Alfred Duma Local Municipality
(Registration number KZN 238)
Financial statements
for the year ended 30 June 2024

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	The primary function of Alfred Duma Local Municipality is to provide basic services i.e. electricity, refuse, roads and stormwater facilities within the municipality's jurisdiction. The mandate of the Municipality is in terms of section 152 of the Constitution of South Africa.
Mayoral committee	
Mayor	Cllr. ZJ Sibisi
Speaker	Cllr. BP Sithole
Deputy Mayor	Cllr. S Simelane
Chief Whip	Cllr. S Sithole
Executive Committee	Cllr. TP Dlamini
	Cllr. T Hadebe
	Cllr. ZI Madondo
	Cllr. ASD Warasally
	Cllr. SE Madondo
	Cllr. MB Mbhele
	Cllr TP Njoko
	Cllr. A Mchunu
Grading of local authority	Grade 4
Municipal Manager	SS Ngiba
Acting Chief Financial Officer	RA Jhetam
Registered office	Lister Clarence Building 221 Murchison Street Ladysmith 3370
Business address	Lister Clarence Building 221 Murchison Street Ladysmith 3370
Postal address	PO Box 29 Ladysmith Kwazulu-Natal 3370
Bankers	ABSA Bank, Standard Bank, Nedbank, Investec Bank and First National Bank
Auditors	Auditor General of South Africa

Index

	Page
Accounting Officer's Responsibilities and Approval	3
Statement of Financial Position	4
Statement of Financial Performance	5 - 6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actuals	9 - 12
Significant Accounting Policies	13 - 55
Notes to the Financial Statements	56 - 128

Abbreviations used:

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
LGSETA	Local Government Sector Education and Training Authority
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
INEP	Integrated National Electrification Programme
MIG	Municipal Infrastructure Grant
MDRG	Municipal Disaster Relief / Response Grant

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the Annual Financial Statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the Annual Financial Statements and 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 judgments and estimates.

The Accounting Officer acknowledges that she 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 Mid-term Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

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

The municipality is wholly dependent on the municipality for continued funding of operations. The Annual Financial Statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The Accounting Officer also certifies that salaries, allowances and benefits of Councillors, loans made to Councillors, if any and payments made to Councillors for loss of office as disclosed in the Annual Financial Statements below are within the upper limits of the framework envisaged in Section 219 of the Constitution, read in conjunction with the Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The Annual Financial Statements set out on page 4, which have been prepared on the going concern basis, were approved by the Accounting Officer on 29 November 2024 and were signed on its behalf by:

Accounting Officer
Ms SS Ngiba

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	560,534,966	528,964,484
Receivables from non-exchange transactions	4	305,904,335	261,034,830
Receivables from exchange transactions	5	134,206,991	133,290,051
Inventories	6	58,511,251	54,032,310
		1,059,157,543	**977,321,675**
Non-Current Assets			
Investment property	7	915,602,791	777,284,109
Property, plant and equipment	8	1,644,471,308	1,593,879,779
Intangible assets	9	844,338	1,227,581
Heritage assets	10	21,400,526	21,400,526
Eskom Deposits	11	3,299,830	3,003,430
		2,585,618,793	**2,396,795,425**
Non-Current Assets		2,585,618,793	2,396,795,425
Current Assets		1,059,157,543	977,321,675
Total Assets		**3,644,776,336**	**3,374,117,100**
Liabilities			
Current Liabilities			
Long term loans	12	914,667	842,716
Finance lease obligation	13	-	801,919
Payables from exchange transactions	14	213,609,198	219,567,075
Consumer deposits	15	21,752,154	22,059,393
Unspent conditional grants and receipts	16	51,310,606	64,752,086
Provisions	17	4,614,604	2,040,196
Employee benefit obligation	18	7,079,001	6,166,000
		299,280,230	**316,229,385**
Non-Current Liabilities			
Long term loans	12	1,598,490	2,516,555
Employee benefit obligation	18	76,689,000	70,336,000
Provisions	17	91,066,947	79,385,942
		169,354,437	**152,238,497**
Non-Current Liabilities		169,354,437	152,238,497
Current Liabilities		299,280,230	316,229,385
Total Liabilities		**468,634,667**	**468,467,882**
Assets		3,644,776,336	3,374,117,100
Liabilities		(468,634,667)	(468,467,882)
Net Assets		**3,176,141,669**	**2,905,649,218**
Reserves			
Housing Operating Fund	19	53,022,364	47,445,537
Accumulated surplus	20	3,123,119,318	2,858,203,674
Total Net Assets		**3,176,141,682**	**2,905,649,211**

* Refer to prior year adjustment note 58

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	551,816,057	472,358,340
Construction contract revenue	51	1,080,884	10,303,120
Rental of facilities and equipment	22	3,197,454	2,785,491
Interest received - receivables from exchange	30	11,832,358	8,379,119
Agency services	24	3,594,996	3,081,748
Licences and permits	25	3,727,566	3,134,117
Sales of goods and rendering of services	27	1,835,578	1,569,504
Operational revenue	28	5,219,491	5,987,525
Interest received - external investments	29	42,546,899	31,400,547
Gain on remeasurements for employee benefits	41	-	6,232,942
Fair value adjustments	31	139,259,855	108,374,892
Inventories reversal on write down	32	-	1,005,629
Total revenue from exchange transactions		**764,111,138**	**654,612,974**
Revenue from non-exchange transactions			
Property rates	33	298,194,294	225,945,813
Property rates - penalties imposed	33	43,834,356	39,884,534
Government grants and subsidies	34	435,613,295	400,185,200
Electricity availability charges	35	2,854,026	2,400,998
Public contributions and donations	36	-	939,544
Fines, penalties and forfeits	37	9,598,464	30,959,515
Interest on availability charges	23	1,011,921	859,921
Total revenue from non-exchange transactions		**791,106,356**	**701,175,525**
		764,111,138	654,612,974
		791,106,356	701,175,525
Total revenue		**1,555,217,494**	**1,355,788,499**
Expenditure			
Employee related costs	38	393,357,495	366,341,376
Remuneration of councillors	39	30,831,587	28,824,204
Depreciation and amortisation	43	82,970,435	81,984,228
Impairment (reversal on impairment) on cash and non - cash generating assets	44	(23,703)	1,459,781
Finance costs	46	17,470,852	11,560,180
Lease rentals on operating lease	26	1,358,990	1,501,935
Debt Impairment	45	88,588,316	71,351,195
Bad debts written off	70	19,591,132	15,782,499
Bulk purchases	47	418,958,457	348,546,676
Contracted services	48	95,633,595	79,520,631
Transfers and subsidies	49	4,516,738	8,072,861
Loss on disposal of assets	42	5,661,362	3,545,300
Loss on remeasurement of employee benefits	41	864,301	-
Inventory consumed	40	31,682,651	23,952,976
Operational expenditure	50	99,063,594	97,499,263
Construction contract expenditure	51	1,080,996	11,300,588
Total expenditure		**1,291,606,798**	**1,151,243,693**
		-	-

* Refer to prior year adjustment note 58

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Total revenue		1,555,217,494	1,355,788,499
Total expenditure		(1,291,606,798)	(1,151,243,693)
Operating surplus/deficit		-	-
Surplus before taxation		263,610,696	204,544,806
Taxation		-	-
Surplus for the year		**263,610,696**	**204,544,806**

* Refer to prior year adjustment note 58

Alfred Duma Local Municipality

(Registration number KZN 238)
Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

Figures in Rand	Housing Operating Fund	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	42,990,817	2,401,991,991	2,444,982,808
Prior year adjustments - refer to note 58	-	251,011,056	251,011,056
Balance at 01 July 2022 as restated*	**42,990,817**	**2,653,003,047**	**2,695,993,864**
Changes in net assets			
Proceeds on the Housing Development Fund	5,602,968	-	5,602,968
Contribution and Interest recognised to Self insurance	-	1,008,161	1,008,161
Utilsation of the Self Insurance fund	-	(352,342)	(352,342)
Utilisation of the Housing Development Fund	(1,148,248)	-	(1,148,248)
Net income (losses) recognised directly in net assets	4,454,720	655,819	5,110,539
Surplus for the year	-	204,544,808	204,544,808
Total recognised income and expenses for the year	4,454,720	205,200,627	209,655,347
Total changes	4,454,720	205,200,627	209,655,347
Restated* Balance at 01 July 2023	**47,445,537**	**2,858,203,687**	**2,905,649,224**
Changes in net assets			
Interest recognised for the Housing Development Fund	7,429,761	-	7,429,761
Interest recognised for Self Insurance Fund	-	1,371,228	1,371,228
Utilisation of Housing Development Fund	(1,852,934)	-	(1,852,934)
Utilisation of Self Insurance Fund	-	(66,293)	(66,293)
Net income (losses) recognised directly in net assets	5,576,827	1,304,935	6,881,762
Surplus for the year	-	263,610,696	263,610,696
Total recognised income and expenses for the year	5,576,827	264,915,631	270,492,458
Total changes	5,576,827	264,915,631	270,492,458
Balance at 30 June 2024	**53,022,364**	**3,123,119,318**	**3,176,141,682**

Note(s)

