %	DIV/0 %
Inventory consumed and bulk purchases	(67 832 532)	5 701 533	(62 130 999)	-	-	(62 130 999)	(72 721 413)	-	(10 590 414)	117 %	107 %
Other expenditure	(39 859 908)	(33 433 945)	(73 293 853)	-	-	(73 293 853)	(113 789 559)	-	(40 495 706)	155 %	285 %
Total expenditure	**(190 427 939)**	**(54 119 859)**	**(244 547 798)**	**-**	**-**	**(244 547 798)**	**(300 265 814)**	**-**	**(55 718 016)**	**123 %**	**158 %**
Surplus/(Deficit)	**9 789 096**	**(62 362 994)**	**(52 573 898)**	**-**		**(52 573 898)**	**(131 482 087)**		**(78 908 189)**	**250 %**	**(1 343)%**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	20 827 849	(1 438 000)	19 389 849	-		19 389 849	20 216 619		826 770	104 %	97 %
Finance costs reversed	-	-	-	-		-	35 860 029		35 860 029	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**30 616 945**	**(63 800 994)**	**(33 184 049)**	**-**		**(33 184 049)**	**(75 405 439)**		**(42 221 390)**	**227 %**	**(246)%**
Surplus/(Deficit) for the year	**30 616 945**	**(63 800 994)**	**(33 184 049)**	**-**		**(33 184 049)**	**(75 405 439)**		**(42 221 390)**	**227 %**	**(246)%**

Capital expenditure and funds sources

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Total capital expenditure	20 827 850	32 381 000	53 208 850	-		53 208 850	18 987 110		(34 221 740)	36 %	91 %
Sources of capital funds											
Transfers recognised - capital	20 827 850	32 381 000	53 208 850	-		53 208 850	18 987 110		(34 221 740)	36 %	91 %

Financial position

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Total current assets	95 179 211	81 850 766	177 029 977	-		177 029 977	113 955 343		(63 074 634)	64 %	120 %
Total non current assets	221 588 716	31 248 355	252 837 071	-		252 837 071	217 908 032		(34 929 039)	86 %	98 %
Total current liabilities	(398 824 002)	(224 936 147)	(623 760 149)	-		(623 760 149)	(590 336 614)		33 423 535	95 %	148 %
Total non current liabilities	(33 092 342)	(256 725)	(33 349 067)	-		(33 349 067)	(35 346 670)		(1 997 603)	106 %	107 %
Community wealth/Equity	(115 148 417)	(112 093 751)	(227 242 168)	-		(227 242 168)	(293 819 909)		(66 577 741)	129 %	255 %

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	24 978 482	34 683 594	59 662 076	-		59 662 076	17 245 039		(42 417 037)	29 %	69 %
Net cash from (used) investing	(20 827 848)	(35 289 479)	(56 117 327)	-		(56 117 327)	(16 348 380)		39 768 947	29 %	78 %
Net cash from (used) financing	(3 150 000)	3 150 000	-	-		-	-		-	DIV/0 %	- %
Net increase/(decrease) in cash and cash equivalents	**1 000 634**	**2 544 115**	**3 544 749**	**-**		**3 544 749**	**896 659**		**(2 648 090)**	**25 %**	**90 %**
Cash and cash equivalents at the beginning of the year	3 518 784	(2 111 390)	1 407 394	-		1 407 394	1 407 394		-	100 %	40 %
Cash and cash equivalents at year end	**4 519 418**	**432 725**	**4 952 143**	**-**		**4 952 143**	**2 304 053**		**2 648 090**	**47 %**	**51 %**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2023				
Financial Performance				
Property rates				16 204 665
Service charges				54 338 772
Investment revenue				14 116 945
Transfers recognised - operational				50 383 000
Other own revenue				32 670 664
Total revenue (excluding capital transfers and contributions)				**167 714 046**
Employee costs	3 878 989	-	3 878 989	(58 757 252)
Remuneration of councillors	9 351	-	9 351	(3 158 783)
Depreciation and asset impairment	109 912	-	109 912	(18 104 162)
Finance charges	18 226 646	-	18 226 646	(35 854 766)
Inventory consumed and bulk purchases	1 927 908	-	1 927 908	(73 717 692)
Constrction contracts expense	10 701 500	-	10 701 500	(10 701 500)
Other expenditure	41 184 258	-	41 184 258	(89 412 720)
Total expenditure	**76 038 564**	**-**	**76 038 564**	**(289 706 875)**
Surplus/(Deficit)				**(121 992 829)**
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)				13 459 394
Surplus (Deficit) after capital transfers and contributions				**(108 533 435)**
Surplus/(Deficit) for the year				**(108 533 435)**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Capital expenditure and funds sources				
Total capital expenditure				14 400 119
Sources of capital funds				
Transfers recognised - capital				14 296 318
Internally generated funds				103 801
Total sources of capital funds				**14 400 119**

Financial position

Total current assets	225 086 505	(17 187 037)	207 899 468	135 204 296		343 103 764	103 174 507		(239 929 257)	30 %	46 %
Total non current assets	137 617 470	84 686 026	222 303 496	213 708 584		436 012 080	213 708 584		(222 303 496)	49 %	155 %
Total current liabilities	(266 718 640)	(104 894 038)	(371 612 678)	(504 589 593)		(876 202 271)	(504 065 993)		372 136 278	58 %	189 %
Total non current liabilities	(11 294 921)	(21 020 421)	(32 315 342)	(31 231 565)		(63 546 907)	(31 231 565)		32 315 342	49 %	277 %
Community wealth/Equity	84 690 414	(58 415 470)	26 274 944	(186 908 278)		(160 633 334)	(218 414 467)		(57 781 133)	136 %	(258)%

Cash flows

Net cash from (used) operating	11 615 803
Net cash from (used) investing	(13 727 189)
Net increase/(decrease) in cash and cash equivalents	**(2 111 386)**
Cash and cash equivalents at the beginning of the year	3 518 780
Cash and cash equivalents at year end	**1 407 394**

The accounting policies on pages 22 to 59 and the notes on pages 60 to 102 form an integral part of the annual financial statements.

Significant Accounting Policies

Figures in Rand	Note(s)	2024	2023

1. Significant accounting polices

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

1.1 Basis of preparation

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

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Significant judgements and sources of estimation uncertainty

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

Trade receivables, loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and 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, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

1.4 Significant judgements and sources of estimation uncertainty (continued)

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 fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

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

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

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 electricty networks and road networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post-retirement benefits

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

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

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

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

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

Allowance for doubtful debts

On debtors 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 debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.5 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

Major spare parts and standby equipments which are expected to be used for more than one period are included in the property, plant and equipment, In addition spare parts and standby equipments which can only be used in connection with an item of property , plant and equipment 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.

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

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

Significant Accounting Policies

1.5 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Land	Not Applicable	Not Applicable
Buildings	Straight-line	5-25 years
Leased assets	Straight-line	3-5 years
Infrastructure	Straight-line	3-60 years
Other property, plant and equipment	Straight-line	3-10 years

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development in the notes to the financial statements (see note 10).

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item 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 for purposes other than to produce inventories during that period.

1.6 Site restoration and dismantling cost (continued)

If 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

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municiplity 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.

An intangible asset is recognised when:

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset;
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

When an intangible asset is acquired through a non exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.
An Intangible asset is regarded as having an indefinite useful life when based on all relevant factors there is no foreseeable limit to the amortisation method for intangible assets are viewed at each reporting date.
Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

1.7 Intangible assets (continued)

Internally generated goodwill is not recognised as an intangible asset.

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

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

Intangible assets are initially recognised at cost and are carried at cost less any accumulated amortisation and any impairments losses. An intangible asset is recognised when it is probable that the expected future economic benefit or service potential that attributable the asset to the municipality and cost can be measured reliable.

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 included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Heritage assets

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

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

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

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

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

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

Recognition

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

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost being the fair value on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition 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 include the necessary cost of dismantling and removing the asset and restoring the site on which it is located.

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

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

1.8 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets whose fair value can be measured reliably, is carried at a revalued amount being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset’s carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset’s carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

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

Transfers

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

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

Derecognition

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

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

1.9 Financial instruments

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

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

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

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

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

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

1.9 Financial instruments (continued)

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

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

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

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

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

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

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

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

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

1.9 Financial instruments (continued)

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

Classification

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

Class	Category
Cash and bank	Financial asset measured at fair value
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
VAT receivables	Financial asset measured at amortised cost
Bank investments	Financial asset measured at fair value
Loan receivables	Financial asset measured at amortised cost
Other financial asset	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent grants and subsidies	Financial liability measured at amortised cost
Provisions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

Financial assets measured at cost:

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

Derecognition

Financial assets

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

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the municipality adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the municipality obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the municipality recognise the new financial asset, financial liability or servicing liability at fair value.

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

1.9 Financial instruments (continued)

Financial liabilities

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

Presentation

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

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

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

1.10 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

1.10 Statutory receivables (continued)

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

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

Other charges

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

Impairment losses

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

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

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

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

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

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

Derecognition

The municipality derecognises a statutory receivable or a part thereof, when:
- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirely 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.

1.10 Statutory receivables (continued)

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.

1.11 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.

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.12 Inventories

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

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

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

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

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

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

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

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

1.12 Inventories (continued)

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.

When municipality hold inventories whose future economic benefits or service potential are not directly related to their ability to generate net cash inflows. These types of inventories may arise when an municipality has determined to distribute such inventories through a non-exchange transaction. In these cases, the future economic benefits or service potential of the inventory for financial reporting purposes is reflected by the amount the entity would need to pay to acquire the economic benefits or service potential if this was necessary to achieve the objectives of the municipality. Where the economic benefits or service potential cannot be acquired in the market, an estimate of replacement cost will need to be made.

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.

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

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

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

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

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

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

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

Useful life is either:

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

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

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 cash-generating unit as cash-generating. 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.

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

Value in use

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

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

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 restructurings 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.

1.13 Impairment of cash-generating assets (continued)

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 risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

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.

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

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

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

Significant 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.

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

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

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

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

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

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

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 municipality 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.

Redesignation

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

1.14 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

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

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. 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.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

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 a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

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

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

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.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, 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.

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

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

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.

Redesignation

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

Significant Accounting Policies

1.15 Employee benefits

Identification

Employee benefits

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

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

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

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

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

Classification of plans

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

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

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

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

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

State plans are plans established by legislation that operate as if they are multiemployer plans for all entities in economic categories laid down in legislation.

Net defined benefit liability (asset)

The net defined benefit liability (asset) is the deficit or surplus, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.

The deficit or surplus is: (a) the present value of the defined benefit obligation; less (b) the fair value of plan assets (if any); plus (c) any liability that may arise as a result of a minimum funding requirement.

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Plan assets comprise: (a) assets held by a long-term employee benefit fund; and (b) qualifying insurance policies.

Significant Accounting Policies

1.15 Employee benefits (continued)

Assets held by a long-term employee benefit fund are assets (other than nontransferable financial instruments issued by the reporting entity) that: (a) are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits; and (b) are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either: (i) the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or (ii) the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in GRAP 20) of the reporting entity, if the proceeds of the policy: (a) can be used only to pay or fund employee benefits under a defined benefit plan; and (b) are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either: (i) the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or (ii) the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Defined benefit cost

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

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

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

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

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

A settlement is a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions.

1.15 Employee benefits (continued)

Short-term employee benefits

Recognition and measurement

All short-term employee benefits

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

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

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

Short-term paid absences

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

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

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

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

Bonus, incentive and performance related payments

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

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

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

Post-employment benefits: Distinction between defined contribution plans and defined benefit plans

Post-employment benefits: Defined contribution plans

Recognition and measurement

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

(a) as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

(b) as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset. When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service, they are be discounted using the discount rate as specified.

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Recognition and measurement

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

Accounting for the constructive obligation

The municipality accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity’s informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits.

Statement of financial position

The municipality recognises the net defined benefit liability (asset) in the statement of financial position. When the entity has a surplus in a defined benefit plan, it measures the net defined benefit asset at the lower of:

(a) the surplus in the defined benefit plan; and

(b) the asset ceiling, determined using the discount rate specified. Any adjustments arising from the limit is recognised in surplus or deficit.

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

Actuarial valuation method

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

Attributing benefit to periods of service

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the entity attributes benefit to periods of service under the plan’s benefit formula. However, if an employee’s service in later years will lead to a materially higher level of benefit than in earlier years, the entity attributes benefit on a straight-line basis from:

(a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until

(b) the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

Actuarial assumptions: Mortality

The municipality determines its mortality assumptions by reference to its best estimate of the mortality of plan members both during and after employment.

Actuarial assumptions: Discount rate

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

1.15 Employee benefits (continued)

Actuarial assumptions: Salaries, benefits and medical costs

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

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

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

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

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

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

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

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

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

Past service cost and gains and losses on settlement

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

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

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

Past service cost

The municipality recognises past service cost as an expense at the earlier of the following dates:

(a) when the plan amendment or curtailment occurs; and

(b) when the municipality recognises related restructuring costs or termination benefits.

Gains and losses on settlement

The municipality recognises a gain or loss on the settlement of a defined benefit plan when the settlement occurs.

Presentation

Current/non-current distinction

The municipality offsets an asset relating to one plan against a liability relating to another plan when, and only when, the municipality:

(a) has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan; and

(b) intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Components of defined benefit cost

1.15 Employee benefits (continued)

The municipality recognises service cost, net interest on the net defined benefit liability (asset) and remeasurements in surplus or deficit.

Other long-term employee benefits

Recognition and measurement

For other long-term employee benefits, the entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

(a) service cost;

(b) net interest on the net defined benefit liability (asset); and

(c) remeasurements of the net defined benefit liability (asset).

Termination benefits

Recognition

The municipality recognises a liability and expense for termination benefits at the earlier of the following dates: (a) when the entity can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of GRAP 19 and involves the payment of termination benefits.

Measurement

The municipality measures termination benefits on initial recognition, and measures and recognise subsequent changes, in accordance with the nature of the employee benefit, provided that if the termination benefits are an enhancement to post-employment benefits, the entity applies the requirements for post-employment benefits. Otherwise:

(a) If the termination benefits are expected to be settled wholly before twelve months after the end of the reporting period in which the termination benefit is recognised, the municipality applies the requirements for short-term employee benefits.

(b) If the termination benefits are not expected to be settled wholly before twelve months after the end of the reporting period, the municipality applies the requirements for other long-term employee benefits.

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

1.16 Provisions and contingencies (continued)

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

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

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

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

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

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

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

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

1.16 Provisions and contingencies (continued)

- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.

If the related asset is measured using the revaluation model:

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

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

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

1.17 Long service awards

The municipality has the obligation to provide long service benefit to all its employees according the policy of the long service allowance scheme, which the municipality instituted and operates, an employee (who is in the current conditions of service), is entitle to cash allowance calculated in terms of rules of the scheme after 5 years of continued service and every 5 years subsequently.

The municipality liability is based on the actuarial valuations. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long term incentives are accounted for in surplus or deficit for the year.

1.18 Commitments

Items are classified as commitments when the 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.

These preconditions ensure that the information relating to commitments is relevant and capable of reliable measurement.

Significant Accounting Policies

1.18 Commitments (continued)

A municipality may enter on or before the reporting date for expenditure over subsequent accounting periods e.g a contract for construction of infrastructure assets ,the purchase of major items of plant and equipment or significant consultancy contracts.

In these events , a commitment exists at the reporting date as the municipality has contracted for expenditure but work has not commenced and no payments have been made.