* Refer to prior year adjustment note 58

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Taxation		233,167,672	193,450,624
Sale of goods and services		550,356,651	472,174,658
Government grants and subsidies		435,211,640	425,853,047
Interest income		51,347,889	38,011,693
		1,270,083,852	1,129,490,022
Payments			
Employee costs		(425,330,788)	(390,959,534)
Suppliers		(676,480,514)	(575,452,851)
Finance costs		(226,328)	(415,310)
		(1,102,037,630)	(966,827,695)
Total receipts		1,270,083,852	1,129,490,022
Total payments		(1,102,037,630)	(966,827,695)
Net cash flows from operating activities	52	**168,046,222**	**162,662,327**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(135,078,062)	(134,416,025)
Proceeds from sale of property, plant and equipment	8	782,791	1,033,261
Purchase of intangible assets	9	(236,037)	(534,900)
Payments of eskom deposits		(296,400)	(1,175,480)
Net cash flows from investing activities		**(134,827,708)**	**(135,093,144)**
Cash flows from financing activities			
Repayment of long term loans		(846,114)	(759,615)
Finance lease payments		(801,919)	(1,048,934)
Net cash flows from financing activities		**(1,648,032)**	**(1,808,549)**
Net increase/(decrease) in cash and cash equivalents		**31,570,482**	**25,760,634**
Cash and cash equivalents at the beginning of the year		528,964,484	503,203,850
Cash and cash equivalents at the end of the year	3	**560,534,966**	**528,964,484**

* Refer to prior year adjustment note 58

Statement of Comparison of Budget and Actuals

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	288,299,000	15,226,000	303,525,000	-		303,525,000	298,194,294		(5,330,706)	98 %	103 %
Service charges	552,232,000	3,057,000	555,289,000	-		555,289,000	551,816,058		(3,472,942)	99 %	100 %
Investment revenue	27,296,000	4,286,000	31,582,000	-		31,582,000	42,546,899		10,964,899	135 %	156 %
Transfers recognised - operational	328,677,000	21,254,000	349,931,000	-		349,931,000	345,027,675		(4,903,325)	99 %	105 %
Other own revenue	93,369,000	5,870,000	99,239,000	-		99,239,000	227,046,947		127,807,947	229 %	243 %
Total revenue (excluding capital transfers and contributions)	**1,289,873,000**	**49,693,000**	**1,339,566,000**	**-**		**1,339,566,000**	**1,464,631,873**		**125,065,873**	**109 %**	**114 %**
Employee costs	(424,204,000)	8,598,000	(415,606,000)	-	-	(415,606,000)	(393,357,491)	-	22,248,509	95 %	93 %
Remuneration of councillors	(32,347,000)	(102,000)	(32,449,000)	-	-	(32,449,000)	(30,831,587)	-	1,617,413	95 %	95 %
Depreciation and asset impairment	(220,589,000)	23,625,000	(196,964,000)			(196,964,000)	(171,535,047)	-	25,428,953	87 %	78 %
Finance charges	(8,772,000)	(3,876,000)	(12,648,000)	-	-	(12,648,000)	(17,470,853)	-	(4,822,853)	138 %	199 %
Inventory consumed and bulk purchases	(471,992,000)	(658,000)	(472,650,000)	-	(97,000)	(472,747,000)	(450,641,111)	-	22,105,889	95 %	95 %
Transfers and subsidies	(3,602,000)	(2,162,000)	(5,764,000)	-	-	(5,764,000)	(4,516,738)	-	1,247,262	78 %	125 %
Other expenditure	(208,381,000)	(46,626,000)	(255,007,000)	-	97,000	(254,910,000)	(223,253,963)	-	31,656,037	88 %	107 %
Total expenditure	**(1,369,887,000)**	**(21,201,000)**	**(1,391,088,000)**	**-**	**-**	**(1,391,088,000)**	**(1,291,606,790)**	**-**	**99,481,210**	**93 %**	**94 %**
Total revenue (excluding capital transfers and contributions)	1,289,873,000	49,693,000	1,339,566,000	-	-	1,339,566,000	1,464,631,873	-	125,065,873	109 %	114 %
Total expenditure	(1,369,887,000)	(21,201,000)	(1,391,088,000)	-	-	(1,391,088,000)	(1,291,606,790)	-	99,481,210	93 %	94 %
Surplus/(Deficit)	**(80,014,000)**	**28,492,000**	**(51,522,000)**	**-**		**(51,522,000)**	**173,025,083**		**224,547,083**	**(336)%**	**(216)%**

Statement of Comparison of Budget and Actuals

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)	84,711,000	8,601,000	93,312,000	-		93,312,000	90,585,618		(2,726,382)	97 %	107 %
Surplus/(Deficit)	(80,014,000)	28,492,000	(51,522,000)	-	-	(51,522,000)	173,025,083	-	224,547,083	(336)%	(216)%
Capital transfers and contributions	84,711,000	8,601,000	93,312,000	-	-	93,312,000	90,585,618	-	(2,726,382)	97 %	107 %
Surplus (Deficit) after capital transfers and contributions	**4,697,000**	**37,093,000**	**41,790,000**	**-**		**41,790,000**	**263,610,701**		**221,820,701**	**631 %**	**5,612 %**
Surplus (Deficit) after capital transfers and contributions	4,697,000	37,093,000	41,790,000	-	-	41,790,000	263,610,701	-	221,820,701	631 %	5,612 %
Surplus/(Deficit) for the year	**4,697,000**	**37,093,000**	**41,790,000**	**-**		**41,790,000**	**263,610,701**		**221,820,701**	**631 %**	**5,612 %**
Capital expenditure and funds sources											
Total capital expenditure	131,661,000	30,287,000	161,948,000	-		161,948,000	135,314,104		(26,633,896)	84 %	103 %
Sources of capital funds											
Transfers recognised - capital	84,711,000	8,601,000	93,312,000	-		93,312,000	78,728,583		(14,583,417)	84 %	93 %
Internally generated funds	46,950,000	21,686,000	68,636,000	-		68,636,000	56,585,521		(12,050,479)	82 %	121 %
Total sources of capital funds	**131,661,000**	**30,287,000**	**161,948,000**	**-**		**161,948,000**	**135,314,104**		**(26,633,896)**	**84 %**	**103 %**

Statement of Comparison of Budget and Actuals

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
Financial position											
Total current assets	1,047,391,000	(93,370,000)	954,021,000	-		954,021,000	1,589,617,585		635,596,585	167 %	152 %
Total non current assets	2,074,779,000	23,860,000	2,098,639,000	-		2,098,639,000	2,582,318,959		483,679,959	123 %	124 %
Total current liabilities	(352,625,000)	45,649,000	(306,976,000)	-		(306,976,000)	(826,440,421)		(519,464,421)	269 %	234 %
Total non current liabilities	(164,875,000)	14,327,000	(150,548,000)	-		(150,548,000)	(169,354,437)		(18,806,437)	112 %	103 %
Community wealth/Equity	2,604,670,000	(9,534,000)	2,595,136,000	-		2,595,136,000	3,176,141,686		581,005,686	122 %	122 %
Cash flows											
Net cash from (used) operating	53,110,000	(12,002,000)	41,108,000	-		41,108,000	168,046,222		126,938,222	409 %	316 %
Net cash from (used) investing	(146,083,000)	(50,150,000)	(196,233,000)	-		(196,233,000)	(134,827,726)		61,405,274	69 %	92 %
Net cash from (used) financing	2,745,000	-	2,745,000	-		2,745,000	(1,648,032)		(4,393,032)	(60)%	(60)%
Net increase/(decrease) in cash and cash equivalents	**(90,228,000)**	**(62,152,000)**	**(152,380,000)**	**-**		**(152,380,000)**	**31,570,464**		**183,950,464**	**(21)%**	**(35)%**
Cash and cash equivalents at the beginning of the year	426,328,000	102,346,000	528,674,000	-		528,674,000	528,964,484		290,484	100 %	124 %
Net increase / (decrease) in cash and cash equivalents	(90,228,000)	(62,152,000)	(152,380,000)	-	-	(152,380,000)	31,570,464	-	(183,950,464)	(21)%	(35)%
Cash and cash equivalents at the beginning of the year	426,328,000	102,346,000	528,674,000	-	-	528,674,000	528,964,484	-	(290,484)	100 %	124 %
Cash and cash equivalents at year end	**336,100,000**	**40,194,000**	**376,294,000**	**-**		**376,294,000**	**560,534,948**		**(184,240,948)**	**149 %**	**167 %**

Statement of Comparison of Budget and Actuals

Figures in Rand

Significant increases and decreases in the comparison of the budget and actuals are explained below:

Revenue Investments: The favourable interest rate throughout the year contributed to increased returns on investments, outperforming the initially projected budget. Cash flow was monitored to ensure investments were maximised where surplus funds became available, thereby maximising interest income.

Depreciation and asset impairment: impairment of assets and impairment of trade and other receivables was less than estimated.

Finance Charges: The actual interest on landfill site provision as per the expert's report was more than that estimated.

Other expenditure: Actuals was less than the budget mainly due to less applications that were received for free basic electricity and incentives on arrear debt.

Transfers and Subsidies: Actual expenditure was lower than anticipated during the budget process.

Total capital expenditure: Actual expenditure was lower than budget mainly due to other grants not being fully spend at financial year end. MDRG was received in April 2024 and as per the business plan we are supposed to spent it as at end of October 2024.

Other own revenue: Actuals were above budget due to fair value adjustments being much higher than the estimated budget.

Significant Accounting Policies

1. Significant accounting polices

The significant accounting policies applied in the preparation of these 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 Rands.

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.