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

1.19 Revenue from exchange transactions

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

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

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

Measurement

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

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

Significant Accounting Policies

1.19 Revenue from exchange transactions (continued)

Interest received

Revenue arising from the use by others of municipal assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.20 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

Significant Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

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

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy as well as the accounting policy on statutory receivables. The entity applies the accounting policy on statutory receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Transfers

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

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

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

Debt forgiveness and assumption of liabilities

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

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

Fines

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

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

1.21 Investment income

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

1.22 Borrowing costs

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

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

1.23 Accounting by principals and agents

Identification

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

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

Significant Accounting Policies

1.23 Accounting by principals and agents (continued)

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

Recognition

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

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

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

1.24 Comparative figures

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

1.25 Unauthorised expenditure

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

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

Significant Accounting Policies

1.26 Fruitless and/or wasteful expenditure

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

1.27 Irregular expenditure

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

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

1.28 Investments

When the carrying amount of an investment is greater than the estimated recoverable amount it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.29 Budget information

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

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

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

The approved budget covers the fiscal period from 23/07/01 to 24/06/30.

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.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

1.30 Related parties

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

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

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

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

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

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

1.30 Related parties (continued)

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

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

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

1.31 Events after reporting date

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

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

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

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

1.32 Prior period error accounting

Prior period errors are omission from and misstatements in the municipality financial statements for one or more prior periods arising from failure to use or misuse of available reliable information

Unless it is impracticable to determine the effects of the error the municipality corrects material prior period retrospectively by restating the comparative amounts for the prior period.

1.33 Loan receivable

Loan and receivables are non- derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loan and receivables are subsequently measured at amortized cost using the effective interest rate.

The effective interest method is a method of calculating the amortised cost of financial asset or financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or when appropriate, a shorter period to the net carrying amount of the financial asset and financial liability.

When calculating the effective interest rate the municipality estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. In those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments) the municipality uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Significant Accounting Policies

1.34 Materiality

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

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

The municipality does not retrospectively adjust the accounting of past items (or group of items) that were previously assessed as immaterial, unless an error occurred.

1.35 Tax

Value added tax

The municipality accounts for value added tax on the payment basis in accordance with Section 15(2) of the value-added tax act (Act No. 89 of 1991).

1.36 Construction contracts and receivables

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

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.37 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

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

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

1.38 Segment information

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

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

Measurement

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

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 107 Mergers	April 1, 2023	The impact of the is not material.
• GRAP 106 Transfer of Functions Between Entities Not Under Common Control	July 1, 2023	The impact of the is not material.
• GRAP 105 Transfer of Functions Between Entities Under Common Control	July 1, 2023	The impact of the is not material.
• iGRAP 21: The Effect of Past Decisions on Materiality	July 1, 2023	The impact of the is not material.
• GRAP 25 (as revised): Employee Benefits	July 1, 2023	The impact of the is not material.
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	July 1, 2023	The impact of the is not material.
• GRAP 2020: Improvements to the Standards of GRAP 2020	July 1, 2023	The impact of the is not material.
• Guideline: Guideline on Accounting for Landfill Sites	July 1, 2023	The impact of the is not material.
• GRAP 1 (amended): Presentation of Financial Statements (Materiality)	July 1, 2023	The impact of the is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 2023 Improvements to the Standards of GRAP 2023	No effective date	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	No effective date	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	No effective date	Unlikely there will be a material impact
• iGRAP 22 Foreign Currency Transactions and Advance Consideration	April 1, 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	April 1, 2025	Unlikely there will be a material impact

3. Inventories

Maintenance materials	69 464	48 014
RDP properties held for distribution	33 365 000	33 365 000
	33 434 464	**33 413 014**

RDP houses that are in the name of the municipality and were not officially transferred to beneficiaries that were identified during the 2022/23 and 2023/24 financial years respectively. These RDP housing stock are included in inventory as per GRAP 12.

None of the inventory items are pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

4. Other financial assets

At amortised cost		
Other Receivables	1 680 253	4 023 811

The Municipality entered into an agreement with Msunduzi Municipality to loan 13 motor vehicles. The vehicles were to be returned to Mpofana Local Municipality as at the end of March 2023, brand new of the same make and specifications. The amount of vehicles loaned to Msunduzi was determined by using the fair value of the brand new vehicles of the same make and specifications as at 30 June 2023. The future value of the vehicles loaned to Msunduzi was determined to be R 4,023,811 using the Vehicle Pricing Index of 6.1%.
The parties had further resolved to settle the arrangement in form of cash settlement. The municipality has since received the payment of R2 343 557.52 on 16 April 2024 and the balance is still receivable.

Current assets		
At amortised cost	1 680 253	4 023 811

5. Receivables from non-exchange transactions

Property rates	102 525 916	114 246 648
Traffic fines	78 366 296	72 057 324
Sundry debtors	352 841	352 841
Provision for bad debt - sundry debtors	(352 841)	(352 841)
Provision for bad debts - Rates	(100 002 029)	(111 620 633)
Provision for bad debts - Fines	(68 545 165)	(61 050 488)
	12 345 018	**13 632 851**

Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Property rates	2 523 887	2 626 015
Traffic fines	9 821 131	11 006 836
	12 345 018	**13 632 851**
Financial asset receivables included in receivables from non-exchange transactions above	**-**	**-**
Total receivables from non-exchange transactions	12 345 018	13 632 851

5. Receivables from non-exchange transactions (continued)

	2024	2023
Property rates		
Current (0 - 30 days)	1 685 274	1 432 330
31 - 60 days	1 177 853	1 884 260
61 - 90 days	1 103 294	959 292
91 - 120 days	1 059 568	977 442
121 - 150 days	1 070 466	1 762 817
> 150 days	96 429 461	107 230 506
	102 525 916	**114 246 647**

Transaction(s) arising from statute

Property rates levied in terms of the Local Government: Municipal Property Rates Act No. 06 of 2004 (MPRA) with effect from 01 July 2007.

Determination of transaction amount

The property rates are determined based on the market value of the property, and the tariff applicable as per catergory of property. The property market values are determined by indpendent valuers every five years.

	2024	2023
Traffic fines		
Fines issued	78 366 296	72 057 324

Transaction(s) arising from statute

Traffic fines are issued in terms of the Administrative Adjudication of Road Traffic Offences (AARTO Act) by way of notices to offenders which specify the value of the fine that must be paid.

Determination of transaction amount

Schedule 3 of the AARTO Regulations 2008 for charge codes and descriptions, penalties and their discounts, and demerit points.

Summary of debtors by customer classification

	2024	2023
Households		
Current (0 - 30 days)	413 598	358 709
31 - 60 days	255 171	765 925
61 - 90 days	244 756	231 315
91 - 120 days	231 460	244 153
121 - 150 days	247 056	741 824
> 150 days	47 894 021	57 248 809
	49 286 062	59 590 735
Less: Allowance for impairment	(48 348 843)	(59 072 688)
	937 219	**518 047**

	2024	2023
Industrial/commercial		
Current (0 - 30 days)	951 348	717 506
31 - 60 days	661 863	696 649
61 - 90 days	617 760	486 182
91 - 120 days	590 083	489 138
121 - 150 days	568 496	620 786
> 150 days	26 314 021	27 486 369
	29 703 571	30 496 630
Less: Allowance for impairment	(28 743 330)	(29 706 930)
	960 241	**789 700**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

5. Receivables from non-exchange transactions (continued)

National and provincial government		
Current (0 - 30 days)	13 716	15 500
31 - 60 days	4 972	66 405
61 - 90 days	5 626	5 664
91 - 120 days	4 410	6 048
121 - 150 days	20 869	65 678
> 150 days	4 952 326	6 063 045
	5 001 919	6 222 340
Less: Allowance for impairment	(4 889 177)	(6 198 929)
	112 742	**23 411**

Other		
Current (0 - 30 days)	306 613	340 615
31 - 60 days	255 847	355 282
61 - 90 days	235 152	236 132
91 - 120 days	233 615	238 103
121 - 150 days	234 045	334 529
> 150 days	17 269 093	16 432 283
	18 534 365	17 936 944
Less: Allowance for impairment	(18 020 679)	(16 642 087)
	513 686	**1 294 857**

Included in Other is Agriculture, Public Services Purpose, Public Benefit Organisation, Vacant Land, Public Service Infrastructure, Place of Worship, Protected Area and Multiple Use Purpose properties.

Total		
Current (0 - 30 days)	1 685 274	1 432 330
31 - 60 days	1 177 853	1 884 260
61 - 90 days	1 103 294	959 292
91 - 120 days	1 059 568	977 442
121 - 150 days	1 070 466	1 762 817
> 150 days	96 429 461	107 230 506
	102 525 916	114 246 647
Less: Allowance for impairment	(100 002 029)	(111 620 634)
	2 523 887	**2 626 013**

Less: Allowance for impairment		
Current (0 - 30 days)	(1 071 682)	(763 038)
31 - 60 days	(989 309)	(1 425 573)
61 - 90 days	(973 655)	(659 644)
91 - 120 days	(976 324)	(772 862)
121 - 150 days	(1 006 320)	(1 590 055)
> 150 days	(94 984 739)	(106 409 462)
	(100 002 029)	**(111 620 634)**

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

An assessment whether there is objective evidence that the receivable is impaired is performed at an individual account level as well as at the group level.

Figures in Rand	2024	2023

5. Receivables from non-exchange transactions (continued)

Assessment at an individual account level

- Any of the following events is considered to provide objective evidence that a receivable account could be impaired at an individual account level:
1. Account balance outstanding for 90+ days
2. Collection rate (collection rate above 95%, no impairment is provided for)

Assessment at an group level (collection assessment)

- Assessment group level is determined with reference to the average collection rate.
1. If the average collection rate 95% and above, no impairment is provided for.
2. If the average rate is below 95%, impairment is provided for.

Discount rate applied to the estimated future cash flows

The effective interest rate would not need to be determined where short term receivables with no stated interest rate (which is usually measured at the original invoice amount)

Therefore the discount rate used by the municipality as determined in the government gazette which is 11.75%.

The discount rate is divided by 365 in order to get daily rate.

Statutory receivables past due but not impaired

Statutory receivables which are less than 3 months past due are not considered to be impaired. At June 30, 2024, 86 859 (2023: 1 387 967) were past due but not impaired.

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

1 month past due	995 049	515 095
2 months past due	-	39 098
3 months past due	-	833 773

Reconciliation of provision for impairment of property rates

Opening balance	(111 620 634)	(93 815 478)
Provision for impairment	(3 795 750)	(17 805 156)
Amounts written off as uncollectible	15 414 355	-
	(100 002 029)	**(111 620 634)**

Reconciliation of provision for impairment of fines and sundry debtors

Opening balance	(61 403 329)	(58 391 712)
Provision for impairment	(7 494 677)	(3 011 617)
	(68 898 006)	**(61 403 329)**

6. VAT receivable

VAT	55 174 522	44 281 309

Vat is recognised/ (accounted for) on payment basis. Once payment is received from customers/receivables, VAT is paid over to SARS.

These amounts are receivable by the municipality as a result of transaction attracting value added tax (VAT) as legislated under the Value Added Tax Act 89 of 1991 from the South African Revenue Services. VAT is deemed as Statutory Receivables.

No impairments against the VAT receivables.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

7. Receivables from exchange transactions

Gross balances		
Electricity	9 672 780	7 237 731
Refuse	69 414 588	67 233 077
Sundry receivables	1 358 647	1 263 017
Housing rental	222 916	130 498
Other	57 485	110 180
	80 726 416	**75 974 503**
Less: Allowance for impairment		
Electricity	(4 315 221)	(3 397 327)
Refuse	(67 641 050)	(66 480 685)
Housing rental	(152 750)	(80 001)
	(72 109 021)	**(69 958 013)**
Net balance		
Electricity	5 357 559	3 840 404
Refuse	1 773 538	752 392
Sundry receivables	1 358 647	1 263 017
Housing rental	70 166	50 497
Other	57 485	110 180
	8 617 395	**6 016 490**
Electricity		
Current (0 -30 days)	4 929 044	1 862 029
31 - 60 days	1 349 966	443 683
61 - 90 days	683 382	1 169 653
91 - 120 days	445 114	238 804
121 - 150 days	290 257	470 775
> 150 days	1 975 017	3 052 787
	9 672 780	**7 237 731**
Refuse		
Current (0 -30 days)	960 520	1 300 286
31 - 60 days	496 394	1 204 000
61 - 90 days	472 220	446 939
91 - 120 days	457 626	438 786
121 - 150 days	430 799	1 087 613
> 150 days	66 597 030	62 755 454
	69 414 589	**67 233 078**
Sundry receivables		
Current (0 -30 days)	1 358 647	1 263 017

Sundry receivables balance is made up of receivables from other staekeholders. This includes N3TC, SANRAL, Conlog and Licenses and Permints receivables (Agency Fees from KZN Department of Transport).

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

7. Receivables from exchange transactions (continued)

Housing rental		
Current (0 -30 days)	78 732	14 120
31 - 60 days	5 047	9 598
61 - 90 days	4 232	8 011
91 - 120 days	4 232	8 011
121 - 150 days	4 232	11 378
> 150days	126 441	79 381
	222 916	**130 499**

Other		
Current (0 -30 days)	25 995	1 656
31 - 60 days	794	1 559
61 - 90 days	794	755
91 - 120 days	794	755
121 - 150 days	794	755
> 150 days	28 314	104 701
	57 485	**110 181**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

7. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

Households		
Current (0 -30 days)	1 104 008	1 337 492
31 - 60 days	510 106	1 199 098
61 - 90 days	471 072	432 310
91 - 120 days	452 856	428 606
121 - 150 days	414 427	1 049 762
> 150 days	64 262 876	60 549 963
	67 215 345	64 997 231
Less: Allowance for impairment	(65 300 289)	(64 193 217)
	1 915 056	**804 014**

Industrial/ commercial		
Current (0 -30 days)	4 360 578	2 527 388
31 - 60 days	1 125 341	279 339
61 - 90 days	650 362	1 050 233
91 - 120 days	416 116	226 345
121 - 150 days	272 880	458 644
> 150 days	2 835 427	3 714 729
	9 660 704	8 256 678
Less: Allowance for impairment	(4 867 207)	(3 765 499)
	4 793 497	**4 491 179**

National and provincial government		
Current (0 -30 days)	504 383	575 270
31 - 60 days	216 633	179 443
61 - 90 days	39 073	142 699
91 - 120 days	38 673	31 290
121 - 365 days	38 655	61 957
> 365 days	1 623 534	1 665 663
	2 460 951	2 656 322
Less: Allowance for impairment	(1 934 087)	(1 954 620)
	526 864	**701 702**

Other		
Current (0 -30 days)	25 321	957
31 - 60 days	121	960
61 - 90 days	121	115
91 - 120 days	121	115
121 - 150 days	121	158
> 150 days	4 964	61 967
	30 769	64 272
Less: Allowance for impairment	(7 439)	(44 677)
	23 330	**19 595**

Included in Other is Agriculture, Public Service Purpose, Public Benefit Organisation, Vacant Land, Public Service Infrastructure, Place of Worship, Protected Area and Multiple Use Purpose customers.

Total		
Current (0 -30 days)	5 994 290	4 441 108
31 - 60 days	1 852 201	1 658 840
61 - 90 days	1 160 628	1 625 358
91 - 120 days	907 767	686 355

Figures in Rand	2024	2023
7. Receivables from exchange transactions (continued)		
121 - 150 days	726 083	1 570 521
> 150 days	68 726 800	65 992 321
	79 367 769	75 974 503
Less: Allowance for impairment	(72 109 022)	(69 958 014)
	7 258 747	**6 016 489**

Less: Allowance for impairment		
Current (0 -30 days)	(1 526 354)	(1 002 457)
31 - 60 days	(843 327)	(1 200 448)
61 - 90 days	(702 356)	(473 986)
91 - 120 days	(856 622)	(464 669)
121 - 150 days	(695 120)	(1 473 038)
> 150 days	(67 485 243)	(65 343 418)
	(72 109 022)	**(69 958 016)**

Total debtor past due but not impaired		
Current (0 -30 days)	727 885	376 796
31 - 60 days	-	28 601
61 - 90 days	-	338 202
91 - 120 days	-	10 393
121 - 150 days	-	4 288
> 150 days	-	257 028
	727 885	**1 015 308**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(69 958 014)	(43 516 187)
Contributions to allowance	(3 959 743)	(26 441 827)
Debt impairment written off against allowance	1 808 735	-
	(72 109 022)	**(69 958 014)**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

7. Receivables from exchange transactions (continued)

Statutory receivables general information

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

An assessment whether there is objective evidence that the receivable is impaired is performed at an individual account level as well as at the group level.

Assessment at an individual account level

- Any of the following events is considered to provide objective evidence that a receivable account could be impaired at an individual account level:
1. Account balance outstanding for 90+ days
2. Collection rate (collection rate above 95%, no impairment is provided for.

Assessment at an group level (collection assessment)

- Assessment group level is determined with reference to the average collection rate.
1. If the average collection rate 95% and above, no impairment is provided for.
2. If the average rate is below 95%, impairment is provided for.

Discount rate applied to the estimated future cash flows

The effective interest rate would not need to be determined where short term receivables with no stated interest rate (which is usually measured at the original invoice amount)

Therefore the discount rate used by the municipality as determined in the government gazette which is 11.75%.

The discount rate is divided by 365 in order to get daily rate.

8. Loan receivable

uMgungundlovu District Municipality	399 638	399 638

This loan pertains to uMgungundlovu District Municipality that owes Mpofana Local Municipality for the DBSA Loan that Mpofana Local Municipality paid for water and sanitation works in prior years. The water function was subsequently transferred to uMgungundlovu District Municipality thus Mpofana Local Municipality needed to be reimbursed from uMgungundlovu District Municipality with regards to the loan repayments. The loan is interest free and not secured by any liabilities.

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash in transit (Fedility)	56 490	-
Bank balances	2 247 563	1 407 394
	2 304 053	**1 407 394**

The municipality has contracted Fedility to collect cash from municipal facilities to be deposited at the bank. The balance of R56 490 was collected before the year-end, and deposits has been made to the bank subsequently.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

9. Cash and cash equivalents (continued)

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:

Credit rating		
BB-	2 247 563	1 407 394

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2024	June 30, 2023	June 30, 2022
First National Bank- Current Account 53050399907	1 404 759	564 496	2 503 912	1 461 249	564 496	2 503 912
First National Bank- Current Account 62101108034	6 093	59 508	126 753	6 093	59 508	126 753
First National Bank - Call Account 62134172890	7 134	4 859	2 482	7 134	4 859	2 482
First National Bank - Call Account 62172493935	9 030	3 853	39 001	9 030	3 853	39 001
First National Bank - Call Account 62173946040	773 387	702 312	667 456	773 387	702 312	667 456
First National Bank- Call Account 62187203957	12 813	2 223	21 597	12 813	2 223	21 597
First National Bank - Call Account 62237621760	6 542	2 324	30 924	6 542	2 324	30 924
First National Bank - Call Account 62854534990	2 422	8 789	5 042	2 422	8 789	5 042
First National Bank - Call Account 62854535790	8 109	7 718	55 977	8 109	7 718	55 977
First National Bank - Call Account 62854536607	154	20 304	5 042	154	20 304	5 042
First National Bank - Call Account 62854537449	3 698	3 758	32 821	3 698	3 758	32 821
First National Bank - Call Account 62854538786	4 966	18 732	18 086	4 966	18 732	18 086
First National Bank - Call Account 62920117969	8 456	8 917	9 687	8 456	8 917	9 687
Total	**2 247 563**	**1 407 793**	**3 518 780**	**2 304 053**	**1 407 793**	**3 518 780**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	21 512 716	(110 000)	21 402 716	21 512 716	(110 000)	21 402 716
Buildings	59 269 084	(17 708 005)	41 561 079	59 269 084	(15 230 147)	44 038 937
Infrastructure	270 380 513	(145 182 104)	125 198 409	266 296 819	(135 441 139)	130 855 680
Other property, plant and equipment	17 710 513	(14 512 445)	3 198 068	17 216 523	(13 412 921)	3 803 602
Work in progress	23 339 601	-	23 339 601	8 696 667	-	8 696 667
Leased assets	23 551 510	(22 029 325)	1 522 185	23 551 510	(21 268 233)	2 283 277
Landfill site	13 594 292	(12 195 768)	1 398 524	13 827 800	(11 496 900)	2 330 900
Total	**429 358 229**	**(211 737 647)**	**217 620 582**	**410 371 119**	**(196 959 340)**	**213 411 779**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Transfers received	Transfers	Depreciation	Total
Land	21 402 716	-	-	-	-	21 402 716
Buildings	44 038 937	-	-	-	(2 477 858)	41 561 079
Infrastructure	130 855 680	-	4 083 694	-	(9 740 965)	125 198 409
Other property, plant and equipment	3 803 602	493 990	-	-	(1 099 524)	3 198 068
Work in progress	8 696 667	18 726 628	-	(4 083 694)	-	23 339 601
Leased assets	2 283 277	-	-	-	(761 092)	1 522 185
Landfill site	2 330 900	(233 508)	-	-	(698 868)	1 398 524
	213 411 779	**18 987 110**	**4 083 694**	**(4 083 694)**	**(14 778 307)**	**217 620 582**

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Transfers received	Transfers	Other changes, movements	Depreciation	Total
Land	20 452 716	-	950 000	-	-	-	21 402 716
Buildings	44 423 400	850 000	1 250 000	-	-	(2 484 463)	44 038 937
Infrastructure	118 240 212	-	22 358 639	-	-	(9 743 171)	130 855 680
Other property, plant and equipment	4 122 979	1 535 141	-	-	-	(1 854 518)	3 803 602
Capital Work in Progress	19 144 129	11 911 177	-	(22 358 639)	-	-	8 696 667
Leased assets	3 982 257	-	-	-	-	(1 698 980)	2 283 277
Landfill site	4 445 325	-	-	-	103 801	(2 218 226)	2 330 900
	214 811 018	**14 296 318**	**24 558 639**	**(22 358 639)**	**103 801**	**(17 999 358)**	**213 411 779**

For detailed analysis and segmental analysis of the property, plant and equipment please refer to Appendix B & C.

No property, plant and equipment has been pledged as collateral of liabilities of the municipality.

The useful lives of the assets that were approaching the end of its useful lives were assessed as at 30 June 2024. The impact of reassessment of the useful lives in the current period and subsequently.

10. Property, plant and equipment (continued)

	Current Year	2-5 Years
Property, plant and equipment carrying amount	3 608 482	(7 216 965)
Depreciation	(3 608 482)	7 216 965
	-	-

Assets subject to finance lease (Net carrying amount)

Lease of motor vehicles	1 522 185	2 283 277

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	5 533 431	3 163 236	8 696 667
Additions/capital expenditure	13 725 107	5 001 521	18 726 628
Transferred to completed items	(4 083 694)	-	(4 083 694)
	15 174 844	**8 164 757**	**23 339 601**

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	19 144 128	-	19 144 128
Additions/capital expenditure	8 747 941	3 163 236	11 911 177
Transferred to completed items	(22 358 638)	-	(22 358 638)
	5 533 431	**3 163 236**	**8 696 667**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

General expenses	23 123 139	17 833 438

10. Property, plant and equipment (continued)

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

11. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 286 808	(1 203 358)	83 450	1 272 258	(1 167 453)	104 805

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software, other	104 805	14 550	(35 905)	83 450

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	209 609	(104 804)	104 805

For detailed analysis and segmental analysis of intangible assets please refer to Appendix B & C.

No intangible asset has been pledged as collateral of liabilities of the municipality

The useful lives of the intangible assets that were approaching the end of its useful lives were assessed as at 30 June 2024. The impact of reassessment of the useful lives in the current period and subsequently.

	Current Year	**2 - 5 Years**
Intangible assets - carrying amount	69 869	(139 739)
Amortisation	(69 869)	139 739
	-	-

12. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral Chain	204 000	-	204 000	192 000	-	192 000

Reconciliation of heritage assets 2024

	Opening balance	Revaluation increase/(decrease)	Total
Mayoral Chain	192 000	12 000	204 000

Reconciliation of heritage assets 2023

12. Heritage assets (continued)

	Opening balance	Revaluation increase/(decrease)	Total
Mayoral Chain	185 000	7 000	192 000

The Mayoral chain has been revalued as at 30 June 2024 by Afrokwazi. The effective date of the revaluation was 08 July 2024.

The nature of material and the respective weight was utilised to determine the fair value based on the prevailing market prices of silver as at 30 June 2024. The Fair value as at 30 June 2024 was R204 000 (2023: R192 000).

For detailed analysis and segmental analysis of the heritage assets please refer to Appendix B & C.

13. Operating lease liability

	2024	2023
Current liabilities	(8 617)	(3 422)

Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13.

Figures in Rand	2024	2023

13. Operating lease liability (continued)

Operating lease accrual		
Opening balance	(3 422)	(38 707)
Operating lease expenses recorded	172 924	565 706
Operating lease payments from smoothing	(178 118)	(530 421)
	(8 616)	**(3 422)**

Leasing arrangements

The Municipality as Lessee

Operating leases relate to property, plant and equipment with lease terms not longer than 5 year with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the Municipality exercises its option to renew.

The Municipality does not have an option to purchase the leased asset at the expiry of the lease period.

Amounts payable under operating lease

At the reporting date the Municipality had outstanding commitments under non-cancellable operating leases for property, plant and equipment, which fall due as follow:

Within one year	461 235	50 218
In the second to third years, inclusive	796 589	-
	1 257 824	**50 218**

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments

The Municipality has operating lease agreements for the following classes of assets which are only significant collectively:

- Office equipment

The following restrictions have been imposed on the Municipality in terms of the lease agreements on office equipment:

(i) The equipment shall remain the property of the lessor;

(ii) The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment.

(iii) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement; and

(iv)The Municipality is obliged to enter into a maintenance agreement with the lessor for the equipment rented.

14. Payables from exchange transactions

Trade payables	541 222 598	462 261 629
Retentions	6 266 479	4 068 129
Accrued leave pay	4 993 308	4 526 239
Debtors received in advance	3 516 874	5 694 967
Unallocated receipts	1 324 667	1 438 454
Salary Suspense	4 971 087	3 550 126
13th Cheque accrual	1 207 855	1 123 862
	563 502 868	**482 663 406**

Eskom debt relief

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

14. Payables from exchange transactions (continued)

The municipality has applied for ESKOM debt relief on the 31 October 2023 for the principal amount and for the interest charged up to the 31 March 2023. The application was made to National Treasury in accordance with the provisions of Municipal Debt Relief MFMA Circular No. 124.

The debt write-off will be implemented over a three-year period (i.e 01 April 2023 - 31 March 2026) but only after a consecutive period of 12 months meeting the qualifying conditions.

Provided the municipality meets the set conditions the following balance would be written-off :

	Current	2024/25	2025/26	2026/27	Total
Principal amount	-	130 591 385	130 591 385	130 591 385	391 774 155

15. Consumer deposits

	2024	2023
Electricity	363 319	363 319
Other	5 233	6 440
	368 552	**369 759**

16. Employee benefit obligations

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

	2024	2023
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(14 376 208)	(13 201 890)
Present value of the defined benefit obligation-partly or wholly funded	(4 450 188)	(4 280 199)
	(18 826 396)	**(17 482 089)**
Non-current liabilities	(17 686 378)	(16 361 486)
Current liabilities	(1 140 018)	(1 120 603)
	(18 826 396)	**(17 482 089)**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

16. Employee benefit obligations (continued)

Defined contribution plans

Post retirement medical aid plan

Balance at beginning of period	13 201 890	13 554 215
Contributions to provision	2 542 255	2 410 688
Balance at the end of period	15 744 145	15 964 903
Transfer to current liabilities	(690 480)	(438 072)
Actuarial loss/(gain)	(677 457)	(2 324 941)
	14 376 208	**13 201 890**

The municipality has a post-employment health care liability consists of a commitment to pay a portion of the pensioners' post-employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary pensioner.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2024 by Mr DT Mureriwa , Fellow of the Actuarial Society of South Africa. 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 members of the post-employment health care benefit plan are made up as follows:

In-service members (employees)	90	100
Continuation members	12	12
	102	**112**

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

In-service members (employees)	8 468 046	7 306 536
Continuation members	5 890 162	5 895 354
	14 358 208	**13 201 890**

The current-service cost for the year ending 30 June 2024 is estimated to be R713 616, whereas the cost for the ensuing year is estimated to be R773 890 (30 June 2023: R686 449 and R713 616 respectively).

Key assumptions used

The principal assumptions used for the actuarial valuations was as follows:

Discount rate	13.50%	14.47%
Consumer price inflation	5.20%	8.14%
Health care cost inflation rate	8.90%	9.64%
Net effective discount rate	4.23%	4.13%
Expected retirement age - females	63	63
Expected retirement age - males	60	60

Movements in the present value of the defined benefit obligation were as follows:

Balance at beginning of the year	13 201 890	13 554 215
Current service costs	713 616	686 449
Interest cost	1 828 639	1 724 239
Benefits paid	(690 480)	(438 072)

Figures in Rand	2024	2023

16. Employee benefit obligations (continued)

	15 053 665	15 526 831
Actuarial loss/(gain)	(677 457)	(2 324 941)
	14 376 208	**13 201 890**

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	713 616	686 449
Interest cost	1 828 639	1 724 239
Actuarial losses/(gains)	(677 457)	(2 324 941)
	1 864 798	**85 747**

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

2024	**One percentage point increase**	**One percentage point decrease**
Effect on the aggregate of the current service cost	200 321	(153 719)
Effect on the aggregate of interest cost	(471 011)	(278 258)
Effect on defined benefit obligation	2 590 323	(2 062 974)
	2 319 633	**(2 494 951)**

2023	**One percentage point increase**	**One percentage point decrease**
Effect on the aggregate of the current service cost	182 215	(140 077)
Effect on the aggregate of interest cost	320 501	(256 387)
Effect on defined benefit obligation	2 263 181	(1 810 719)
	2 765 897	**(2 207 183)**

The municipality expects to make contribution of R2,673 million (2023: R2,542 million) to the defined benefit plans during the next financial year.

Other assumptions - Post retirement medical aid

It is assumed that healthcare cost trends rates have a significant effect on the amounts recognised is surplus or deficit

Defined contribution plan

Certain councillors and certain employees belong to the defined benefit plan of the Natal Joint Superannuation and retirements funds, and the Municipal Councillors Pension Fund. Employees of Mpofana make up less than 1% of the total members of the funds. Mpofana's liability in these funds could not be determined owing mainly to the assets not being allocated to each municipality and one set of financial being prepared for each fund and not per municipality. These funds are subject to triennial actuarial valuations. The last statutory valuations was performed in March 2022 on the retirement and provident funds and in March 2018 on the Superannuation Fund. An interim valuation of the Superannuation fund was done in March 2022.

Superannuition Fund

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

16. Employee benefit obligations (continued)

The actuarial value of total assets was R10 113 227 million at the actuarial date
1.surplus of R0.00 in respect of pensioners (Funding level 100%)
2.surplus of R0.00 in respect of members (funding level 100%)
3. the fund was thus 100% funded
4. the fund did not hold any an investment reserve.
5.the total contribution rate payable, including the surcharge by and on behalf of members, exceeded that required for future services by 1.41% of members pensionable emoluments.
6. An additional contribution by the way of surcharge amounting to 9.5% of salaries is currently in place to fund the deficit. The surcharge will build up the Solvency Reserve.

Retirement Fund

The actuarial value of total assets was R3 650 776 million at the actuarial valuation date.
1. surplus of R0.00 in respect of pensioners (funding level 100%)
2. deficit of R148 694 million in respect of members (funding level 91.1%)
3. the fund was thus 96.1% funded
4.the fund did not hold an investment reserve
5. the total contribution rate payable will include a surcharge of 17.5% payable to reduce the deficit in the fund

Provident Fund

The actuarial value of the total assets was R2 636 064 million at the actuarial valuation date
1. surplus/deficit of R0.00 and the funding levels is 107.4%
2. the fund was thus 107.4 funded
3. the fund did not hold an investment reserve

Long service awards

Provision for long service awards	4 450 188	4 280 199

The movement in non-current provisions are reconciled as follows:

Long-term service		
Balance at beginning of year	4 280 199	3 836 190
Contributions to provision	782 416	778 398
	5 062 615	4 614 588
Transfer to current provisions	(612 427)	(334 389)
	4 450 188	**4 280 199**

A long-service award is payable after 5 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2024 by Mr DT Mureriwa, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

At year-end, 126 (2023: 120) employees were eligible for long-service awards.