STANDARDS APPROVED AND EFFECTIVE FOR THE 2023/24 FINANCIAL YEAR

The following GRAP standards have been approved and effective to the municipality for the 2023/24 financial year

- GRAP 1 Presentation of Financial Statements (as revised)
- GRAP 2 Cash Flow Statements
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 5 Borrowing Costs
- GRAP 9 Revenue from Exchange Transaction
- GRAP 11 Construction Contracts
- GRAP 12 Inventories
- GRAP 13 Leases
- GRAP 14 Events After the Reporting Date
- GRAP 16 Investment Property
- GRAP 17 Property Plant and Equipment
- GRAP 18 Segment Reporting
- GRAP 19 Provisions, Contingent Liabilities and Contingent Asset
- GRAP 20 Related Party Disclosures
- GRAP 21 Impairment of Non -Cash Generating Assets
- GRAP 23 Revenue from Non- Exchange Transactions (Taxes and Transfers
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 25 Employee Benefits (as revised)
- GRAP 26 Impairment of Cash-Generating Asset
- GRAP 27 Agriculture
- GRAP 31 Intangible Assets
- GRAP 34 Separate Financial Statement
- GRAP 100 Discounted Operations
- GRAP 103 Heritage Assets
- GRAP 104 Financial Instruments
- GRAP 108 Statutory Receivables
- GRAP 109 Accounting by Principals and Agents
- GRAP 110 Living and Non-Living Resource

INTERPRETATIONS OF STANDARDS OF GRAP APPROVED AND EFFECTIVE FOR THE 2023/24 FINANCIAL YEAR:

- IGRAP 1 Applying the Probability Test on Initial Recognition of Revenue
- IGRAP 2 Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IGRAP 3 Determining whether an arrangement contains a lease
- IGRAP 4 Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
- IGRAP 5 Applying the restatement approach under the Standard of GRAP on financial reporting in hyperinflationary economies

Significant Accounting Policies

1.1 Basis of preparation (continued)

- IGRAP 6 Loyalty Programmes
- IGRAP 7 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (as revised)
- IGRAP 8 Agreements for the Construction of Assets from Exchange Transaction
- IGRAP 9 Distributions of Non-cash Assets to Owners
- IGRAP 10 Assets Received from Customers
- IGRAP 13 Operating Leases – Incentives
- IGRAP 14 Evaluating the Substance of Transactions Involving the Legal Form of a Lease
- IGRAP 15 Revenue – Barter Transactions Involving Advertising Service
- IGRAP 16 Intangible Assets – Website Costs
- IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset
- IGRAP 18 Recognition and Derecognition of Land
- IGRAP 19 Liabilities to Pay Levies
- IGRAP 20 Accounting for Adjustments to Revenue
- IGRAP 21 The Effect of Past Decisions on Materiality

1.2 Presentation currency

These Annual Financial Statements are presented in South African Rands, 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 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 entity does not retrospectively adjust the accounting of past items (or group of items) that were previously assessed as immaterial, unless an error occurred.

1.5 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 judgment 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. In the process of applying its accounting policies, and in preparing the annual financial statements, management is required to make various judgments, including estimates and assumptions, that may affect the determination of the reporting framework, affect amounts represented in the annual financial statements and as well as related disclosures. Use of available information and the application of judgment 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 judgments, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Receivables from exchange and non-exchange transactions

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

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

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 is determined based on damaged and obselete stock identified at year end.The write down is included in the operating surplus notes.

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.

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 17 - Provisions.

Useful lives of infrastructure and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the infrastructure and other assets. This estimate is based on industry norm. Management will adjust the depreciation charge where useful lives are revised in comparison to 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 post retirement 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 18.

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Recognition and Derecognition of Land

In some instances the entity is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are as follows:
a) Whether the municipality can direct the use of the land’s future economic benefits or service potential to provide services to beneficiaries
b) Whether the municipality can exchange, dispose of, or transfer the land; and/or
c) Whether the municipality can use the land in any other way to generate future economic benefits or service potential

Where the municipality uses the land to provide future economic benefits or service potential while another entity has the right to exchange, dispose of, or transfer the land, the municipality shall assess its ability to exercise the right to exchange, dispose of, or transfer the land to determine if it is able to direct or restrict or deny access to the land.

When a municipality directs the use of the land to provide services to beneficiaries, either itself or through directing another entity to provide specific services, the municipality will conclude that it has the right to direct access to land and to restrict ordeny access of others to land.

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land, are as follows:
a) Whether another entity can direct the use of the land’s future economic benefits or service potential to provide services to beneficiaries
b) Whether another entity can exchange, dispose of, or transfer the land; and/or
c) Whether another entity can use the land in any other way to generate future economic benefits or service potentia

An entity may be granted a right to use the land for a period of time. Control of the land will be demonstrated if the entity has substantive rights to the land that enable it to direct access to the land, or to restrict or deny the access of others to land

For the entity to demonstrate control, the right of use needs to be for an unlimited period of time and the entity should have other substantive rights that enable it to direct access to the land, or to restrict or deny the access of others to the land

In the absence of the municipality demonstrating that it has granted the right to direct access to and restrict or deny access of others to the land to another entity, the legal owner controls the land as it retains the right to direct access to land, and to restrict or deny the access of others to land.

Additional information is disclosed in Note 8.

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are as follows:

a) It does not have the power to determine the significant terms and conditions of the transaction

For a municipality to be an agent, it must not have the power to determine the significant terms and conditions of the transactions with third parties. This means that it should not have the power to affect the result of the transaction. The result of a transaction is the economic benefits or service potential (or both) that arise from that transaction. The economic benefits or service potential can therefore be quantitative or qualitative.

The quantitative result of a transaction represents the monetary amount of a transaction and could include:
- he amount paid by the third party for a good or a service received, or the amount of any tax, levy or other charge paid
- The amount paid to the third party for goods and services procured, or benefits paid as part of a non-exchange transaction, e.g. a social benefit

The qualitative result of a transaction could include:
- The quality of a particular good or service received by the third party
- The administrative efficiency with which a specific transaction or activity should be performed
- The volume of a good or service provided to the third part

The municipality does not have the power to determine the significant terms and conditions of transactions with third parties if it is not able to decide, for example, the following aspects, but not limited to:
- What goods and services should be provided to, or procured from, third parties; or what taxes, levies or other charges should be levied on, or payments made to, third parties.
- To whom goods and services should be provided, or from whom goods and services should be procured; or on whom taxes levies or other charges should be levied, or to whom payments should be made. This does not require the identification of specific individual third parties, and could be groups of affected third parties.
- The price to be paid by third parties, or agree on the price to be paid to third parties; or the amount of tax, levies or other charges to be paid by, or the amount of payments to be made to, third parties.
- The quality of the goods and services provided to, or received from, third parties. This may be less relevant to transactions that relate to taxes, levies, charges received by, or payment by or to, third parties.

b) It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.

The types of resources that result from transactions with third parties could vary depending on the activities that are to be undertaken in terms of the binding arrangement. The resources that could result from transactions with third parties include:
- Receipts related to specific goods and services provided, or taxes, levies and other chargest
- Disbursements for specific goods and services procured to enable the execution of the transactions with third parties. The goods and services procured could also result in inventory.
- The municipality must not have the ability to use all, or substantially all, of the resources that result from the transactions with third parties. Where the municipality retains a portion of the revenue collected as a fee, e.g. a commission, or administration or transaction fee, for the service provided, this fee is usually nominal in relation to the total revenue collected, and as a result, the municipality would not have the ability to use all or substantially all of the resources that result from the transaction.

c) It is not exposed to variability in the results of the transaction:
A municipality is exposed to variability in the results of the transaction when it has exposure to both the positive and negative results associated with that transaction, and these exposures are not limited or fixed. There may be a number of factors that the municipality considers in determining whether it is exposed to the variability in the results of transactions. The municipality's exposure to the variability in the results of a transaction are usually limited if:
- Another party is responsible for fulfilling the rights and obligations established in the binding arrangement. For example, if the provision of a certain good or service is the responsibility of a specific type of entity in legislation, then it is likely that recipients of that good or service will look to that entity for delivery of those goods or services.
- The municipality has limited inventory risk, i.e. the risk of theft, obsolescence or other losses, as well as changes in value.
- The municipality receives a fixed fee or a fixed margin, e.g. commission, or administration or transaction fee, for carrying out the transactions.

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

- The municipality is not exposed to significant default risk, i.e. the risk of fees, taxes, levies or other charges not being paid by third parties.

Additional information is disclosed in Note 69.

Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures and impairment loss. The impairment loss is measured 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, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

In estimating the future cash flows, the 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 municipality 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 are 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.

Accounting for adjustments to revenue

Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management. When adjustments to revenue already recognised arise from new information that becomes known to the municipality, the following considerations are applied to determine whether the adjustment to revenue already recognised is a correction of an error or a change in an accounting estimate:

(a) If information becomes known to the municipality, and the municipality could reasonably have been expected to know of the information and/or the information used was incorrect, the adjustment to revenue is likely to be a correction of an error.

(b) If information becomes known to the municipality, but the municipality could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

Accounting for adjustments to revenue that correct an error or prior period error

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for an adjustment to revenue already recognised, including interest and penalties, as the correction of an error or prior period error where the entity:

(a) has not followed a proper due process to promulgate the tariff, basis, percentage or formula to charge the revenue; and/or

(b) incorrectly applied the tariff, basis, percentage or formula in charging revenue.

Errors discovered within the reporting period which relates to that period are corrected before the Annual Financial Statements are authorised for issue. The principles in GRAP 3 are applied to account for the adjustment to revenue already recognised as a result of the correction of a prior period error.

Accounting for adjustments to revenue as a change in an accounting estimate

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for any adjustment to revenue already recognised, including interest and penalties, as a change in an accounting estimate if changes occur in the circumstances that led to the recognition of the revenue.