The current service costs for the year ending 30 June 2024 is estimated to be R352 301, whereas the cost for the ensuing year is estimated to be R386 152 (30 June 2023: R352 301 and R376 144 respectively).

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

Discount rates	10.89%	11.47%
Consumer Price Inflation	5.16%	5.85%
Salary Increase Rate	6.16%	6.85%

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

16. Employee benefit obligations (continued)

Net effective discount rate	4.46%	4.32%
Normal retirement age - females	65	65
Normal retirement age - males	65	65

Movements in the present value of the defined benefit obligation were as follows:

Balance at beginning of the year	4 280 199	3 836 190
Current service costs	376 144	352 301
Interest cost	460 725	436 089
Benefits paid	(612 427)	(334 389)
Actuarial losses/(gains)	(54 453)	(9 992)
	4 450 188	**4 280 199**

In accordance with transitional provisions for the amendments to GRAP 25 employee benefits in December 2004, the disclosures above are determined prospectively from the 2006 reporting.

The effect of a 1% movement in the assumed rate of long-service cost inflation is as follows:

2024	**One percentage point increase**	**One percentage point decrease**
Effect on the aggregate of the current service cost	(416)	(55 223)
Effect on the aggregate of interest cost	25 724	(41 475)
Effect on defined benefit obligation	236 172	(380 770)
	261 480	**(477 468)**

2023	**One percentage point increase**	**One percentage point decrease**
Effect on the aggregate of the current service cost	30 676	(27 253)
Effect on the aggregate of interest cost	36 450	(32 670)
Effect on defined benefit obligation	317 786	(284 831)
	384 912	**(344 754)**

The municipality expects to make a contribution of R836 869 (2023: R788 390) to the defined benefit plans during the next financial year.

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	-	2 561 952
Craigburn Housing Project Grant	5 840 388	5 840 388
Municipal Assistant Grant - Small Town Grant	564 621	718 239
Townview Housing Project Grant	8 168 481	8 168 481
Integrated National Electrification Programme (INEP)	2 542 840	-
Municipal Disaster Grant	8 627 335	-
Local Government Sector Education and Training Authority (LGSETA)	357 186	78 738
Title Deeds Grant	499 659	499 659
	26 600 510	**17 867 457**

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

17. Unspent conditional grants and receipts (continued)

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

See note 25 for reconciliation of grants from National/Provincial Government.

The unspent government grants and subsidies are not cash backed.

18. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Finance cost	Reversed during the year	Reduction due to re-measurement or settlement without cost to entity	Total
Provision for restoration of landfill site	16 617 024	2 097 068	-	(233 508)	18 480 584
Provision for performance bonus	294 401	-	(294 401)	-	-
	16 911 425	**2 097 068**	**(294 401)**	**(233 508)**	**18 480 584**

Reconciliation of provisions - 2023

	Opening Balance	Finance cost	Reversed during the year	Reduction due to re-measurement or settlement without cost to entity	Total
Provision for restoration of landfill site	14 870 079	1 643 144	-	103 801	16 617 024
Provision for performance bonus	560 860	-	(266 459)	-	294 401
	15 430 939	**1 643 144**	**(266 459)**	**103 801**	**16 911 425**

	2024	2023
Non-current liabilities	17 660 292	14 870 079
Current liabilities	820 292	2 041 346
	18 480 584	**16 911 425**

The landfill site provision is raised for the rehabilitation of the waste disposal site to its original state once the site has reached the end of its useful life.

A discount factor was applied based on prime interest and adjustment for Municipal specific risk.

The timing or amounts of any resulting outflows or economic benefit cannot be estimated.

It is not probable that performance bonuses would be paid out given the fianncial position of the municipality.

19. Service charges

	2024	2023
Sale of electricity - Metered	30 309 815	37 513 033
Refuse removal	5 045 857	4 650 255
Sale of electricity - Prepaid	12 158 050	12 175 484
	47 513 722	**54 338 772**

Figures in Rand	2024	2023

20. Rental of facilities and equipment

Premises		
Rental of facilities	249 884	218 516

21. Licences and permits (exchange)

Road and Transport	4 965 144	4 768 032

The Municipality has entered into an arrangement with the KwaZulu-Natal Department of Transport for collecting licences and permit fees for all vehicles and customers with the Municipal arrear. The Municipality is an agent to the transaction and all licence and permit fees are determined and handed over to KwaZulu-Natal Department of Transport. The Municipality has the responsibility to appoint the employees to render the services. Therefore, the arrangement has been accounted for as an agent in terms of GRAP 109.

22. Other income

Tender Documents	24 239	28 456
Income from N3 TC	886 956	902 303
Sundry Income	650	300
Cemetery fees	73 550	61 600
Town Hall Hire	6 982	11 430
Valuation roll objection fee	285	-
Rates Clearance	21 636	89 044
Business Licences	13 994	11 158
Building Plans	43 216	27 827
Cemetery fee income	1 565	1 217
Commission received	-	15 919
Income from Sanral	5 448 000	6 123 000
	6 521 073	**7 272 254**

23. Interest received

Interest revenue		
Bank	572 186	533 991
Interest charged on trade and other receivables	-	13 582 954
	572 186	**14 116 945**

Figures in Rand	2024	2023

24. Property rates

Rates received

Residential	10 801 258	9 724 309
Commercial	5 079 683	3 982 959
State	2 592 966	2 586 940
Municipal (Agricultural)	4 364 856	3 957 812
Communal Property Land	-	255 071
Public Benefit Organisation	212 984	244 715
Public Service Infrastructure	4 774	170
Less: Income forgone	(5 814 445)	(4 547 311)
	17 242 076	**16 204 665**

Valuations

Agriculture	2 978 515 000	2 975 715 000
Business & Commercial	453 605 000	457 905 000
Residential	1 199 495 500	1 205 055 500
Municipal	97 733 000	97 733 000
Industrial	74 030 000	74 030 000
Place of Worship	26 170 000	26 170 000
Public Benefit Organisation	125 790 000	125 790 000
Public Service Infrastructure	15 711 000	15 710 000
Other	236 722 000	231 223 000
	5 207 771 500	**5 209 331 500**

Property rates levied in terms of the Local Government: Municipal Property Rates Act. No. 6 of 2004 (MPRA) with effect from 01 July 2007.

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

Adjustments to the valuation roll in terms of Section 78 of the Municipal Property Rates Act No. 6 of 2004 (as amended) are effected on an on-going basis. The adjustments take into account consolidations and sub-divisions as well as property category changes. Thus, interim valuations are processed on an annual basis.

Assessment Rates: Cents per Rand on market valuations are as follows:	**Rebates 2023/24**	**Rebates 2022/23**	**Tariff 2023/24**	**Tariff 2022/23**
Agriculture	- %	- %	0.001292	0.001227
Business and Commercial	- %	- %	0.007840	0.007446
Industrial	- %	- %	0.014940	0.014188
Municipal	100 %	100 %	0.000000	0.000000
Place of worship	100 %	100 %	0.000000	0.000000
Protected area	100 %	100 %	0.000000	0.000000
Public benefit Organisation	- %	- %	0.001643	0.001560
Public service infrastructure	- %	100 %	0.001643	0.001560
Public service purpose	- %	- %	0.016434	0.015607
Residential - Urban	35 %	35 %	0.008217	0.007803
Residential - Rural	45 %	35 %	0.008217	0.007803
Vacant land	- %	- %	0.008217	0.007803
Vacant land (Rural)	- %	- %	0.000000	0.000000

For the calculation of rates, residential properties are subject to an exemption of R90 000 (2022: R90 000) of the valuation of the properties.

Pensioners rebate: Older than 65 years at 35% for both urban and rural.

Figures in Rand	2024	2023

24. Property rates (continued)

Rate are levied on an annual basis for government entities. Rates are levied on a monthly basis for all other customers.

Rates are payable monthly in twelve (12) equal instalments with the first instalment payable on the 1st July 2023 and the last installment payable on the 30th June 2024.

25. Government grants & subsidies

	2024	2023
Operating grants		
Equitable share	46 128 952	43 460 000
Municipal Disaster Grant	1 372 665	-
Provincial Library Subsidy	2 218 001	2 472 000
Transport Grant	2 403 500	-
Museum Subsidy	249 000	235 000
Finance Management Grant (FMG)	3 000 000	3 000 000
Expanded Public Works Program (EPWP)	1 215 000	1 216 000
	56 587 118	**50 383 000**
Capital grants		
Municipal Infrastructure Grant (MIG)	20 063 000	10 552 048
Municipal Assistant Grant - Small Town	153 619	2 907 346
	20 216 619	**13 459 394**
	76 803 737	**63 842 394**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

	2024	2023
Conditional grants received	30 674 785	20 382 394
Unconditional grants received	46 128 952	43 460 000
	76 803 737	**63 842 394**

Equitable Share

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

	2024	2023
Current - year receipts	46 412 000	43 460 000
Current - year transfer to revenue	(46 128 952)	(43 460 000)
Transfers withheld during the period	(283 048)	-
	-	**-**

Municipal Infrastructure Grant

	2024	2023
Balance unspent at beginning of year	2 561 952	-
Current-year receipts	20 063 000	13 114 000
Conditions met - transferred to revenue	(20 063 000)	(10 552 048)
Transfers withheld during the period	(2 561 952)	-
	-	**2 561 952**

Conditions still to be met - remain liabilities (see note 17).

This grant was used to address backlogs in municipal infrastructure required for the provision of basic services.

Figures in Rand	2024	2023

25. Government grants & subsidies (continued)

Craigburn Housing Project Grant

	2024	2023
Balance unspent at beginning of year	5 840 388	5 840 388

Conditions still to be met - remain liabilities (see note 17).

The grant is provided by Provincial Department of Human Settlement to deliver the service of housing infrastructure.

Municipal Assistance Grant - Small Town Grant

	2024	2023
Balance unspent at beginning of year	718 239	625 585
Current-year receipts	-	3 000 000
Conditions met - transferred to revenue	(153 618)	(2 907 346)
	564 621	**718 239**

Conditions still to be met - remain liabilities (see note 17).

This subsidy is provided by the Department of Cooperative Governance and Traditional Affairs to perform feasibility studies with a view to developing the town by improving its economic state and attracting investment.

Transport Grant

	2024	2023
Current-year receipts	2 403 500	-
Conditions met - transferred to revenue	(2 403 500)	-
	-	**-**

This subsidy is provided for feasibility study for transportation hub in the local area of Mpofana and along the national route.

Townview Housing Project Grant

	2024	2023
Balance unspent at beginning of year	8 168 481	8 168 481

Conditions still to be met - remain liabilities (see note 17).

The grant is from Provincial Department of Human Settlements to provide service of housing infrastructure.

Municipal Disaster Grant

	2024	2023
Current-year receipts	10 000 000	-
Conditions met - transferred to revenue	(1 372 665)	-
	8 627 335	**-**

Conditions still to be met - remain liabilities (see note 17).

The grant is from Provincial Department of Corporative Governance and Traditional Affairs (Cogta) for maintenance of infrastructure that has been affected by the floods.

Finance Management Grant

	2024	2023
Current-year receipts	3 000 000	3 000 000
Conditions met - transferred to revenue	(3 000 000)	(3 000 000)
	-	**-**

To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

25. Government grants & subsidies (continued)

Expanded Public Works Programme Grant

Current-year receipts	1 215 000	1 216 000
Conditions met - transferred to revenue	(1 215 000)	(1 216 000)
	-	-

This subsidy was provided by Department of Public Works to assist with the alleviation of poverty in the municipal area by providing temporary employment for the unemployed.

Library Grant

Current-year receipts	2 218 000	2 472 000
Conditions met - transferred to revenue	(2 218 000)	(2 472 000)
	-	-

The library subsidy was provided by Department of Arts and Culture in order to assist municipalities to deliver on the unfunded mandate of the provision of library services in their respective areas.

Learnership Awareness Programme Grant

Balance unspent at beginning of year	78 738	-
Current-year receipts	278 448	78 738
	357 186	**78 738**

Conditions still to be met - remain liabilities (see note 17).

The grant is provided by SETA for training and development of municipal employees.

Title deed Grant

Balance unspent at beginning of year	499 659	498 459
Current-year receipts	-	1 200
	499 659	**499 659**

Conditions still to be met - remain liabilities (see note 17).

The grant is provided by Department of Human Settlement to accelerate the transfer of ownership to qualifying occupants.

Museum subsidy grant

Current-year receipts	249 000	235 000
Conditions met - transferred to revenue	(249 000)	(235 000)
	-	-

The subsidy was granted to the municipality for operational upkeep of the museum.

26. Fines, Penalties and Forfeits

Municipal Traffic Fines	7 191 953	7 278 947

Figures in Rand	2024	2023

27. Employee related costs

Basic	39 859 018	37 739 145
Bonus	2 791 395	2 571 509
Medical aid - company contributions	4 291 834	3 669 270
UIF	323 222	314 761
SDL	486 336	467 432
Other payroll levies	19 775	12 129
Leave pay provision charge	496 450	565 854
Defined contribution plans	8 176 986	7 648 397
Travel, motor car, accommodation, subsistence and other allowances	2 987 231	2 981 529
Overtime payments	1 817 041	1 477 213
Long-service awards	(219 823)	17 912
Acting allowances	268 951	186 840
Housing benefits and allowances	740 144	834 084
Redemption of leave	258 403	271 177
	62 296 963	**58 757 252**

Remuneration of Municipal Manager

Dr EH Dladla		
Annual Remuneration	630 860	567 134
Car Allowance	215 521	180 366
Cellphone allowance	8 000	8 000
Housing allowance	323 282	331 854
Contributions to UIF, Medical and Pension Funds	11 594	12 031
	1 189 257	**1 099 385**

Remuneration of Chief Finance Officer

Mr P Molefe		
Annual Remuneration	483 066	446 357
Car Allowance	176 954	194 545
Housing allowance	265 432	251 812
Contributions to UIF, Medical and Pension Funds	11 163	10 996
	936 615	**903 710**

Chief Financial Officer (Mr P Molefe) has resigned as of 12 July 2024.

Remuneration of General Manager - Technical Services

Mrs SR Zwane		
Annual Remuneration	-	129 619
Car Allowance	-	19 840
Cellphone Allowance	-	96 810
Housing allowance	-	64 809
Contributions to UIF, Medical and Pension Funds	-	3 899
	-	**314 977**

General Manager: Technical Services (Mr SR Zwane) has resigned as of 07 October 2022.

Remuneration of General Manager - Technical Services

Ms M Mbatha		
Annual Remuneration	504 207	55 869
Car Allowance	72 880	10 000
Contributions to UIF, Medical and Pension Funds	-	826

Figures in Rand	2024	2023

27. Employee related costs (continued)

	577 087	**66 695**

Miss M Mbatha resumes the duties as General Manager: Technical Services as of 01 June 2023 and has since resigned as of 31 January 2024.

Remuneration of General Manager Community Services

Mr ME Ngonyama		
Annual Remuneration	-	96 014
Car Allowance	-	16 002
Housing allowance	-	48 007
Contributions to UIF, Medical and Pension Funds	-	1 944
	-	**161 967**

General Manager:Corporate and Community Services (Mr ME Ngonyama) has resigned as of 31 August 2022

General Manager Corporate and Community Services

Mr ME Sithole		
Annual Remuneration	471 177	-
Car Allowance	92 164	-
Contributions to UIF, Medical and Pension Funds	5 819	-
	569 160	**-**

Mr ME Sithole resumes the duties as General Manager: Corporate and Community Services as of 01 February 2024.

28. Remuneration of councillors

Mayor	766 264	683 514
Speaker	406 035	338 362
Councillors	1 283 798	1 459 237
Councillors' medical contribution	14 675	13 776
Councillors' allowances	583 385	621 576
UIF	19 757	20 193
SDL	20 801	22 125
	3 094 715	**3 158 783**

In-kind benefits

The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

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

The Mayor and Speaker have full-time bodyguards.

29. Depreciation and amortisation

Property, plant and equipment	14 778 307	17 999 358
Intangible assets	35 905	104 804
	14 814 212	**18 104 162**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

30. Finance charges

Finance cost post retirement plan	1 828 639	1 724 239
Interest and penalties	29 162 520	32 051 294
Provision of landfill site (unwinding)	2 097 068	1 643 144
Finance cost long service awards	460 725	436 089
	33 548 952	**35 854 766**

31. Debt impairment

Contributions to debt impairment provision -Fines	7 494 677	3 011 617
Contributions to debt impairment provision- Exchange transactions	3 268 283	27 435 474
Contributions to debt impairment provision- Non-exchange transactions	3 795 751	17 805 155
	14 558 711	**48 252 246**

32. Bulk purchases

Electricity - Eskom	72 721 413	73 717 692

33. Contracted services

Outsourced Services		
Administrative and Support Staff	-	1 590 085
Hygiene Services	209 663	209 932
Security Services	4 741 885	4 499 293
Contractors		
Maintenance of Equipment	847 908	738 555
	5 799 456	**7 037 865**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

34. General expenses

Advertising	346 171	136 495
Auditors remuneration	1 211 409	1 534 882
Bank charges	258 745	271 578
Consulting and professional fees	2 616 075	4 810 179
Consumables	237 100	234 224
Legal expenses	3 475 041	5 973 694
Entertainment	-	54 515
Hire	13 059 245	14 774 404
Insurance	288 080	652 052
IT expenses	74 902	632 275
Motor vehicle expenses	1 087 577	490 796
Fuel and oil	5 833 621	4 647 241
Postage and courier	-	58 335
Printing and stationery	220 559	267 815
Electricity Maintenance (Material & Supplies)	17 104 955	12 914 335
EPWP Casuals	1 725 710	1 263 946
Repairs and maintenance	4 930 605	4 428 305
Software expenses	3 799 992	5 098 482
Water Expenses	1 580 358	1 298 235
Subscriptions and membership fees	6 000	41 000
Telephone and fax	1 003 775	903 702
Collection costs	204 909	243 048
Uniforms	383 314	350 425
Sundry cost	540 156	434 487
Ward committee support	304 000	355 200
Maintenance of land-fill site	4 902 500	5 125 800
Write off	(2)	5 050
Meter replacement expenditure	565 978	-
Debt collection	-	597 242
Feasibility study costs	2 090 000	-
Accommodation	-	18 671
Convention bureau	2	306 652
Other expenses	415 229	302 290
District shared services	72 971	44 681
	68 338 977	**68 270 036**

35. Auditors' remuneration

Audit committee	115 281	95 850
Audit Fees	1 096 128	1 439 032
	1 211 409	**1 534 882**

Figures in Rand	2024	2023

36. Cash generated from operations

Deficit	(77 509 685)	(142 680 862)
Adjustments for:		
Depreciation and amortisation	14 814 212	18 104 162
Loss on sale of assets and liabilities	-	(89 482)
Debt impairment	14 558 711	48 252 246
Movements in operating lease assets and accruals	5 195	(35 285)
Movements in retirement benefit assets and liabilities	1 344 307	91 684
Movements in provisions	1 569 159	1 480 486
Fair Value adjustment heritage asset	(12 000)	(7 000)
Changes in working capital:		
Inventories	(21 450)	63 634
Receivables from exchange transaction	(17 159 616)	(26 220 288)
Other receivables from non-exchange transactions	1 287 833	4 320 270
Payables from exchange transactions - Capital	(309 722)	(749 780)
Payables from exchange transactions - Operational	80 839 462	119 308 578
VAT	(10 893 213)	(12 968 016)
Unspent conditional grants and receipts	8 733 053	2 734 544
Consumer deposits	(1 207)	10 912
	17 245 039	**11 615 803**

37. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Bruntville Sport Field	1 761 486	495 500
• Bruntville Internal Road	-	1 608 384
• Phumlaas and Townview Road	718 203	625 958
• Mzilanyoni Gravel Road	9 467 644	-
• Mooi River Town Renewal	218 117	159
	12 165 450	**2 730 001**

Total capital commitments		
Already contracted for but not provided for	12 165 450	2 730 001

Authorised operational expenditure

Already contracted for but not provided for		
• Approved and contracted	19 778 248	21 906 208

Total operational commitments		
Already contracted for but not provided for	19 778 248	21 906 208

Operating commitments is made up of internal audit services, operational costs for landfill site, cash management services, financial system consultants,security services, cellphone contracts and valuation roll services.

Total commitments

Total commitments		
Authorised capital expenditure	12 165 450	2 730 001
Authorised operational expenditure	19 778 248	21 906 208
	31 943 698	**24 636 209**

38. Contingencies

Contingent Liabilities

Name of Plaintiff	Nature of Case	2024	2023
Mpofana v L.Sithole & others	Mpofana v L.Sithole & others - Eviction of occupiers from the town hall	-	-
ESKOM SOC	ESKOM SOC v Mpofana Municipality- Claim against the municipality Electricity Account	-	-
Mill Fitchet (Pty) Ltd	Mill Fitchet (Pty) Ltd v Mpofana Municipality- Service Provider claiming monies due	-	1 500 000
Loganathan Chetty	Loganathan Chetty v Mpofana Municipality - Claim against damages from vehicle cused by potholes	14 685	-
Zonke Engineering Consultants	Zonke Engineering Consultants v Mpofana Municipality - Claim against the municipality for work done.	895 056	-
Kenneth Murdoch	Kenneth Murdoch v Mpofana Municipality - claim against medical expenses and damages arising from vehicle caused by potholes	-	5 000 000
KSA Security	Payment Outstanding	8 225 123	8 225 123
Etilweni (Pty) Ltd	Outstanding Fees	1 148 000	1 148 000
BPG Mass Appraisals (Pty) Ltd	BPG Mass Appraisals (Pty) Ltd v Mpofana Municipaliy - Review of tender award for Valuation Roll.	-	-
		10 282 864	**15 873 123**

Contingent assets

Name of Defendant	Nature of Case	2024	2023
Illegal invaders of property R622/Greytown Main Road intersection Mooi River/Bruntville/link Road (Erf 13025,Erf 1049, Erf 1464) Adjacent to Erf 5/13025	Interdict and Restrain the Respondents from invading, erecting structures and attempting to occupy the immovable property.	269 428	-
Riversdale Prop	Interdict and eviction of illegal tenants erecting structures and occupying the property.	22 977	-
		292 405	**-**

39. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report
Chief Fianncial Officer	Refer to note 27
General Manager: Technical Services	Refer to note 27
General Manager: Corporate and Community Services	Refer to note 27
Councillors	Refer to note 28

Municipality and individuals as well as their close family members and/or entities are related parties if one has the ability, directly, indirectly to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

40. Prior period errors

Corrections were made during the previous financial years. Details of the corrections are described below:

Statement of Financial Position	Previously reported	Reclassification	Restatement	Restated balance
Current assets				
Receivable from non-exchange transactions	23 083 112	-	(9 450 261)	13 632 851
Receivable from exchange transactions	32 576 517	-	(26 560 027)	6 016 490
VAT receivables	40 902 934	-	3 378 375	44 281 309
	96 562 563	**-**	**(32 631 913)**	**63 930 650**
Liabilities				
Current liabilities				
Payables from exchange transactions	481 424 178	-	1 239 228	482 663 406
Net Assets				
Accumulated deficit	(184 543 324)	-	(33 871 143)	(218 414 467)

1. **Receivables from exchange transactions** - Receivables from exchange transactions has been adjusted with the revised billing after the data cleansing exercise. The provision for doubtful debts has been revised as the workings for 2022/23 was not based on the total balance of receivables balance and the balance of receivables has been revised.

2. **Receivables from non-exchange transactions** -Receivables from non-exchange transactions has been adjusted with the revised billing after the data cleansing exercise. The provision for doubtful debts has been revised as the workings for 2022/23 was not based on the total balance of receivables and the balance of receivables has been revised.

3. **VAT receivables** -The VAT effect of the adjustment of the provision for doubful debts on receivables from exchange transactions and adjustment to accounts receivables.

4. **Payables from exchange transactions** - The balance of debtors with credit balances that has been reclassified from receivables to accounts payables in the prior period has been revised as result of the cleansing exercise that has been performed on received hence the balance of debtors with credit balances been adjusted in the prior period.

Statement of Financial Performance	Previously reported	Reclassification	Restatement	Restated balance
Revenue				
Service charges	54 343 972	-	(5 200)	54 338 772
Interest received	14 117 118	-	(173)	14 116 945
Property rates	16 186 301	-	18 364	16 204 665
Expenditure				
Debt impairment	(14 104 817)	-	(34 147 429)	(48 252 246)
	70 542 574	**-**	**(34 134 438)**	**36 408 136**

40. Prior period errors (continued)

1. **Service charges** - Corrections of billings for electricity and refuse from the exercise of data cleansing for the prior period.

2. **Interest received** - Interest received charged on overdure account that was reversed together with adjustments to service charges as the customer incorrectly charged for its services, hence interest was reversed.

3. **Property rates** - Corrections of billings for property rates from the exercise of data cleansing for the prior period.

4. **Debt impairment** - Debt impairment has been revised due to provision for doubful debts has been revised as the workings for 2022/23 was not based on the total balance of receivables and the balance of receivables has been revised.

Statement of cashflows		**Previously reported**	**Reclassification**	**Restatement**	**Restated balance**
Cash flow from operating activities					
Receipts					
Taxation revenue		18 478 448	-	9 325 434	27 803 882
Service charges		35 306 489	-	(7 177 093)	28 129 396
Interest received		14 117 118	-	(173)	14 116 945
Other receipts		13 284 001	-	(3 291 715)	9 992 286
Payments					
Suppliers		(41 380 516)	-	(30 192 586)	(71 573 102)
Finance costs		(35 854 766)	-	30 586 347	(5 268 419)
		3 950 774	**-**	**(749 786)**	**3 200 988**
Cash flow from investing activities					
Purchase of property, plant and equipment	-	(14 400 119)	-	749 780	(13 650 339)

41. Risk management

Financial risk management

Due to largely non-trading nature of the activities and the way in which they are financed, municipalities are not expeosed to the degree of financial risk faced by other business entities.

The municipality's finance function monitors and manages the financial risks relating to the operations of the municipality. These risks include credit risk, liquidity risk, market risk relating to interest rate risk.

Liquidity risk

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

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Maximum liquidity exposure		
Payables from exchange transactions	563 502 868	482 663 406
Unspent conditional grants and receipts	26 454 072	17 867 457
	589 956 940	**500 530 863**

Figures in Rand	2024	2023

41. Risk management (continued)

Credit risk

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

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

There municipality has the credit control unit that is responsible for managing the credit risk of all the accounts receivables from exchnage and non-exchange transactions. Credit control unit would using the debtors age analysis to assess all the accounts that are overdue, draft the notoice of disconnection. Where the customers has not made any attempt to settle the account, a disconnection of municipal services is implemented. Where customers that are not disconnected are being handed over to the legal councel for summons to demand the amount receivable.

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

Financial instrument	2024	2023
Cash and cash equivalents	2 304 053	1 407 394
Receivables from non-exchange transactions	12 268 683	13 632 851
Receivables from exchange transactions	8 567 185	6 016 490

Market risk

The municipality is exposed to the following market risks:

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Cash and cash equivalents	2 304 053	1 407 394

Price risk

Due to legislaytive restrictions, the municipality does not trade these investments.

42. Going concern

We draw attention to the fact that at June 30, 2024, the municipality had an accumulated surplus (deficit) of (295 924 152) and that the municipality's total liabilities exceed its assets by (295 924 152).

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

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

The municipality has significant unspent grants of R26 600 510 (2023: R17 867 457). However the unspent grants were not fully cash-backed.

There has been major challenges with the debtors system over several years. This has affected the municipality's collections and revenue stream. In the prior year a decision was taken by Council to suspend the charging of interest on overdue debt accounts whilst management addresses the debtors system challenges. Whilst progress has been noted in some aspects of the debtors system, this process is still ongoing.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

42. Going concern (continued)

The liquidity ratio of the municipality is 0.20 :1 which means that the municipality is not able to pay its creditors as they fall due. This is evident in the increase on the trade payables that is disclosed at R563.5 mil (2023: R482.6 mil).

Despite the adverse liquidity position of the municipality , the following should be noted:
1. The municipality has implemeted a debt incentive scheme to recover long-outstanding receipts..
2. The Municipality is to consider payments plans for some customers to improve collections.
3. Municipality has also taken legal action against some customers that have large unpaid accounts.
4.Debtor collectors are assisting the municipality with recovery of debts that are over 90 days.
5. Other forms of income streams and prevention of electricity losses can be considered by the municipality.

43. Events after the reporting date

There are no material events that occurred after the reporting date 30 June 2024.

44. Unauthorised expenditure

Opening balance as previously reported	347 690 690	271 652 126
Add: Unauthorised expenditure - current	85 724 750	76 038 564
Less: Amount authorised - prior period	(99 924 292)	-
Closing balance	**333 491 148**	**347 690 690**

Unauthorised expenditure: Budget overspending

Employee related costs	3 801 052	3 878 989
Remuneration for Councillors	-	9 351
Depreciation and amortisation	-	109 912
Construction contracts expense (INEP)	27 196 661	10 701 500
Finance costs	4 162 586	18 226 646
General expenses	28 525 414	33 514 457
Bulk purchases	10 590 414	1 927 908
Debt impairment	-	4 859 006
Grants spent for unintended purposes	11 448 623	2 810 795
	85 724 750	**76 038 564**

Disciplinary steps taken/criminal proceedings

Investigations are being conducted by MPAC.

45. Irregular expenditure

Opening balance as previously reported	98 879 001	122 743 993
Add: Irregular expenditure - current	22 790 094	26 555 555
Add: Irregular expenditure - prior period	16 145 839	8 452 972
Less: Amount written off - current	-	(58 873 519)
Closing balance	**137 814 934**	**98 879 001**

Notes to the Annual Financial Statements

Figures in Rand		2024	2023

45. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
SCM processes were not followed - quotation were not obtained	The incident has been reported to Council and MPAC have dealt with the matter	3 138 179	2 173 153
Service provider appointed during the time where the PPPFA Regulation was suspended	The incident has been reported to Council and MPAC have dealt with the matter	-	3 755 892
Competitive bidding not followed	The incident has been reported to Council and MPAC have dealt with the matter	28 751 117	23 666 435
Tender was not advertised for required time	The incident has been reported to Council and MPAC have dealt with the matter	-	2 808 892
Contract expired	The incident has been reported to Council and MPAC have dealt with the matter	204 240	387 957
Reason for deviation not reasonable enough	The incident has been reported to Council and MPAC have dealt with the matter	-	850 000
Suppliers in the service of the state	The incident has been reported to Council and MPAC have dealt with the matter	-	1 366 198
Inconsistences between the requested returnable documents as per bid documents and returnable documents evaluated by the Bid Evaluation Committee	The incident has been reported to Council and MPAC have dealt with the matter	6 842 396	-
		38 935 932	**35 008 527**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

46. Deviation from supply chain management regulations

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by council, any deviations from the Supply Chain management Policy needs to be approved / condoned by the Municipal Manager and noted by Council The municipality incurred deviations in terms of section 36(2) of the Municipal Supply Chain Regulations and noted by Council

Total Section 36 Deviations for the financial year		
Emergencies	87 400	1 011 879
Sole provider	5 044	72 622
Exceptional case	787 345	908 803
	879 789	**1 993 304**

47. Fruitless and wasteful expenditure

Opening balance as previously reported	871 355	871 355
Add: Fruitless and wasteful expenditure identified - current	29 841 533	32 648 537
Less: Amount written off - current	-	(32 648 537)
Less: Amount written off - prior period	(17 952 980)	-
Closing balance	**12 759 908**	**871 355**

Figures in Rand		2024	2023

47. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Interest	Investigations are being conducted by MPAC	29 261 997	30 996 781
Penalties	Investigations are being conducted by MPAC	579 536	1 054 514
Arbitration award	Investigations are being conducted by MPAC	-	597 242
		29 841 533	**32 648 537**

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	3 977 750	3 363 642
Current year subscription / fee	1 351 318	614 108
Amount paid - previous years	(35 000)	-
	5 294 068	**3 977 750**

The municipality is committed to settle the amount that has not been honoured in the previous years due to limited resources.