The principles in GRAP 3 are applied to account for a change in an accounting estimate.

Significant Accounting Policies

1.6 Investment property

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

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

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

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

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

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

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

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

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

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

Significant Accounting Policies

1.6 Investment property (continued)

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:
- All properties held to earn market related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the municipality has not determined that it will use the land as owner occupied property or for short term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- Property that is being constructed or developed for future use as investment property;
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases; and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment or Inventory as appropriate:
- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner occupied property, including (among other things) property held for future use as owner occupied property, property held for future development and subsequent use as owner occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner occupied property awaiting disposal;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the Annual Financial Statements (see note 7).

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

1.7 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.

Significant Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

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

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.

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

Item	Depreciation method	Average useful life
Buildings - Community	Straight-line	50
Buildings - Administrative	Straight-line	50
Roads and Paving	Straight-line	10 - 50
Electricity	Straight-line	10 - 50
Landfill Sites	Straight-line	15
Stormwater	Straight-line	100
Bridges	Straight-line	50 - 100
Gravel Roads	Straight-line	10 - 50
Street Furniture	Straight-line	6 - 20
Recreational Facilities	Straight-line	15 - 50
Specialised vehicles	Straight-line	5 - 20
Other vehicles	Straight-line	5 - 20
Plant and Machinery	Straight-line	3 - 20
Furniture and Office Equipment	Straight-line	2 - 20
Plant and Equipment	Straight-line	3 - 20
Computer Equipment	Straight-line	3 - 10
Containers	Straight-line	7 - 10
Specialised Plant and Equipment	Straight-line	3 -20
Other items of Plant and Equipment	Straight-line	3 - 20

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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.

Significant Accounting Policies

1.7 Property, plant and equipment (continued)

The municipality assesses at each reporting date whether there is any indication that the municipality 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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 8).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

1.8 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 a 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.

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.

1.9 Intangible assets

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

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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.

Significant Accounting Policies

1.9 Intangible assets (continued)

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.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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
Servitudes	Straight-line	Indefinite
Computer software, other	Straight-line	2 - 10 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the Annual Financial Statements (see note 9).

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).

1.10 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.

Significant Accounting Policies

1.10 Heritage assets (continued)

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.

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

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.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

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

Recoverable amount is the higher of a cash-generating asset’s net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset’s remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets 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).

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Significant Accounting Policies

1.10 Heritage assets (continued)

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).

1.11 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 a 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 the municipality’s statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

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

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

Significant Accounting Policies

1.11 Financial instruments (continued)

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.

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

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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.

A residual interest is any contract that manifests an interest in the assets of an municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an municipality’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an municipality.

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.

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

1.11 Financial instruments (continued)

- 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 cash equivalents	Financial asset measured at amortised cost
Receivables from Exchange transactions (contractual receivables)	Financial asset measured at amortised cost
Receivables from non-exchange transactions (contractual receivables)	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
Long term liabilities	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

In accordance with GRAP 104, the municipality does not recognise statutory receivables as financial instruments, as the Standard permits contractual receivables to be disclosed as such.

1.12 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

1.12 Statutory receivables (continued)

- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

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.

1.12 Statutory receivables (continued)

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 entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
    - derecognise the receivable; and
    - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The municipality 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.

1.13 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 entity assesses the classification of each element separately.

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

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

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.

1.14 Inventories

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

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

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

1.14 Inventories (continued)

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 weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

1.15 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.

A 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.

1.16 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

1.16 Cash and cash equivalents (continued)

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.

1.17 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.

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'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.

Significant Accounting Policies

1.17 Impairment of cash-generating assets (continued)

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 for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

Discount rate

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

1.17 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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.

1.17 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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.

1.18 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.

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.

Significant Accounting Policies

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

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.

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Significant Accounting Policies

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

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.

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

1.19 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) 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 the municipality provides post-employment benefits for one or more employees.

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

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 municipalities that are not under common control; and (b) use those assets to provide benefits to employees of more than one municipality, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees.

State plans are plans established by legislation that operate as if they are multiemployer plans for all municipalities 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.

1.19 Employee benefits (continued)

Assets held by a long-term employee benefit fund are assets (other than nontransferable financial instruments issued by the reporting municipality) that: (a) are held by an entity (a fund) that is legally separate from the reporting municipality 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 municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, 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 municipality; or (ii) the assets are returned to the reporting municipality 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 municipality, 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 municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, 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 municipality 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 entity 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.

Significant Accounting Policies

1.19 Employee benefits (continued)

Short-term employee benefits

Recognition and measurement

All short-term employee benefits

When an employee has rendered service to the municipality during a reporting period, the municipality 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 municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.

(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 municipality 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.

1.19 Employee benefits (continued)

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

Multi-employer plans

The municipality classifies a multi-employer plan as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms). If the municipality participates in a multi-employer defined benefit plan, the municipality:

(a) accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan; and

(b) disclose the information required. When sufficient information is not available to use defined benefit accounting for a multi-employer defined benefit plan, the municipality: (a) accounts for the plan as if it were a defined contribution plan; and (b) disclose the information required.

In determining when to recognise, and how to measure, a liability relating to the wind-up of a multi-employer defined benefit plan, or the municipality's withdrawal from a multi-employer defined benefit plan, the municipality applies the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (GRAP 19).

Defined benefit plans that share risks between entities under common control

Participation in such a plan is a related party transaction for each individual municipality. The municipality therefore, in its separate or individual financial statements, discloses the information required.

State plans

The municipality accounts for a state plan in the same way as for a multi-employer plan.

Insured benefits

The municipality may pay insurance premiums to fund a post-employment benefit plan. The municipality treats such a plan as a defined contribution plan unless the municipality will have (either directly or indirectly through the plan) a legal or constructive obligation either to:

(a) pay the employee benefits directly when they fall due; or

(b) pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior reporting periods. If the municipality retains such a legal or constructive obligation, the municipality treats the plan as a defined benefit plan.

Post-employment benefits: Defined contribution plans

Recognition and measurement

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

(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 municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

(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.

Significant Accounting Policies

1.19 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 municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality 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 municipality 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.

Asset recognition ceiling: When a minimum funding requirement may give rise to a liability

If the municipality has an obligation under a minimum funding requirement to pay contributions to cover an existing shortfall on the minimum funding basis in respect of services already received, the municipality determines whether the contributions payable will be available as a refund or reduction in future contributions after they are paid into the plan. To the extent that the contributions payable will not be available after they are paid into the plan, the municipality recognises a liability when the obligation arises. The liability reduces the defined benefit asset or increases the defined benefit liability so that no gain or loss is expected to result when the contributions are paid.

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 municipality 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 municipality 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

1.19 Employee benefits (continued)

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.

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.

Recognition and measurement: Plan assets

Fair value of plan assets

Significant Accounting Policies

1.19 Employee benefits (continued)

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

Reimbursements

When, and only when, it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the entity:

(a) Recognises its right to reimbursement as a separate asset. The municipality measures the asset at fair value.

(b) Disaggregate and recognise changes in the fair value of its right to reimbursement in the same way as for changes in the fair value of plan assets. The components of defined benefit cost recognised as below (see section on Components of defined benefit cost), may be recognised net of amounts relating to changes in the carrying amount of the right to reimbursement.

Components of defined benefit cost

The municipality recognises the components of defined benefit cost in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset, as follows:

(a) service cost;

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

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

Current service cost

The municipality determines current service cost using actuarial assumptions determined at the start of the reporting period. However, if the municipality remeasures the net defined benefit liability (asset) in accordance with the section on past service cost gains and losses on settlement, it determines current service cost for the remainder of the reporting period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability (asset) in accordance with the section on past service cost gains and losses on settlement (part b).

Net interest on the net defined benefit liability (asset)

The municipality determines net interest on the net defined benefit liability (asset) by multiplying the net defined benefit liability (asset) by the discount rate specified.

To determine net interest, the municipality uses the net defined benefit liability (asset) and the discount rate determined at the start of the reporting period. However, if the entity remeasures the net defined benefit liability (asset) in accordance with the section on past service cost gains and losses on settlement, the municipality determines net interest for the remainder of the reporting period after the plan amendment, curtailment or settlement using:

(a) the net defined benefit liability (asset) determined in accordance with the section on Past service cost gains and losses on settlement (part b); and

(b) the discount rate used to remeasure the net defined benefit liability (asset) in accordance with the section on past service cost gains and losses on settlement (part b).

In applying this, the municipality also takes into account any changes in the net defined benefit liability (asset) during the period resulting from contributions or benefit payments.

Remeasurements of the net defined benefit liability (asset)

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

Significant Accounting Policies

1.19 Employee benefits (continued)

(c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Presentation

Offset

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.

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 entity:

(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

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 municipality 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).

Significant Accounting Policies

1.19 Employee benefits (continued)

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 municipality 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 municipality 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.

1.20 Provisions and contingencies

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

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.20 Provisions and contingencies (continued)

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 54.

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, a municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.20 Provisions and contingencies (continued)

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:

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 municipality 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 municipality 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 1.17 and 1.18.

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

1.21 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.22 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).

1.22 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest, royalties and dividends

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

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

Interest is recognised 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.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

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

1.23 Revenue from non-exchange transactions

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

1.23 Revenue from non-exchange transactions (continued)

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

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

Exchange transactions are transactions in which one 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.

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

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.