Audit fees

Opening balance	285 694	-
Current year subscription / fee	1 096 128	2 225 939
Amount paid - current year	(1 096 128)	(1 940 245)
Amount paid - previous years	(285 694)	-
	-	**285 694**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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

PAYE and UIF

Opening balance	1 380 231	1 329 970
Current year subscription / fee	9 415 565	9 045 034
Amount paid - current year	(5 597 132)	(7 529 845)
Amount paid - previous years	(2 133 573)	(1 464 928)
	3 065 091	**1 380 231**

Pension and Medical Aid Deductions

Opening balance	1 371 256	1 322 780
Current year subscription / fee	18 185 250	16 347 850
Amount paid - current year	(16 591 636)	(15 042 124)
Amount paid - previous years	(1 385 616)	(1 257 250)
	1 579 254	**1 371 256**

VAT

VAT receivable	55 174 522	44 281 309

VAT output payables and VAT input receivables are shown in note 6.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

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

June 30, 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor SM Mchunu	2 612	2 563	5 175

June 30, 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor SM Mchunu	749	1 891	2 640

June 30, 2024	Highest outstanding amount	Aging (in days)
Councillor SM Mchunu	1 257	180

June 30, 2023	Highest outstanding amount	Aging (in days)
Councillor SM Mchunu	1 876	180

49. Material Losses

Electricity distribution losses	53 223 982	42 467 970

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

49. Material Losses (continued)

Electricity energy losses of 23 481 018 kWh as at June 2024 (June 2023: 21 873 296 kWh) occurred during the year which resulted in revenue loss amounting to R53 223 982 (June 2023: R42 467 970). The National norm for electricity losses range from 6% to 12 % . The energy loss incurred by the municipality as at June 2024 is 63.51% (June 2023: 47.98%) and is mainly due to transmission / distribution losses and illegal connections.

50. Finance costs reversed

ESKOM interest reversed	35 860 029	-

During the financial period ESKOM has reversed the amount of interest that was charged to the Municipality in the current period and the prior years. The interest that was reversed was reflected on the statement of accounts from ESKOM for the month of April 2024.

51. Construction contractor revenue (INEP)

Integrated National Electrification Programme	27 196 661	10 701 500

The Integrated National Electrification Programme Grant (INEP) has been accounted for in accordance with the provisions of GRAP 11. Revenue from INEP grant has been recognised in terms of stage of completion that has been determined by the project consultants.

52. Construction contract expenditure (INEP)

Integrated National Electrification Programme	27 196 661	10 701 500

The Integrated National Electrification Programme Grant (INEP) has been accounted for in accordance with the provisions of GRAP 11. Construction contracts expenditure from INEP grant has been incurred during the financial period.

Analysis of property, plant and equipment as at June 30, 2024

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	21 512 716	-	-	-	-	**-**	**21 512 716**	(110 000)	-	-	-	-	**(110 000)**	21 402 716
Landfill Sites	13 827 800	(233 508)	-	-	-	**-**	**13 594 292**	(11 496 901)	-	-	(698 868)	-	**(12 195 769)**	1 398 523
Buildings	33 849 185	-	-	-	-	**-**	**33 849 185**	(9 294 018)	-	-	(1 421 555)	-	**(10 715 573)**	23 133 612
	69 189 701	**(233 508)**	**-**	**-**	**-**	**-**	**68 956 193**	**(20 900 919)**	**-**	**-**	**(2 120 423)**	**-**	**(23 021 342)**	**45 934 851**
Infrastructure														
Roads, Pavements & Bridges	256 584 273	13 725 106	-	-	-	**-**	**270 309 379**	(122 127 425)	-	-	(9 464 449)	-	**(131 591 874)**	138 717 505
Transmission & Reticulation	15 245 174	-	-	-	-	**-**	**15 245 174**	(13 312 934)	-	-	(276 508)	-	**(13 589 442)**	1 655 732
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	1 808 574	-	-	-	-	**-**	**1 808 574**	(1 223 024)	-	-	(73 200)	-	**(1 296 224)**	512 350
	273 638 021	**13 725 106**	**-**	**-**	**-**	**-**	**287 363 127**	**(136 663 383)**	**-**	**-**	**(9 814 157)**	**-**	**(146 477 540)**	**140 885 587**
Community Assets														
Parks & gardens	1 790 307	-	-	-	-	**-**	**1 790 307**	(510 091)	-	-	(70 602)	-	**(580 693)**	1 209 614
Sportsfields and stadium	637 483	5 001 521	-	-	-	**-**	**5 639 004**	(47 756)	-	-	(8 762)	-	**(56 518)**	5 582 486
Markets/Shops	4 066 177	-	-	-	-	**-**	**4 066 177**	(1 111 420)	-	-	(186 014)	-	**(1 297 434)**	2 768 743
Community halls	7 660 926	-	-	-	-	**-**	**7 660 926**	(1 573 939)	-	-	(290 664)	-	**(1 864 603)**	5 796 323
Libraries	6 742 248	-	-	-	-	**-**	**6 742 248**	(873 793)	-	-	(277 301)	-	**(1 151 094)**	5 591 154
Creche	2 588 923	-	-	-	-	**-**	**2 588 923**	(224 373)	-	-	(103 557)	-	**(327 930)**	2 260 993
Community centres	3 288 497	-	-	-	-	**-**	**3 288 497**	(371 727)	-	-	(46 203)	-	**(417 930)**	2 870 567
Cemeteries	803	-	-	-	-	**-**	**803**	(779)	-	-	(8)	-	**(787)**	16
	26 775 364	**5 001 521**	**-**	**-**	**-**	**-**	**31 776 885**	**(4 713 878)**	**-**	**-**	**(983 111)**	**-**	**(5 696 989)**	**26 079 896**

Appendix B
June 2024

Analysis of property, plant and equipment as at June 30, 2024

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	**Additions Rand**	**Disposals Rand**	**Transfers Rand**	**Revaluations Rand**	**Other changes, movements Rand**	**Closing Balance Rand**	**Opening Balance Rand**	**Disposals Rand**	**Transfers Rand**	**Depreciation Rand**	**Impairment loss Rand**	**Closing Balance Rand**	**Carrying value Rand**
Heritage assets														
Other	192 000	-	-	-	12 000	**-**	**204 000**	-	-	-	-	-	**-**	204 000
	192 000	**-**	**-**	**-**	**12 000**	**-**	**204 000**	**-**	**-**	**-**	**-**	**-**	**-**	**204 000**
Other assets														
General vehicles	4 966 332	-	-	-	-	**-**	**4 966 332**	(3 079 150)	-	-	(520 450)	-	**(3 599 600)**	1 366 732
Plant & equipment	4 660 514	29 190	-	-	-	**-**	**4 689 704**	(4 115 206)	-	-	(132 963)	-	**(4 248 169)**	441 535
Computer Equipment	3 618 932	464 800	-	-	-	**-**	**4 083 732**	(2 984 828)	-	-	(240 327)	-	**(3 225 155)**	858 577
Furniture & Fittings	3 970 745	-	-	-	-	**-**	**3 970 745**	(3 233 726)	-	-	(205 785)	-	**(3 439 511)**	531 234
Other Assets - Leased	23 551 510	-	-	-	-	**-**	**23 551 510**	(21 268 234)	-	-	(761 092)	-	**(22 029 326)**	1 522 184
	40 768 033	**493 990**	**-**	**-**	**-**	**-**	**41 262 023**	**(34 681 144)**	**-**	**-**	**(1 860 617)**	**-**	**(36 541 761)**	**4 720 262**

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June 2024

Analysis of property, plant and equipment as at June 30, 2024

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	69 189 701	(233 508)	-	-	-	-	**68 956 193**	(20 900 919)	-	-	(2 120 423)	-	**(23 021 342)**	45 934 851
Infrastructure	273 638 021	13 725 106	-	-	-	-	**287 363 127**	(136 663 383)	-	-	(9 814 157)	-	**(146 477 540)**	140 885 587
Community Assets	26 775 364	5 001 521	-	-	-	-	**31 776 885**	(4 713 878)	-	-	(983 111)	-	**(5 696 989)**	26 079 896
Heritage assets	192 000	-	-	-	12 000	-	**204 000**	-	-	-	-	-	**-**	204 000
Other assets	40 768 033	493 990	-	-	-	-	**41 262 023**	(34 681 144)	-	-	(1 860 617)	-	**(36 541 761)**	4 720 262
	410 563 119	**18 987 109**	**-**	**-**	**12 000**	**-**	**429 562 228**	**(196 959 324)**	**-**	**-**	**(14 778 308)**	**-**	**(211 737 632)**	**217 824 596**
Intangible assets														
Computers - software & programming	1 272 258	14 550	-	-	-	-	**1 286 808**	(1 167 454)	-	-	(35 905)	-	**(1 203 359)**	83 449
	1 272 258	**14 550**	**-**	**-**	**-**	**-**	**1 286 808**	**(1 167 454)**	**-**	**-**	**(35 905)**	**-**	**(1 203 359)**	**83 449**
Total														
Land and buildings	69 189 701	(233 508)	-	-	-	-	**68 956 193**	(20 900 919)	-	-	(2 120 423)	-	**(23 021 342)**	45 934 851
Infrastructure	273 638 021	13 725 106	-	-	-	-	**287 363 127**	(136 663 383)	-	-	(9 814 157)	-	**(146 477 540)**	140 885 587
Community Assets	26 775 364	5 001 521	-	-	-	-	**31 776 885**	(4 713 878)	-	-	(983 111)	-	**(5 696 989)**	26 079 896
Heritage assets	192 000	-	-	-	12 000	-	**204 000**	-	-	-	-	-	**-**	204 000
Other assets	40 768 033	493 990	-	-	-	-	**41 262 023**	(34 681 144)	-	-	(1 860 617)	-	**(36 541 761)**	4 720 262
Intangible assets	1 272 258	14 550	-	-	-	-	**1 286 808**	(1 167 454)	-	-	(35 905)	-	**(1 203 359)**	83 449
	411 835 377	**19 001 659**	**-**	**-**	**12 000**	**-**	**430 849 036**	**(198 126 778)**	**-**	**-**	**(14 814 213)**	**-**	**(212 940 991)**	**217 908 045**

Mpofana Local Municipality

Appendix B

Analysis of property, plant and equipment as at 30 June 2023

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	20 562 716	-	-	950 000	-	-	**21 512 716**	(110 000)	-	-	-	-	**(110 000)**	21 402 716
Landfill Sites	13 723 999	103 801	-	-	-	-	**13 827 800**	(9 278 674)	-	-	(2 218 226)	-	**(11 496 900)**	2 330 900
Buildings	31 749 185	850 000	-	1 250 000	-	-	**33 849 185**	(7 866 695)	-	-	(1 427 323)	-	**(9 294 018)**	24 555 167
	66 035 900	**953 801**	**-**	**2 200 000**	**-**	**-**	**69 189 701**	**(17 255 369)**	**-**	**-**	**(3 645 549)**	**-**	**(20 900 918)**	**48 288 783**
Infrastructure														
Roads, Pavements & Bridges	247 836 332	8 747 941	-	-	-	-	**256 584 273**	(112 684 585)	-	-	(9 442 840)	-	**(122 127 425)**	134 456 848
Transmission & Reticulation	15 245 174	-	-	-	-	-	**15 245 174**	(13 012 628)	-	-	(300 306)	-	**(13 312 934)**	1 932 240
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	1 808 574	-	-	-	-	-	**1 808 574**	(1 149 825)	-	-	(73 200)	-	**(1 223 025)**	585 549
	264 890 080	**8 747 941**	**-**	**-**	**-**	**-**	**273 638 021**	**(126 847 038)**	**-**	**-**	**(9 816 346)**	**-**	**(136 663 384)**	**136 974 637**
Community Assets														
Parks & gardens	1 790 307	-	-	-	-	-	**1 790 307**	(438 881)	-	-	(71 210)	-	**(510 091)**	1 280 216
Sportsfields and stadium	214 042	423 440	-	-	-	-	**637 482**	(38 978)	-	-	(8 778)	-	**(47 756)**	589 726
Markets/shops	4 066 177	-	-	-	-	-	**4 066 177**	(925 406)	-	-	(186 015)	-	**(1 111 421)**	2 954 756
Community halls	7 660 926	-	-	-	-	-	**7 660 926**	(1 283 080)	-	-	(290 858)	-	**(1 573 938)**	6 086 988
Libraries	6 742 248	-	-	-	-	-	**6 742 248**	(596 472)	-	-	(277 321)	-	**(873 793)**	5 868 455
Creche	2 588 923	-	-	-	-	-	**2 588 923**	(120 816)	-	-	(103 557)	-	**(224 373)**	2 364 550
Community centres	548 702	2 739 795	-	-	-	-	**3 288 497**	(325 524)	-	-	(46 203)	-	**(371 727)**	2 916 770
Cemeteries	803	-	-	-	-	-	**803**	(756)	-	-	(24)	-	**(780)**	23
	23 612 128	**3 163 235**	**-**	**-**	**-**	**-**	**26 775 363**	**(3 729 913)**	**-**	**-**	**(983 966)**	**-**	**(4 713 879)**	**22 061 484**

Mpofana Local Municipality

Appendix B

June 2024

Analysis of property, plant and equipment as at 30 June 2023

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Other	185 000	-	-	-	7 000	-	**192 000**	-	-	-	-	-	-	192 000
	185 000	**-**	**-**	**-**	**7 000**	**-**	**192 000**	**-**	**-**	**-**	**-**	**-**	**-**	**192 000**
Other assets														
General vehicles	3 816 332	1 150 000	-	-	-	-	**4 966 332**	(2 376 733)	-	-	(702 417)	-	**(3 079 150)**	1 887 182
Plant & equipment	4 657 714	2 800	-	-	-	-	**4 660 514**	(3 771 724)	-	-	(343 481)	-	**(4 115 205)**	545 309
Computer Equipment	3 455 080	163 852	-	-	-	-	**3 618 932**	(2 535 917)	-	-	(448 912)	-	**(2 984 829)**	634 103
Furniture & Fittings	3 752 256	218 489	-	-	-	-	**3 970 745**	(2 874 017)	-	-	(359 709)	-	**(3 233 726)**	737 019
Other Assets - Leased	23 551 510	-	-	-	-	-	**23 551 510**	(19 569 253)	-	-	(1 698 981)	-	**(21 268 234)**	2 283 276
	39 232 892	**1 535 141**	**-**	**-**	**-**	**-**	**40 768 033**	**(31 127 644)**	**-**	**-**	**(3 553 500)**	**-**	**(34 681 144)**	**6 086 889**

Mpofana Local Municipality

Appendix B
June 2024

Analysis of property, plant and equipment as at 30 June 2023

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	66 035 900	953 801	-	2 200 000	-	-	**69 189 701**	(17 255 369)	-	-	(3 645 549)	-	**(20 900 918)**	48 288 783
Infrastructure	264 890 080	8 747 941	-	-	-	-	**273 638 021**	(126 847 038)	-	-	(9 816 346)	-	**(136 663 384)**	136 974 637
Community Assets	23 612 128	3 163 235	-	-	-	-	**26 775 363**	(3 729 913)	-	-	(983 966)	-	**(4 713 879)**	22 061 484
Heritage assets	185 000	-	-	-	7 000	-	**192 000**	-	-	-	-	-	**-**	192 000
Other assets	39 232 892	1 535 141	-	-	-	-	**40 768 033**	(31 127 644)	-	-	(3 553 500)	-	**(34 681 144)**	6 086 889
	393 956 000	**14 400 118**	**-**	**2 200 000**	**7 000**	**-**	**410 563 118**	**(178 959 964)**	**-**	**-**	**(17 999 361)**	**-**	**(196 959 325)**	**213 603 793**
Intangible assets														
Computers - software & programming	1 272 258	-	-	-	-	-	**1 272 258**	(1 062 650)	-	-	(104 804)	-	**(1 167 454)**	104 804
	1 272 258	**-**	**-**	**-**	**-**	**-**	**1 272 258**	**(1 062 650)**	**-**	**-**	**(104 804)**	**-**	**(1 167 454)**	**104 804**
Investment properties														
Investment property	2 200 000	-	-	(2 200 000)	-	-	**-**	-	-	-	-	-	**-**	-
	2 200 000	**-**	**-**	**(2 200 000)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total														
Land and buildings	66 035 900	953 801	-	2 200 000	-	-	**69 189 701**	(17 255 369)	-	-	(3 645 549)	-	**(20 900 918)**	48 288 783
Infrastructure	264 890 080	8 747 941	-	-	-	-	**273 638 021**	(126 847 038)	-	-	(9 816 346)	-	**(136 663 384)**	136 974 637
Community Assets	23 612 128	3 163 235	-	-	-	-	**26 775 363**	(3 729 913)	-	-	(983 966)	-	**(4 713 879)**	22 061 484
Heritage assets	185 000	-	-	-	7 000	-	**192 000**	-	-	-	-	-	**-**	192 000
Other assets	39 232 892	1 535 141	-	-	-	-	**40 768 033**	(31 127 644)	-	-	(3 553 500)	-	**(34 681 144)**	6 086 889
Intangible assets	1 272 258	-	-	-	-	-	**1 272 258**	(1 062 650)	-	-	(104 804)	-	**(1 167 454)**	104 804
Investment properties	2 200 000	-	-	(2 200 000)	-	-	**-**	-	-	-	-	-	**-**	-
	397 428 258	**14 400 118**	**-**	**-**	**7 000**	**-**	**411 835 376**	**(180 022 614)**	**-**	**-**	**(18 104 165)**	**-**	**(198 126 779)**	**213 708 597**

Appendix C

June 2024

Segmental analysis of property, plant and equipment as at 30 June 2024

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	**Additions Rand**	**Disposals Rand**	**Transfers Rand**	**Revaluations Rand**	**Other changes, movements Rand**	**Closing Balance Rand**	**Opening Balance Rand**	**Disposals Rand**	**Transfers Rand**	**Depreciation Rand**	**Impairment deficit Rand**	**Closing Balance Rand**	**Carrying value Rand**
Municipality														
Executive & Council/Mayor and Council	2 701 563	92 200	-	-	-	-	**2 793 763**	(1 414 362)	-	-	(317 767)	-	**(1 732 129)**	1 061 634
Finance & Admin/Finance	3 664 469	242 620	-	-	12 000	-	**3 919 089**	(2 866 951)	-	-	(192 681)	-	**(3 059 632)**	859 457
Planning and Development/Economic Development/Plan	96 370 531	115 930	-	-	-	-	**96 486 461**	(29 656 320)	-	-	(2 881 340)	-	**(32 537 660)**	63 948 801
Comm. & Social/Libraries and archives	194 323 897	5 030 712	-	-	-	-	**199 354 609**	(128 460 828)	-	-	(7 055 223)	-	**(135 516 051)**	63 838 558
Road Transport/Roads	114 774 915	13 520 198	-	-	-	-	**128 295 113**	(35 728 318)	-	-	(4 367 200)	-	**(40 095 518)**	88 199 595
	411 835 375	**19 001 660**	**-**	**-**	**12 000**	**-**	**430 849 035**	**(198 126 779)**	**-**	**-**	**(14 814 211)**	**-**	**(212 940 990)**	**217 908 045**
Total														
Municipality	411 835 375	19 001 660	-	-	12 000	-	**430 849 035**	(198 126 779)	-	-	(14 814 211)	-	**(212 940 990)**	217 908 045
	411 835 375	**19 001 660**	**-**	**-**	**12 000**	**-**	**430 849 035**	**(198 126 779)**	**-**	**-**	**(14 814 211)**	**-**	**(212 940 990)**	**217 908 045**

Mpofana Local Municipality
Appendix D
June 2024

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**		**Actual Income Rand**	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**
			Municipality			
8 692 000	11 939 442	(3 247 442)	Executive & Council/Mayor and Council	10 086 065	10 883 365	(797 300)
54 301 203	87 248 222	(32 947 019)	Finance & Admin/Finance	94 121 390	42 527 535	51 593 855
8 703 430	35 841 527	(27 138 097)	Planning and Development/Economic Development/Plan	8 720 382	34 587 226	(25 866 844)
30 472 799	21 965 579	8 507 220	Comm. & Social/Libraries and archives	34 640 121	32 968 573	1 671 548
76 579 593	164 435 117	(87 855 524)	Electricity /Electricity Distribution	76 560 507	178 567 202	(102 006 695)
178 749 025	**321 429 887**	**(142 680 862)**		**224 128 465**	**299 533 901**	**(75 405 436)**
			Municipal Owned Entities			
			Other charges			
178 749 025	321 429 887	(142 680 862)	Municipality	224 128 465	299 533 901	(75 405 436)
178 749 025	**321 429 887**	**(142 680 862)**	**Total**	**224 128 465**	**299 533 901**	**(75 405 436)**

Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2024

	Current year 2023 Act. Bal. Rand	Current year 2023 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	17 242 076	15 885 993	1 356 083	8.5	
Service charges	47 513 722	68 003 142	(20 489 420)	(30.1)	Refer to explanation ducumented in Statement of Comparison of Budget v Actul amounts
Rental of facilities and equipment	249 884	208 184	41 700	20.0	Refer to explanation ducumented in Statement of Comparison of Budget v Actul amounts
Governent grants and subsidies	76 803 737	73 159 005	3 644 732	5.0	
Fines, penalties and forfiets	7 191 953	7 746 203	(554 250)	(7.2)	
Licences and permits	4 965 144	5 120 281	(155 137)	(3.0)	
Finance costs reversed	35 860 029	-	35 860 029	-	
Construction contracts (INEP)	27 196 661	-	27 196 661	-	Refer to explanation ducumented in Statement of Comparison of Budget v Actul amounts
Other income	6 521 073	6 683 262	(162 189)	(2.4)	
Interest received - investment	572 186	34 557 679	(33 985 493)	(98.3)	Refer to explanation ducumented in Statement of Comparison of Budget v Actul amounts
	224 116 465	211 363 749	12 752 716	6.0	
Expenses					
Employee related costs	(62 296 963)	(58 495 911)	(3 801 052)	6.5	
Remuneration of councillors	(3 094 715)	(3 136 493)	41 778	(1.3)	
Transfer payments	(27 196 661)	-	(27 196 661)	-	
Depreciation	(14 778 307)	(18 104 176)	3 325 869	(18.4)	Refer to explanation ducumented in Statement of Comparison of Budget v Actul amounts
Amortisation	(35 905)	-	(35 905)	-	
Finance costs	(33 548 952)	(29 386 366)	(4 162 586)	14.2	Refer to explanation ducumented in Statement of Comparison of Budget v Actul amounts
Debt Impairment	(14 558 711)	(19 514 599)	4 955 888	(25.4)	Refer to explanation ducumented in Statement of Comparison of Budget v Actul amounts
Repairs and maintenance - General	(4 930 605)	-	(4 930 605)	-	
Bulk purchases	(72 721 413)	(62 130 999)	(10 590 414)	17.0	Refer to explanation ducumented in Statement of Comparison of Budget v Actul amounts
Contracted Services	(5 799 456)	(13 965 691)	8 166 235	(58.5)	Refer to explanation ducumented in Statement of Comparison of Budget v Actul amounts
General Expenses	(63 408 372)	(39 813 563)	(23 594 809)	59.3	Refer to explanation ducumented in Statement of Comparison of Budget v Actul amounts
	(302 370 060)	(244 547 798)	(57 822 262)	23.6	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	-	-	-	-	
Actuarial gains/losses	731 910	-	731 910	-	
Fair value adjustments	12 000	-	12 000	-	
	743 910	-	743 910	-	
Net surplus/ (deficit) for the year	(77 509 685)	(33 184 049)	(44 325 636)	133.6	

Mpofana Local Municipality
Appendix E(2)
June 2024

Budget Analysis of Capital Expenditure as at 30 June 2024

	Additions Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality					
Executive & Council/Mayor and Council	92 200	-	(92 200)	**-**	
Finance & Admin/Finance	242 620	-	(242 620)	**-**	
Planning and Development/Economic Development/Plan	115 930	-	(115 930)	**-**	
Comm. & Social/Libraries and archives	5 030 712	8 000 000	2 969 288	**37**	
Road Transport/Roads	13 520 198	11 389 850	(2 130 348)	**(19)**	
Electricity /Electricity Distribution	-	33 819 000	33 819 000	**100**	
	19 001 660	**53 208 850**	**34 207 190**	**64**	

Mpofana Local Municipality
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2024

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Yes/ No
Equitable Share	National Treasury	19 338 000	12 626 000	11 603 000	-	11 532 238	11 532 238	11 532 238	11 532 238	Yes
Municipal Infrastructure Grant	National Treasury	6 451 000	6 451 000	5 376 000	1 785 000	2 312 586	8 187 431	3 263 163	8 540 248	Yes
INEP Grant	National Treasury	11 692 000	13 500 000	8 627 000	-	7 500 395	12 386 730	2 323 379	9 065 657	Yes
Finance Management Grants	National Treasury	3 000 000	-	-	-	2 181 254	128 285	128 285	561 869	Yes
EPWP	Public Works	303 000	547 000	365 000	-	363 504	333 718	465 017	52 762	Yes
Small Town Improvement	KZN Cogta	-	-	-	-	153 619	-	-	-	Yes
Museum Subsidy	KZN Arts and Culture	-	249 000	-	-	127 064	121 936	-	-	Yes
Library Grant	KZN Arts and Culture	-	2 218 000	-	-	609 111	583 727	631 349	393 814	Yes
LGSETA	LGSETA	32 730	245 717	-	-	-	-	-	-	Yes
Transport Grant	KZN Transport	-	1 311 000	1 092 500	-	-	1 311 000	1 092 500	-	Yes
Municipal Disaster Grant	KZN Cogta	-	-	10 000 000	-	-	-	-	1 372 665	Yes
		-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	
		40 816 730	37 147 717	37 063 500	1 785 000	24 779 771	34 585 065	19 435 931	31 519 253	

Note: The grants has been spent in accordance with conditions of individual grant, please refer to Grants and Subsidies note. This excludes allocations from the Equitable Share.

Mpofana Local Municipality
Appendix G1
Budgeted Financial Performance (revenue and expenditure by functional classification)
for the year ended June 30, 2024

	2024/2023														2023/2022
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Functional															
Municipal governance and administration	**92 884 073**	**7 184 787**	**100 068 860**	**-**		**100 068 860**	**104 207 455**		**4 138 595**	**104 %**	**112 %**				**62 993 203**
Executive and council	-	-	-	-		-	10 086 065		10 086 065	DIV/0 %	DIV/0 %				8 692 000
Finance and administration	92 884 073	7 184 787	100 068 860	-		100 068 860	94 121 390		(5 947 470)	94 %	101 %				54 301 203
Community and public safety	**4 751 083**	**(1)**	**4 751 082**	**-**		**4 751 082**	**34 640 121**		**29 889 039**	**729 %**	**729 %**				**30 472 799**
Community and social services	4 738 953	(1)	4 738 952	-		4 738 952	34 640 121		29 901 169	731 %	731 %				30 472 799
Housing	12 130	-	12 130	-		12 130	-		(12 130)	- %	- %				-
Economic and environmental services	**45 989 577**	**(8 177 085)**	**37 812 492**	**-**		**37 812 492**	**8 720 382**		**(29 092 110)**	**23 %**	**19 %**				**8 703 430**
Road transport	45 989 577	(8 177 085)	37 812 492	-		37 812 492	8 720 382		(29 092 110)	23 %	19 %				8 703 430
Trading services	**77 405 539**	**(8 727 241)**	**68 678 298**	**-**		**68 678 298**	**76 560 507**		**7 882 209**	**111 %**	**99 %**				**76 579 593**
Energy sources	72 498 950	(8 823 793)	63 675 157	-		63 675 157	76 560 507		12 885 350	120 %	106 %				76 579 593
Waste management	4 906 589	96 552	5 003 141	-		5 003 141	-		(5 003 141)	- %	- %				-
Other	**53 017**	**-**	**53 017**	**-**		**53 017**	**-**		**(53 017)**	**- %**	**- %**				**-**
Other	53 017	-	53 017	-		53 017	-		(53 017)	- %	- %				-
Total Revenue - Functional	**221 083 289**	**(9 719 540)**	**211 363 749**	**-**		**211 363 749**	**224 128 465**		**12 764 716**	**106 %**	**101 %**				**178 749 025**

Mpofana Local Municipality
Appendix G1
Budgeted Financial Performance (revenue and expenditure by functional classification)
for the year ended June 30, 2024

	2024/2023												2023/2022		
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Functional															
Governance and administration	**68 318 543**	**449 831**	**68 768 374**	**-**	**-**	**68 768 374**	**53 410 900**	**-**	**(15 357 474)**	**78 %**	**78 %**	**-**	**-**	**-**	**99 187 664**
Executive and council	6 754 135	(293 346)	6 460 789	-	-	6 460 789	10 883 365	-	4 422 576	168 %	161 %	-	-	-	11 939 442
Finance and administration	61 564 408	743 177	62 307 585	-	-	62 307 585	42 527 535	-	(19 780 050)	68 %	69 %	-	-	-	87 248 222
Community and public safety	**4 446 983**	**135 130**	**4 582 113**	**-**	**-**	**4 582 113**	**32 968 573**	**-**	**28 386 460**	**720 %**	**741 %**	**-**	**-**	**-**	**21 965 579**
Community and social services	4 043 831	85 127	4 128 958	-	-	4 128 958	32 968 573	-	28 839 615	798 %	815 %	-	-	-	21 965 579
Sport and recreation	403 152	50 003	453 155	-	-	453 155	-	-	(453 155)	- %	- %	-	-	-	-
Economic and environmental services	**20 680 239**	**7 959 356**	**28 639 595**	**-**	**-**	**28 639 595**	**34 587 229**	**-**	**5 947 634**	**121 %**	**167 %**	**-**	**-**	**-**	**35 841 527**
Planning and development	4 608 396	7 192 493	11 800 889	-	-	11 800 889	34 587 229	-	22 786 340	293 %	751 %	-	-	-	35 841 527
Road transport	16 071 843	766 863	16 838 706	-	-	16 838 706	-	-	(16 838 706)	- %	- %	-	-	-	-
Trading services	**86 645 820**	**33 005 575**	**119 651 395**	**-**	**-**	**119 651 395**	**178 567 205**	**-**	**58 915 810**	**149 %**	**206 %**	**-**	**-**	**-**	**164 435 117**
Energy sources	75 524 613	33 099 453	108 624 066	-	-	108 624 066	178 567 205	-	69 943 139	164 %	236 %	-	-	-	164 435 117
Waste management	11 121 207	(93 878)	11 027 329	-	-	11 027 329	-	-	(11 027 329)	- %	- %	-	-	-	-
Other	**3 391 722**	**-**	**3 391 722**	**-**	**-**	**3 391 722**	**-**	**-**	**(3 391 722)**	**- %**	**- %**	**-**	**-**	**-**	**-**
Other	3 391 722	-	3 391 722	-	-	3 391 722	-	-	(3 391 722)	- %	- %	-	-	-	-
Total Expenditure - Functional	**183 483 307**	**41 549 892**	**225 033 199**	**-**	**-**	**225 033 199**	**299 533 907**	**-**	**74 500 708**	**133 %**	**163 %**	**-**	**-**	**-**	**321 429 887**
Surplus/(Deficit) for the year	**37 599 982**	**(51 269 432)**	**(13 669 450)**	**-**		**(13 669 450)**	**(75 405 442)**		**(61 735 992)**	**552 %**	**(201)%**				**(142 680 862)**