Significant Accounting Policies

1.23 Revenue from non-exchange transactions (continued)

Taxes

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

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

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

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

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

Taxation revenue are not grossed up for the amount of tax expenditures.

Transfers

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

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

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

Debt forgiveness and assumption of liabilities

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Significant Accounting Policies

1.23 Revenue from non-exchange transactions (continued)

Services in-kind

The municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.24 Investment income

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

1.25 Borrowing costs

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

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

1.26 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

The assessment of whether the 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.

Significant Accounting Policies

1.26 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

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

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

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

Recognition

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

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

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

1.27 Comparative figures

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

1.28 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).

1.29 Fruitless and wasteful expenditure

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

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

1.30 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).

Significant Accounting Policies

1.31 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.32 Internal reserves

Self-insurance reserve

The municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally. The balance of the self-insurance fund is invested in short-term cash investments.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

The municipality operates a self-insurance scheme under the Self-Insurance Reserve, which has a policy that is aligned with the practice in the Insurance Industry. The balance of the Self-Insurance Reserve is determined based on surpluses accumulated since inception.

These surpluses arise from the differences between premiums charged against claims paid and various administrative expenditure incurred.

At the end of each financial year the surplus as computed per above is transferred from accumulated surplus to Self-Insurance Reserve.

Premiums are calculated on past claims experienced and are charged to the various Clusters.

The balance of the self-insurance fund is fully cash backed and is invested in fixed and negotiable deposits.

1.33 Segment information

A segment is an activity of an entity:

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

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

Significant Accounting Policies

1.33 Segment information (continued)

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 municipality'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.

The municipality has considered the information reported to management in determination of segments. The approved budget and monthly management reporting occurs in the format prescribed by the Municipal Budget and Reporting Regulations. Revenue, Capital and Operating Expenditure is reported by function in terms of the A, B and C Schedules, and therefore considered in determination of segments. The Financial Position information is reported in its entirely to management and therefore has not been allocated to segments.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure.

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

1.34 Budget information

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

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

The 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 01 Jul 2023 to 30 Jun 2024.

The 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.

1.35 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 a municipality 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 Accounting Policies

1.35 Related parties (continued)

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

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

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

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

1.36 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.

Notes to the 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:
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	The impact is not material.
• GRAP 25 (as revised): Employee Benefits	01 April 2023	The adoption of this has not had a material impact but has resulted in more disclosure than would have previously been provided in the financial statements
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	The adoption of this has not had a material impact but has resulted in more disclosure than would have previously been provided in the financial statements
• GRAP 2020: Improvements to the Standards of GRAP 2020	01 April 2023	The impact is not material.
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	The impact is not material.
• GRAP 1 (amended): Presentation of Financial Statements (Materiality)	01 April 2023	The impact 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 01 July 2024 or later periods:

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

3. Cash and cash equivalents

Cash and cash equivalents consist of:

3. Cash and cash equivalents (continued)

Cash on hand	77,769	82,473
Bank balances	509,492,471	377,075,463
Short-term deposits	50,964,726	151,806,548
	560,534,966	**528,964,484**

The municipality has the following bank accounts, which has been reported as bank and call accounts:

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
ABSA Bank-Current Account (Primary Account)- 4071756088	78,135,717	37,031,109	30,187,075	70,610,008	31,323,199	22,599,847
ABSA Bank - General Call Account -9207051716	272,675,776	188,537,305	132,300,794	272,675,776	189,800,197	132,300,794
ABSA Bank-Housing Grant Call Account - 9207052314	42,509,499	42,733,736	42,773,002	42,509,499	43,009,698	42,932,996
ABSA Bank - Grants Funds Call Account - 9207054081	50,633,285	46,807,151	44,055,333	50,633,285	47,109,103	44,055,333
ABSA BANK -Self Insurance Fund Call Account - 9251267674	16,760,682	15,804,483	14,485,914	16,760,682	15,842,741	14,502,590
ABSA Bank-Housing Operating Call account -9274469611	54,108,656	47,859,889	42,531,921	54,108,656	48,168,340	43,398,103
ABSA Bank-Housing Capacity Fund Call Account - 9285122301	2,194,565	1,810,824	1,710,435	2,194,565	1,822,185	1,713,365
Total	**517,018,180**	**380,584,497**	**308,044,474**	**509,492,471**	**377,075,463**	**301,503,028**

Differences between the bank statement and cash book are as follows:
- Outstanding payments as at 30 June 2024, not cleared from the bank is R 11 747 630 (2023:R9 955 053)
- Outstanding deposits as at 30 June 2024, not cleared from the bank is R 4 222 232 (2023: R1 569 822)
- Bank deposit on cash book as at 30 June 2024, not cleared from the bank is R300 (2023:R0)

Additionally, accrued interest has been recognised to the cash book for the month of June, which has been paid to the municipality's bank account at the commencement of the following financial year.

Guarantee Held on Primary Account:
The municipality has a guarantee of R120 000 held in favour of The South African Post Office.

Short Term Investments

Summary of cash book balances on investment accounts:

The municipality invests in short term investments accounts, a summary of cash book balances have been indicated below:

Name of Bank		
Nedbank	-	101,207,233
Standard Bank	-	50,599,315
ABSA Bank	50,964,726	-
	50,964,726	**151,806,548**

Notes to the Financial Statements

Figures in Rand	2024	2023

4. Receivables from non-exchange transactions

Gross Debtors		
Government grants and subsidies	-	5,212,188
Traffic Fines	20,195,969	22,598,256
Property rates	700,325,724	583,887,062
Electricity Availability	13,785,589	13,884,708
Unauthorised Expenditure	-	135
Tampered meter fines	4,323,814	1,866,798
	738,631,096	**627,449,147**

Impairment		
Traffic fines impairment	(18,580,398)	(21,018,662)
Property rates impairment	(403,037,671)	(335,508,237)
Electricity availability charges impairment	(10,296,864)	(9,432,885)
Tampered meter fines	(811,828)	(454,533)
	(432,726,761)	**(366,414,317)**

Net Debtors		
Government grants and subsidies	-	5,212,188
Traffic fines	1,615,571	1,579,594
Property rates	297,288,053	248,378,825
Electricity availability charges	3,488,725	4,451,823
Unauthorised expenditure	-	135
Tampered meter fines	3,511,986	1,412,265
	305,904,335	**261,034,830**

Statutory receivables included in receivables from non-exchange transactions are as follows, on a gross basis:

Traffic fines	20,195,969	22,598,256
Property rates	700,325,724	583,887,062
	720,521,693	**606,485,318**

Figures in Rand	2024	2023

4. Receivables from non-exchange transactions (continued)

Statutory receivables are accounted for as follows:

Government Grants and Subsidies

The amount of R5 212 188 was received from the Dept of Sports, Arts and Culture. The amount was received in the 2023/2024 FY. Therefore, the debtor was raised was cleared

Transactions arises from statute
Traffic fines are issued to offenders in terms of the Administrative of Road Traffic Offences (AARTO Act) and Criminal Procedures Act, by the way of notices to offenders which specify the value of the fine that must be paid.

Property rates is charged in terms of the Municipal Property Rates Act.

Determination of transaction amount
Traffic Fines
Schedule 3 of the AARTO Regulations 2008 for charge codes and descriptions, penalties and their discounts, and demerit points
Interest or other charges levied/charged
No interest is charged on outstanding fines, and any additions are further applied by the court is paid by the offender to the municipality then paid to the court.

Property rates
Interest is raised on overdue accounts at 10.25% per annum in accordance with the National Credit Act, in respect of arrears arising after 1 November 2016. Arrear accounts arising before 31 October 2016 is charged interest at a rate of 9% per annum.

Basis used to access and test whether a statutory receivable is impaired:

Traffic fines
The Municipality account for traffic fines impairment in accordance with iGRAP 1.
Management considered receivables individually that may be impaired as well as groups of similar receivables that may be impaired.
Management takes into account expired warrants for individual impairment.
The Municipality assesses the average collection rate in the determination of the group impairment percentage to be considered.

Property rates
The estimates were determined in accordance with the debt impairment policy of the municipality, supplemented by experience of past practices and statistics in relation to uncollectable debt.
Management considered receivables individually that may be impaired as well as groups of similar receivables that may be impaired.

The total debts were further separated into groups of similar receivables with similar risk profiles and assessed for impairment.
The impairment calculations are based on the individual assessment criteria as well as group collection rate in accordance with customer care, credit control and debt collection policy.
The group impairment percentage is determined taking into account the average collection rate based on a three year trend by class of financial asset.

Statutory receivables included in receivables from non-exchange transactions above are as follows, net of impairment:

	2024	2023
Fines	1,615,571	1,579,594
Property rates	297,288,053	248,378,825
	298,903,624	**249,958,419**

Notes to the Financial Statements

Figures in Rand	2024	2023

4. Receivables from non-exchange transactions (continued)

Statutory receivables that are past due and have been impaired and included in receivables from non-exchange transactions:

As of 30 June 2024, the following statutory receivables were considered to be past due and have been impaired. This was determined by taking into account the debt that is outstanding for a period of more than 90 days:

	2024	2023
Fines	18,580,398	21,018,662
Property rates	403,037,671	335,508,237
	421,618,069	**356,526,899**

Summary of aging of statutory receivables

Electricity availability charges

	2024	2023
Current (0-30 days)	181,088	358,595
31 - 60 days	401,609	272,914
61 - 90 days	433,290	266,531
91 - 120 days	354,692	258,346
121 - 365 days	2,569,776	1,733,718
>365 days	9,845,135	11,254,426
	13,785,590	**14,144,530**

Property rates

	2024	2023
Current (0-30 days)	4,735,262	3,795,767
31-60 days	19,658,830	14,476,551
61-90 days	16,555,110	12,871,512
91-120 days	16,566,907	11,540,467
121-365 days	113,839,839	80,007,453
>365 days	528,969,777	482,823,219
	700,325,725	**605,514,969**

Tampered meters fines

	2024	2023
Current (0-30 days)	576,516	588,199
31-60 days	269,577	174,318
61-90 days	612,708	107,495
91-120 days	138,945	46,298
121-365 days	859,271	722,035
>365 days	1,866,798	228,453
	4,323,815	**1,866,798**

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Statutory receivables that are past due and have not been impaired and included in receivables from non-exchange transactions:

As of 30 June 2024, the following statutory receivables were considered to be past due and not impaired. This was determined by taking into account the debt that is outstanding for a period of more than 90 days which have not been subjected to impairment:

Notes to the Financial Statements

Figures in Rand	2024	2023

4. Receivables from non-exchange transactions (continued)

Property rates		
121 - 365 days	59,588,349	31,913,834
> 365 days	158,104,914	133,920,779
	217,693,263	**165,834,613**

Electricity availability		
121 - 365 days	428,162	262,838
> 365 days	1,463,141	1,599,743
	1,891,303	**1,862,581**

Tampered meter fines		
121 -365 days	111,661	71,957
> 365 days	-	55,380
	111,661	**127,337**

5. Receivables from exchange transactions

Gross balances		
Electricity	97,232,072	60,435,233
Consumer refund control clearing account	-	18,463
Sundry debtors	23,159,950	20,148,152
Refuse	153,861,960	130,336,871
Housing rental	4,009,687	3,739,534
VAT Control Receivable - due from SARS	2,768,497	32,022,326
Input VAT Accrual	14,427,058	13,058,552
	295,459,224	**259,759,131**

Less: Allowance for impairment		
Electricity	(13,963,526)	(13,322,491)
Sundry debtors	(14,843,783)	(6,678,020)
Refuse	(128,861,152)	(103,094,691)
Housing rental	(3,583,772)	(3,373,878)
	(161,252,233)	**(126,469,080)**

Net balance		
Electricity	83,268,546	47,112,742
Consumer refund control clearing account	-	18,463
Sundry debtors	8,316,167	13,470,132
Refuse	25,000,808	27,242,180
Housing rental	425,915	365,656
VAT Control Receivable - due to/from SARS	2,768,497	32,022,326
Input VAT Accrual	14,427,058	13,058,552
	134,206,991	**133,290,051**

Figures in Rand	2024	2023

5. Receivables from exchange transactions (continued)

Summary of aging of receivables

Electricity		
Current (0 -30 days)	48,484,616	40,087,878
31 - 60 days	7,604,271	1,266,355
61 - 90 days	4,041,762	816,438
91 - 120 days	2,760,037	1,271,588
121 - 365 days	19,147,238	3,398,572
> 365 days	15,194,148	13,594,401
	97,232,072	**60,435,232**

VAT control receivable - due from SARS		
Current (0 -30 days)	2,768,497	32,022,326

Refuse		
Current (0 -30 days)	3,208,611	734,215
31 - 60 days	3,208,790	2,948,616
61 - 90 days	2,958,449	2,710,291
91 - 120 days	2,898,969	2,602,226
121 - 365 days	22,035,504	19,777,646
> 365 days	119,551,639	101,603,946
	153,861,962	**130,376,940**

Sundry debtors		
Current (0 -30 days)	2,604,478	389,646
31 - 60 days	61,816	84,936
61 - 90 days	1,053,133	3,813,995
91 - 120 days	21,087	1,731,330
121 - 365 days	2,384,733	760,523
> 365 days	17,034,703	13,367,721
	23,159,950	**20,148,151**

Housing rental		
Current (0 -30 days)	59,329	39,720
31 - 60 days	52,777	38,091
61 - 90 days	41,151	36,507
91 - 120 days	40,179	38,987
121 - 365 days	337,576	267,879
> 365 days	3,478,675	3,318,350
	4,009,687	**3,739,534**

Input VAT Accrual		
Current (0 - 30 days)	14,427,058	13,058,554

Renegotiation of debt for financial assets

No financial assets existed for the year under review that would otherwise be past due or impaired where terms have been renegotiated.

Figures in Rand	2024	2023

5. Receivables from exchange transactions (continued)

Credit quality for receivables that are neither past due nor impaired

The Municipality deems outstanding debt less than 90 days to be receivables that are not considered for impairment, on the following basis:
- The Municipality has a stringent customer care, credit control and debt collection policy which is actively implemented by the Municipality.
- This includes monitoring of debtors accounts, implementation of physical disconnections where necessary, as well as incentive payment programmes.
- Therefore the Municipality views debt outstanding for less than 90 days being a fair reflection of the credit quality.

Contractual receivables that are past due and not impaired as at the end of the reporting period

	2024	2023
Electricity		
121 - 365 days	14,774,334	831,670
> 365 days	2,040,993	968,736
	16,815,327	**1,800,406**
Refuse		
121 - 365 days	896,294	861,358
> 365 days	4,118,602	3,380,094
	5,014,896	**4,241,452**
Sundry debtors		
121 - 365 days	11,285	72,374
> 365 days	566,440	571,360
	577,725	**643,734**

Statutory receivables included in receivables from exchange transactions are as follows, on a gross basis:

	2024	2023
VAT Control Receivable from SARS	2,768,497	32,022,326

Statutory receivables that are past due and have been impaired and included in receivables from exchange transactions

VAT Receivables due to/from SARS which are less than 3 months past due are not considered to be impaired. There is no amount that is past due for consideration as at year end.

Basis used to access and test whether a receivable is impaired

Management considered receivables individually that may be impaired as well as groups of similar receivables that may be impaired.

The total debts were further separated into groups of similar receivables with similar risk profiles and assessed for impairment.

The impairment calculations are based on the individual assessment criteria as well as group collection rate in accordance with customer care, credit control and debt collection policy.

The group impairment percentage is determined taking into account the average collection rate based on a three year trend by class of financial asset.

Notes to the Financial Statements

Figures in Rand	2024	2023

6. Inventories

Materials, supplies and assets held for disposal	1,444,300	1,395,019
Unsold Properties Held for Resale	19,615,170	20,804,650
Consumables Stores	37,451,781	31,832,641
	58,511,251	**54,032,310**

Land derecognised where the municipality transfers control without legal ownership

The municipality has previously derecognised land in prior financial years due to the control no longer resting with the municipality, in accordance with iGRAP 18.

iGRAP 18, Recognition and Derecognition of Land, indicates that a municipality should assess whether it controls land. Control is evidenced by the rights and obligations arising from a binding arrangement. 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 and can be evidenced in several ways:
(a) a contract concluded between the parties;
(b) legislation, supporting regulations or similar means including, but not limited to laws, regulation, policies, decisions concluded by authorities such as cabinet,executive committees, boards, municipal councils and ministerial orders (referred to as legislation or similar means for purposes of this Interpretation); or
(c) through the operation of law, including common law.

A binding arrangement is often, but not always, in writing, in the form of a contract or documented discussions between the parties.

The municipality has previously assessed and derecognised land in the name of the municipality that relates to housing implementation projects, taking into account existence of a binding arrangement and applying the following key judgements made and assumptions applied to conclude that it does not control such land:;
- The right to direct access to land, and to restrict or deny the access of others to land
- The use of the land in any other way to generate future economic benefits or service potential
- The ability to direct the use of the land's future economic benefits or service potential to provide services to beneficiaries
- The ability of the municipality to exchange, dispose of, or transfer the land.

The municipility reviews this assessment on an annual basis, and has identified no change in the assessment that requires the re-recognition of this land.

Notes to the Financial Statements

Figures in Rand

7. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	915,602,791	-	915,602,791	777,284,109	-	777,284,109

Reconciliation of investment property - 2024

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	777,284,109	(941,173)	139,259,855	915,602,791

Reconciliation of investment property - 2023

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	670,589,297	(1,680,080)	108,374,892	777,284,109

7. Investment property (continued)

Investment property in the process of being constructed or developed

There is no investment property in the process of being constructed or developed

No maintenance has been incurred in the current and prior year.

Investment properties have been valued in accordance with the municipal valuation roll and have been adjusted to take into account current market conditions, and other special assumptions depending on the categories of property. The last effective date of the fair value adjustment was June 2024. The valuations were performed by a Professional Valuer.

The valuation was based on the estimated amount for which an asset should exchange on the date of evaluation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The municipal valuer has extensive experience in the location and category for investment property valued with the necessary qualifications. The fair value adjustment for 2024 was done at year end.