Mpofana Local Municipality
Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended June 30, 2024

	2024/2023														2023/2022
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote															
Vote1 - Executive and Council	53 017	-	53 017	-		53 017	10 086 065		10 033 048	19 024 %	19 024 %				8 692 000
Vote2 - Finance and Administration	92 884 073	7 184 787	100 068 860	-		100 068 860	94 121 390		(5 947 470)	94 %	101 %				54 301 203
Vote3 - Planning and Development/Economic Development/ Plan	45 989 577	(8 177 085)	37 812 492	-		37 812 492	8 720 382		(29 092 110)	23 %	19 %				8 703 430
Vote4 - Comm. & Social/ Libraries and archives	4 751 083	(1)	4 751 082	-		4 751 082	34 640 121		29 889 039	729 %	729 %				30 472 799
Vote5 - Electricity/ Electricty Distribution	77 405 539	(8 727 241)	68 678 298	-		68 678 298	76 560 507		7 882 209	111 %	99 %				76 579 593
Total Revenue by Vote	**221 083 289**	**(9 719 540)**	**211 363 749**	**-**		**211 363 749**	**224 128 465**		**12 764 716**	**106 %**	**101 %**				**178 749 025**
Expenditure by Vote to be appropriated															
Vote1 - Executive and Council	6 754 135	(293 346)	6 460 789	-	-	6 460 789	10 883 365	-	4 422 576	168 %	161 %	-	-	-	11 939 442
Vote2 - Finance and Administration	61 564 408	743 177	62 307 585	-	-	62 307 585	42 527 535	-	(19 780 050)	68 %	69 %	-	-	-	87 248 222
Vote3 - Planning and Development/Economic Development/ Plan	20 680 239	7 959 356	28 639 595	-	-	28 639 595	34 587 229	-	5 947 634	121 %	167 %	-	-	-	35 841 527
Vote4 - Comm. & Social/ Libraries and archives	4 446 983	135 130	4 582 113	-	-	4 582 113	32 968 573	-	28 386 460	720 %	741 %	-	-	-	21 965 579
Vote5 - Electricity/ Electricty Distribution	86 645 820	33 005 575	119 651 395	-	-	119 651 395	178 567 205	-	58 915 810	149 %	206 %	-	-	-	164 435 117
Vote6 - Other	3 391 722	-	3 391 722	-	-	3 391 722	-	-	(3 391 722)	- %	- %	-	-	-	-
Total Expenditure by Vote	**183 483 307**	**41 549 892**	**225 033 199**	**-**	**-**	**225 033 199**	**299 533 907**	**-**	**74 500 708**	**133 %**	**163 %**	**-**	**-**	**-**	**321 429 887**
Surplus/(Deficit) for the year	**37 599 982**	**(51 269 432)**	**(13 669 450)**	**-**		**(13 669 450)**	**(75 405 442)**		**(61 735 992)**	**552 %**	**(201)%**				**(142 680 862)**

Mpofana Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended June 30, 2024

	2024/2023														2023/2022
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	15 815 640	70 353	15 885 993	-		15 885 993	17 242 076		1 356 083	109 %	109 %				16 204 665
Service charges	76 724 208	(8 721 066)	68 003 142	-		68 003 142	47 513 722		(20 489 420)	70 %	62 %				54 338 772
Finance costs reversed	-	-	-	-		-	35 860 029		35 860 029	DIV/0 %	DIV/0 %				-
Rental of facilities and equipment	179 820	28 364	208 184	-		208 184	249 884		41 700	120 %	139 %				218 516
Interest earned	27 240 360	7 317 319	34 557 679	-		34 557 679	572 186		(33 985 493)	2 %	2 %				14 116 945
Fines, penalties and forfeits	8 044 212	(298 009)	7 746 203	-		7 746 203	7 191 953		(554 250)	93 %	89 %				7 278 947
Licences and permits	4 794 660	325 621	5 120 281	-		5 120 281	4 965 144		(155 137)	97 %	104 %				4 768 032
Construction contrcts revenue	-	-	-	-		-	27 196 661		27 196 661	DIV/0 %	DIV/0 %				10 701 500
Transfers and subsidies	74 597 004	(1 437 999)	73 159 005	-		73 159 005	76 803 737		3 644 732	105 %	103 %				63 842 394
Other revenue	13 648 980	(6 965 718)	6 683 262	-		6 683 262	6 521 073		(162 189)	98 %	48 %				7 272 254
Total Revenue (excluding capital transfers and contributions)	**221 044 884**	**(9 681 135)**	**211 363 749**	**-**		**211 363 749**	**224 116 465**		**12 752 716**	**106 %**	**101 %**				**178 831 507**

Mpofana Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended June 30, 2024

	2024/2023														2023/2022
	Original Budget Rand	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) Rand	Final adjustments budget Rand	Shifting of funds (i.t.o. s31 of the MFMA) Rand	Virement (i.t.o. Council approved policy) Rand	Final Budget Rand	Actual Outcome Rand	Unauthorised expenditure Rand	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand	Reported unauthorised expenditure Rand	Expenditure authorised in terms of section 32 of MFMA Rand	Balance to be recovered Rand	Restated Audited Outcome Rand
Expenditure By Type															
Employee related costs	61 595 795	(3 099 884)	58 495 911	-	-	58 495 911	62 296 962	3 801 051	3 801 051	106 %	101 %	-	-	-	58 757 252
Remuneration of councillors	3 145 440	(8 947)	3 136 493	-	-	3 136 493	3 094 715	-	(41 778)	99 %	98 %	-	-	-	3 158 783
Debt impairment	6 943 884	12 570 715	19 514 599		-	19 514 599	14 558 711	-	(4 955 888)	75 %	210 %	-	-	-	48 252 246
Depreciation & asset impairment	17 994 264	109 912	18 104 176		-	18 104 176	14 814 212	-	(3 289 964)	82 %	82 %	-	-	-	18 104 162
Finance charges	-	29 386 366	29 386 366	-	-	29 386 366	33 548 952	4 162 586	4 162 586	114 %	DIV/0 %	-	-	-	35 854 766
Bulk purchases	67 832 532	(5 701 533)	62 130 999	-	-	62 130 999	72 721 413	10 590 414	10 590 414	117 %	107 %	-	-	-	73 717 692
Construction contracts expenditure	-	-	-	-	-	-	27 196 661	27 196 661	27 196 661	DIV/0 %	DIV/0 %	-	-	-	10 701 500
Contracted services	15 297 936	(1 332 245)	13 965 691	-	-	13 965 691	5 799 456	-	(8 166 235)	42 %	38 %	-	-	-	7 037 865
Other expenditure	17 618 088	22 195 475	39 813 563	-	-	39 813 563	66 234 735	26 421 172	26 421 172	166 %	376 %	-	-	-	68 270 036
Total Expenditure	**190 427 939**	**54 119 859**	**244 547 798**	**-**	**-**	**244 547 798**	**300 265 817**	**72 171 884**	**55 718 019**	**123 %**	**158 %**	**-**	**-**	**-**	**323 854 302**
Surplus/(Deficit)	**30 616 945**	**(63 800 994)**	**(33 184 049)**	**-**		**(33 184 049)**	**(76 149 352)**	**(72 171 884)**	**(42 965 303)**	**229 %**	**(249)%**				**(145 022 795)**
Actuarial gains/losses	-	-	-	-		-	731 910		731 910	DIV/0 %	DIV/0 %				2 334 933
Fair value adjustments	-	-	-	-		-	12 000		12 000	DIV/0 %	DIV/0 %				7 000
Surplus/(Deficit) after capital transfers & contributions	**30 616 945**	**(63 800 994)**	**(33 184 049)**	**-**		**(33 184 049)**	**(75 405 442)**		**(42 221 393)**	**227 %**	**(246)%**				**(142 680 862)**
Surplus/(Deficit) after taxation	**30 616 945**	**(63 800 994)**	**(33 184 049)**	**-**		**(33 184 049)**	**(75 405 442)**		**(42 221 393)**	**227 %**	**(246)%**				**(142 680 862)**
Surplus/(Deficit) attributable to municipality	**30 616 945**	**(63 800 994)**	**(33 184 049)**	**-**		**(33 184 049)**	**(75 405 442)**		**(42 221 393)**	**227 %**	**(246)%**				**(142 680 862)**
Surplus/(Deficit) for the year	**30 616 945**	**(63 800 994)**	**(33 184 049)**	**-**		**(33 184 049)**	**(75 405 442)**		**(42 221 393)**	**227 %**	**(246)%**				**(142 680 862)**

Mpofana Local Municipality
Appendix G4
Budgeted Capital Expenditure by vote, function and funding
for the year ended June 30, 2024

	2024/2023											2023/2022			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote															
Multi-year expenditure															
Single-year expenditure															
Vote5 - Sports and recreation	9 350 300	(1 350 300)	8 000 000	-	-	8 000 000	5 030 712	-	(2 969 288)	63 %	54 %	-	-	-	-
Capital single-year expenditure sub-total	**9 350 300**	**(1 350 300)**	**8 000 000**	**-**	**-**	**8 000 000**	**5 030 712**	**-**	**(2 969 288)**	**63 %**	**54 %**	**-**	**-**	**-**	**-**
Total Capital Expenditure - Vote	**9 350 300**	**(1 350 300)**	**8 000 000**	**-**	**-**	**8 000 000**	**5 030 712**	**-**	**(2 969 288)**	**63 %**	**54 %**	**-**	**-**	**-**	**-**

Mpofana Local Municipality
Appendix G4
Budgeted Capital Expenditure by vote, function and funding
for the year ended June 30, 2024

	2024/2023											2023/2022			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Functional															
Governance and administration	**-**	**-**	**-**	**-**	**-**	**-**	**334 820**	**-**	**334 820**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Executive and council	-	-	-	-	-	-	92 200	-	92 200	DIV/0 %	DIV/0 %	-	-	-	-
Finance and administration	-	-	-	-	-	-	242 620	-	242 620	DIV/0 %	DIV/0 %	-	-	-	-
Community and public safety	**9 350 300**	**(1 350 300)**	**8 000 000**	**-**	**-**	**8 000 000**	**5 030 712**	**-**	**(2 969 288)**	**63 %**	**54 %**	**-**	**-**	**-**	**-**
Sport and recreation	9 350 300	(1 350 300)	8 000 000	-	-	8 000 000	5 030 712	-	(2 969 288)	63 %	54 %	-	-	-	-
Economic and environmental services	**11 477 550**	**(87 700)**	**11 389 850**	**-**	**-**	**11 389 850**	**13 636 128**	**-**	**2 246 278**	**120 %**	**119 %**	**-**	**-**	**-**	**14 400 118**
Planning and development	-	-	-	-	-	-	115 930	-	115 930	DIV/0 %	DIV/0 %	-	-	-	-
Road transport	11 477 550	(87 700)	11 389 850	-	-	11 389 850	13 520 198	-	2 130 348	119 %	118 %	-	-	-	14 400 118
Trading services	**-**	**33 819 000**	**33 819 000**	**-**	**-**	**33 819 000**	**-**	**-**	**(33 819 000)**	**- %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Energy sources	-	33 819 000	33 819 000	-	-	33 819 000	-	-	(33 819 000)	- %	DIV/0 %	-	-	-	-
Total Capital Expenditure - Functional	**20 827 850**	**32 381 000**	**53 208 850**	**-**	**-**	**53 208 850**	**19 001 660**	**-**	**(34 207 190)**	**36 %**	**91 %**	**-**	**-**	**-**	**14 400 118**
Funded by:															
National Government	20 827 850	32 381 000	53 208 850	-		53 208 850	18 550 910		(34 657 940)	35 %	89 %				14 400 118
Transfers recognised - capital	**20 827 850**	**32 381 000**	**53 208 850**	**-**		**53 208 850**	**18 550 910**		**(34 657 940)**	**35 %**	**89 %**				**14 400 118**
Internally generated funds	-	-	-	-		-	450 750		450 750	DIV/0 %	DIV/0 %				-
Total Capital Funding	**20 827 850**	**32 381 000**	**53 208 850**	**-**		**53 208 850**	**19 001 660**		**(34 207 190)**	**36 %**	**91 %**				**14 400 118**

Mpofana Local Municipality
Appendix G5
Budgeted Cash Flows
for the year ended June 30, 2024

	2024/2023								2023
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities									
Receipts									
Property rates	15 815 640	(2 313 017)	13 502 623	13 502 623	25 721 862	12 219 239	190 %	163 %	27 803 882
Service charges	75 009 060	(8 805 692)	66 203 368	66 203 368	30 352 899	(35 850 469)	46 %	40 %	28 129 396
Other revenue	21 438 960	(7 239 885)	14 199 075	14 199 075	28 039 549	13 840 474	197 %	131 %	9 992 286
Government grants received	117 289 012	(10 311 007)	106 978 005	106 978 005	85 536 790	(21 441 215)	80 %	73 %	66 576 938
Government - capital	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Interest	341 256	215 347	556 603	556 603	572 186	15 583	103 %	168 %	14 116 945
Dividends	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments									
Employee costs	(64 741 235)	3 108 831	(61 632 404)	(61 632 404)	(61 637 839)	(5 435)	100 %	95 %	(58 162 123)
Finance charges	-	29 386 366	29 386 366	29 386 366	(4 804 950)	(34 191 316)	(16)%	DIV/0 %	(35 854 766)
Suppliers	(140 174 211)	30 642 651	(109 531 560)	(109 531 560)	(86 535 458)	22 996 102	79 %	62 %	(40 236 975)
Net cash flow from/used operating activities	**24 978 482**	**34 683 594**	**59 662 076**	**59 662 076**	**17 245 039**	**(42 417 037)**	**29 %**	**69 %**	**12 365 583**
Cash flow from investing activities									
Receipts									
Proceeds on disposal of PPE	-	-	-	-	-	-	DIV/0 %	DIV/0 %	89 482
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) other non-current receivables	-	-	-	-	2 343 558	2 343 558	DIV/0 %	DIV/0 %	(166 333)
Decrease (increase) in non-current investments	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments									
Capital assets	(20 827 848)	(35 289 479)	(56 117 327)	(56 117 327)	(18 691 938)	37 425 389	33 %	90 %	(13 650 338)
	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Net cash flow from/used investing activities	**(20 827 848)**	**(35 289 479)**	**(56 117 327)**	**(56 117 327)**	**(16 348 380)**	**39 768 947**	**29 %**	**78 %**	**(13 727 189)**
Cash flow from financing activities									
Receipts									
Short term loans	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Borrowing long term/refinancing	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments									
Repayment of borrowing	(3 150 000)	3 150 000	-	-	-	-	DIV/0 %	- %	-
	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Net cash flow from/used financing activities	**(3 150 000)**	**3 150 000**	**-**	**-**	**-**	**-**	**DIV/0 %**	**- %**	**-**
Net increase/(decrease) in cash held	**1 000 634**	**2 544 115**	**3 544 749**	**3 544 749**	**896 659**	**(2 648 090)**	**25 %**	**90 %**	**(1 361 606)**
Cash/cash equivalents at the year begin:									3 518 780

Mpofana Local Municipality
Appendix G5
Budgeted Cash Flows
for the year ended June 30, 2024

	2024/2023								2023
	Original Budget Rand	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) Rand	Final adjustments budget Rand	Final Budget Rand	Actual Outcome Rand	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand	Restated Audited Outcome Rand
Cash/cash equivalents at the year end:	**1 000 634**	**2 544 115**	**3 544 749**	**3 544 749**	**896 659**	**(2 648 090)**	**25 %**	**90 %**	