8. 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	116,212,014	-	116,212,014	116,388,525	-	116,388,525
Buildings	120,410,299	(72,916,076)	47,494,223	120,261,875	(71,769,904)	48,491,971
Infrastructure: Stormwater	221,654,408	(50,263,079)	171,391,329	208,835,248	(47,958,967)	160,876,281
Infrastructure: Electricity	448,773,050	(181,678,680)	267,094,370	426,439,668	(173,928,389)	252,511,279
Infrastructure: Solid waste	79,258,846	(40,546,688)	38,712,158	75,913,364	(36,962,669)	38,950,695
Infrastructure: Roads	1,892,071,950	(1,315,796,244)	576,275,706	1,876,298,481	(1,273,461,353)	602,837,128
Community Asset	619,725,141	(302,052,763)	317,672,378	571,727,420	(288,031,553)	283,695,867
Motor Vehicles	100,992,014	(61,239,720)	39,752,294	100,727,924	(60,174,581)	40,553,343
Plant and Machinery	72,032,098	(18,423,399)	53,608,699	46,754,075	(15,433,885)	31,320,190
Furniture and office equipment	20,817,938	(14,332,555)	6,485,383	20,555,138	(13,751,582)	6,803,556
IT equipment	23,336,618	(13,563,864)	9,772,754	27,819,313	(16,368,369)	11,450,944
Total	**3,715,284,376**	**(2,070,813,068)**	**1,644,471,308**	**3,591,721,031**	**(1,997,841,252)**	**1,593,879,779**

Notes to the Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers and Donations received	Transfers Made	Decommisioning and restoration for environmental rehabilitation	Depreciation	Reversal/ (Recognition) of Impairment loss	Total
Land	116,388,525	-	(176,511)	-	-	-	-	-	116,212,014
Buildings	48,491,971	148,424	-	448,310	(448,310)	-	(1,146,172)	-	47,494,223
Infrastructure: Stormwater	160,861,791	15,721,100	(2,832,393)	12,393,665	(12,393,665)	-	(2,382,872)	23,703	171,391,329
Infrastructure: Electricity	252,511,279	23,988,448	(1,363,682)	43,351,958	(43,351,958)	-	(8,041,675)	-	267,094,370
Infrastructure: Solid waste	38,950,695	-	-	-	-	3,345,482	(3,584,019)	-	38,712,158
Infrastructure: Roads	602,837,128	16,203,459	(25,531)	14,622,926	(14,622,927)	-	(42,739,349)	-	576,275,706
Community	283,695,867	48,500,584	(62,862)	2,083,312	(2,083,312)	-	(14,461,211)	-	317,672,378
Motor vehicles	40,553,343	3,078,262	(466,295)	-	-	-	(3,413,016)	-	39,752,294
Plant and Machinery	31,320,190	25,656,591	(76,623)	-	-	-	(3,291,459)	-	53,608,699
Furniture and office equipment	6,803,563	991,501	(123,085)	-	-	-	(1,186,596)	-	6,485,383
Computer equipment	11,450,944	789,693	(341,032)	-	-	-	(2,126,851)	-	9,772,754
	1,593,865,296	**135,078,062**	**(5,468,014)**	**72,900,171**	**(72,900,172)**	**3,345,482**	**(82,373,220)**	**23,703**	**1,644,471,308**

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers and Donations received	Transfers Made	Decommisioning and restoration for environmental rehabilitation	Depreciation	Reversal/ (Recognition) of Impairment loss	Total
Land	116,470,975	-	(82,450)	-	-	-	-	-	116,388,525
Buildings	36,414,054	12,983,817	-	12,675,317	(12,675,317)	-	(905,900)	-	48,491,971
Infrastructure: Stormwater	149,601,449	14,342,392	(19,587)	998,358	(998,358)	-	(3,047,973)	-	160,876,281
Infrastructure: Electricity	225,630,868	41,694,539	(6,192,608)	4,880,576	(4,880,576)	-	(7,367,520)	(1,254,000)	252,511,279
Infrastructure: Solid waste	35,430,782	-	-	-	-	6,736,115	(3,216,202)	-	38,950,695
Infrastructure: Roads	637,811,533	8,384,403	(434)	10,875,272	(10,875,272)	-	(44,073,075)	714,701	602,837,128
Community	274,352,061	24,119,344	(21,671)	24,236,507	(23,649,652)	-	(14,395,062)	(945,660)	283,695,867
Motor vehicles	42,093,304	2,098,650	(289,154)	-	-	-	(3,349,457)	-	40,553,343
Plant and machinery	8,907,431	24,659,674	(99,832)	-	-	-	(2,147,083)	-	31,320,190
Furniture and office equipment	6,262,924	1,878,242	(151,526)	768,935	(768,935)	-	(1,186,084)	-	6,803,556
IT equipment	8,736,818	4,254,974	(144,082)	352,688	-	-	(1,749,454)	-	11,450,944
	1,541,712,199	**134,416,035**	**(7,001,344)**	**54,787,653**	**(53,848,110)**	**6,736,115**	**(81,437,810)**	**(1,484,959)**	**1,593,879,779**

Pledged as security

The municipality have no assets pledged as security.

Notes to the Financial Statements

Figures in Rand	2024	2023

8. Property, plant and equipment (continued)

Donations

The municipality received the following categories of assets as donations:		
IT equipment	-	352,688
Community assets	-	586,856
	-	**939,544**

The municipality has not received any donations during the year under review. However, the municipality has received fixed assets in the prior financial year as donations amounting to R 939 544. This relates to the donation of a borehole and computer equipment from Department of Arts and Culture.

Leased Assets

Included in the plant and machinery is the two way radio communication asset that is leased with the fair value cost amounting to R2 383 932.

Notes to the Financial Statements

Figures in Rand	2024	2023

8. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2024

	Opening balance	Capital expenditure incurred	Impairment of assets	Transferred to completed items	Total
Infrastructure: Electricity	36,232,743	17,443,358	-	(43,351,958)	10,324,143
Infrastructure: Roads	233,969	16,134,127	-	(14,622,927)	1,745,169
Infrastructure: Solid Waste	426,867	-	-	-	426,867
Infrastructure: Stormwater	2,679,164	15,721,100	-	(12,393,666)	6,006,598
Community Assets	18,012,239	48,500,584	-	(2,083,312)	64,429,511
Buildings	299,886	148,424	-	(448,310)	-
Transport Assets	-	3,078,261	-	-	3,078,261
	57,884,868	**101,025,854**	**-**	**(72,900,173)**	**86,010,549**

Reconciliation of Work-in-Progress 2023

Work in Progress	Opening balance	Capital expenditure incurred	Impairment / Impairment reversal	Transferred to completed items	Total
Infrastructure: Electricity	3,006,848	39,360,472	(1,254,000)	(4,880,576)	36,232,744
Infrastructure: Roads	2,033,103	8,361,438	714,701	(10,875,272)	233,970
Infrastructure: Solid Waste	426,867	-	-	-	426,867
Infrastructure: Stormwater	-	3,677,522	-	(998,358)	2,679,164
Community Assets	18,866,505	23,907,185	(1,111,801)	(23,649,650)	18,012,239
Buildings	299,886	12,675,317	-	(12,675,317)	299,886
Furniture and Office Equipment	-	1,659,453	-	(1,659,453)	-
	24,633,209	**89,641,387**	**(1,651,100)**	**(54,738,626)**	**57,884,870**

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		
Employee related costs (amount paid to employees)	9,685,505	13,000,417
Contracted services (amount paid to suppliers)	40,264,504	41,540,873
Inventory consumed (materials utilised)	26,457,184	19,731,365
Operational expenditure (Fuel and oil costs incurred)	821,159	1,433,159
	77,228,352	**75,705,814**

Figures in Rand	2024	2023

8. Property, plant and equipment (continued)

Capital projects that have been significantly delayed

Construction work in progress has been included in the above mentioned property, plant and equipment, based on the nature of the project being constructed. The following projects have been identified as significantly delayed:

Construction of Ezakheni Sport Complex:
Due to the poor performance of the various appointed contractors, this project has incurred delays. The last appointed contractor went into liquidation and as such there were ongoing court proceedings. The municipality then took a calculated decision to withdraw itself from the liquidation proceedings. Currently, the municipality is looking at alternate avenues to fund the project. This will be done in phases as and when the budget is made available. The carrying amount of the project is R11 786 926.

Emnambithi Indoor Sport Complex:
This is a multi year project. The municipality is implementing this project in phases. The planning and study phase of this project has been completed. To date, phases one (1), two (2) and three (3) of the project have been completed. An expert was appointed to assess the impairment of the asset. There was no impairment detected in the 2023/2024 Financial Year. The carrying amount is R 5 115 727.

Ladysmith Airport Upgrade:
Due to the poor performance of the appointed contractor, the project had incurred delays. The municipality is exploring options to source grant funding to complete the project.The carrying amount of the project is R233 969.

Athletics Track
Due to the poor performance of the appointed contractor, the project had incurred delays. The carrying amount of the project is R 554 161. The municipality is looking at alternate funding sources to complete the project.

Waste Recycling Plant
Due to the poor performance of the appointed contractor, the project had incurred delays. The carrying amount of the project is R 426 866. The municipality is looking at other options to complete the project.

Construction of Burford Sports field (Ward 14)
The sportfield was vandalised by the community. The municipality will consider funding to complete the project during the next budgetary cycle and is exploring the funding stream to complete the project. The carrying amount after is R297 891.

Carrying amount as at 30 June, subsequent to impairment:		
Construction of Ezakheni Sport Complex	11,786,926	11,786,926
Emnambithi Indoor Sport Complex	5,115,727	5,115,727
Ladysmith Airport Upgrade	233,969	233,969
Waste Recycling Plant	426,866	426,866
Athletics Track	554,161	554,161
Construction of Burford Sports field (Ward 14)	297,891	297,891
	18,415,540	**18,415,540**

9. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software and other licences	3,881,186	(3,036,848)	844,338	3,905,249	(2,677,668)	1,227,581

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software and other licences	1,227,581	236,037	(22,065)	(597,215)	844,338

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software and other licences	1,246,461	534,900	(7,362)	(546,418)	1,227,581

Notes to the Financial Statements

Figures in Rand

10. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	4,991,426	(152,000)	4,839,426	4,991,426	(152,000)	4,839,426
Historical buildings	16,566,600	(5,500)	16,561,100	16,566,600	(5,500)	16,561,100
Total	**21,558,026**	**(157,500)**	**21,400,526**	**21,558,026**	**(157,500)**	**21,400,526**

Reconciliation of heritage assets 2024

	Opening balance	Total
Art Collections, antiquities and exhibits	4,839,426	4,839,426
Historical buildings	16,561,100	16,561,100
	21,400,526	**21,400,526**

Reconciliation of heritage assets 2023

	Opening balance	Total
Art Collections, antiquities and exhibits	4,839,426	4,839,426
Historical buildings	16,561,100	16,561,100
	21,400,526	**21,400,526**

10. Heritage assets (continued)

Heritage Assets above include the following:

	Cost	Accumulated impairment	Carrying amount
Historical monuments, such as graves and burial grounds	3,452,600	(5,500)	3,447,100
Movable objects, such as military insignia, medals, coins, stamp collections, or objects of decorative or fine art	4,991,426	(152,000)	4,839,426
Historical buildings that have a significant historical association	13,114,000	-	13,114,000
	21,558,026	**(157,500)**	**21,400,526**

11. Eskom Deposits

The deposits relates to streetlighting and highmast lights held with Eskom.

	2024	2023
Deposits held with Eskom	3,299,830	3,003,430

12. Long Term Loans

	2024	2023
At amortised cost		
ABSA Bank - Tsakane Electrification	1,066,170	1,378,348
DBSA Bank - Indaka	1,446,987	1,980,923
	2,513,157	**3,359,271**
Total long term loan liabilities	**2,513,157**	**3,359,271**

ABSA bank loans bears an interest of 9.10% and redeemed monthly with interest bearing ending ending February 2026

DBSA bank loan bears an interest of 5% and is redeemed bi-annally with the interest ending September 2028.

	2024	2023
Non-current liabilities		
At amortised cost	1,598,490	2,516,555
Current liabilities		
At amortised cost	914,667	842,716

Figures in Rand	2024	2023

13. Finance lease obligation

Minimum lease payments due		
- within one year	801,918	823,741
	801,918	823,741
less: future finance charges	(801,918)	(21,823)
Present value of minimum lease payments	**-**	**801,918**
Present value of minimum lease payments due		
- within one year	-	801,919

It is the municipality policy to lease certain equipment under finance leases. The municipality entered into a finance lease agreement with Trans Africa International Telecommunications (PTY) Ltd T/A EMCOM for lease of Two Way Radio Communication System.The lease was valid from 01 March 2021 to 28 February 2024. The Municipality has taken ownership of the equipment after 28 February 2024.The installment increases by 11% on an annual basis

The lease term was 3 years and the average effective borrowing rate was 7.4% (2023:7.4%).

14. Payables from exchange transactions

Trade payables	95,981,269	93,439,476
Advance payments on consumer and other receivables accounts	43,796,084	46,627,476
Disposal clearing control account	(8,152)	-
Retention	19,427,599	18,322,647
Advance deposits - Construction contract	855	6,000
Output VAT accrual	31,425,535	23,373,848
Accrued interest	45,807	45,807
Provision for Doubtful debt impairment	(25,563,501)	(13,056,222)
Unallocated Deposits	8,638,466	8,386,915
Salary control payables	1,951,433	2,950,841
Bonus payable	7,420,214	7,522,970
Accrued leave pay	30,493,589	31,947,317
	213,609,198	**219,567,075**

15. Consumer deposits

Electricity	14,168,633	14,800,365
Street Closure	3,679	2,840
Refuse	3,840,236	3,713,680
Posters	10,220	10,220
Housing rental	3,729,386	3,532,288
	21,752,154	**22,059,393**

Guarantees held in lieu of electricity totals R 8 875 566 as at 30 June 2024 (2023: R 8 275 566)

Notes to the Financial Statements

Figures in Rand	2024	2023

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	478,883	731,881
Infrustructure Economic Development Grant	-	1,711,561
Municipal Disaster Response Grant (MDRG)	4,805,173	-
Municipal Employment Initiative Grant (MEIG)	466	-
Construction of Animal Pound	35,095	35,095
Department of Human Settlements	41,092,033	41,889,246
Municipal Disaster Relief Grant (MDRG)	422,293	18,221,928
Housing Accreditation	3,671,606	1,756,146
Eradication of Bucket System	222,269	222,269
Job Evaluation	265,623	66,121
Local Government Sectorial Education Authority (LGSETA)	317,166	117,839
	51,310,606	**64,752,086**

Notes to the Financial Statements

Figures in Rand	2024	2023

17. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions	Utilised during the year	Capitalisation to the solid waste infrastructure asset	Interest recognised as finance cost	Total
Environmental rehabilitation	79,385,941	-	-	3,345,482	8,335,524	91,066,947
Performance Bonus	2,040,196	1,089,565	(843,474)	-	-	2,286,287
Pension Fund	-	2,328,317	-	-	-	2,328,317
	81,426,137	**3,417,882**	**(843,474)**	**3,345,482**	**8,335,524**	**95,681,551**

Reconciliation of provisions - 2023

	Opening Balance	Additions	Capitalisation to the solid waste infrastructure asset	Interest recognised as finance cost	Total
Environmental rehabilitation	69,587,957	-	6,736,115	3,061,870	79,385,942
Performance Bonus	923,699	1,116,497	-	-	2,040,196
	70,511,656	**1,116,497**	**6,736,115**	**3,061,870**	**81,426,138**

	2024	2023
Non-current liabilities	91,066,947	79,385,942
Current liabilities	4,614,604	2,040,196
	95,681,551	**81,426,138**

17. Provisions (continued)

Environmental rehabilitation provision
The provision for rehabilitation of landfill site relates to the legal obligation to rehabilitate the landfill site used for waste disposal.

The municipality has two environmental landfill sites, being Ladysmith Waste Disposal Site and Indaka Waste Disposal Site .

The municipality will incur R 78 213 916 to rehabilitate Ladysmith Waste Disposal Site, calculated as at 30 June 2024 (2023: R69 200 208) to restore the site- at the end of the respective useful life.

The Municipality will incur R 12 853 031 to rehabiliatate Indaka Waste Disposal Site, calculated as at 30 June 2024 (2023: R 10 185 733) to restore the site at the end of the respective useful life.

The valuation as at 30 June 2024 was performed by Abazingeli Civils (PTY)LTD. Abazingeli Civils (PTY)LTD is not affiliated to the Municipality.

Key assumptions used:;

Discounted rate of 10.5% was used.

Escalation rate applied is 8.5%

Remaining useful lives:

As at 30 June 2024, Ladysmith Waste Disposal Site has a remaining useful life of 13 years.
As at 30 June 2024, Indaka Waste Disposal Site has a remaining useful life of 9 years..

Performance bonuses

The provision for performance bonuses relates to the constructive obligation on payment of performance bonus for section 57 employees in previous years.
The Municipality has been paying a performance bonus from 5-13% of the total remuneration and it was calculated at an average of 11%.
Performance bonuses are paid to the Section 57 employees after an evaluation by the Council.

Pension Fund

It has been brought to the attention of the municipality that the three (3) councillors need to be re-instated into the fund after previously exiting the fund and outstanding amounts are owed to the Fund. Further engagements were held between the municipality, the councillors and the Municipal Councillors Pension Fund during the 2023/2024 financial year. A provison for the Municipal Councillors Pension Fund has been disclosed in respect of the 2023/2024 financial year, and this matter is still in the process of being finalised.

18. Employee benefit obligations

The total employee benefit obligations consist of the following:

Notes to the Financial Statements

Figures in Rand	2024	2023

18. Employee benefit obligations (continued)

Post-Retirement Medical Plan Obligation	60,908,000	54,716,000
Long service awards	22,860,001	21,786,000
	83,768,001	**76,502,000**

The current liabilities of the employee benefit obligations are as follows:		
Post- Retirement Medical Plan Obligation	3,747,000	2,994,000
Long service awards	3,332,001	3,172,000
	7,079,001	**6,166,000**

The non-current liabilities of the employee benefit obligations are as follows:		
Post-Retirement Medical Obligation	57,161,000	51,722,000
Long service awards	19,528,000	18,614,000
	76,689,000	**70,336,000**

Defined benefit plan

Post retirement medical aid plan

The municipality offers employees and continuation members the opportunity of belonging to one of several accredited medical schemes. Upon retirement, an employee may continue membership of a accredited medical scheme. Upon a member's death in service,or death in retirement, the surviving dependants may continue membership of the medical scheme.

Eligible employees will receive a post employment subsidy additional of 50% of the contribution payable should they be a member of a medical scheme, subject to the following conditions:
- The total service of at least ten years at retirement.
- Membership of a municipality accredited medical aid scheme for the majority of their total services (i.e more than half of their services by retirement)
- Continuation members and their eligible dependents receive either a 50%, 60% or 70% subsidy.

The most recent actuarial valuations of plan asset and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2024 by an independent valuer.

The present value of the defined benefits obligation and the related current cost and past cost, were measured using the Projected Unit Credit Method.

The characteristics of the plan and associated risks

The characteristics of the defined benefits plan is that the eligible employees will receive a post-employmeny subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement, subject to the following conditions:
- Total service of at least ten years at retirement
- Membership of a Municipality-accredited medical aid scheme for the majority of their total service (i.e. more than half of their services at retirement). Management confirmed that the earliest dates of uninterrupted medical aid memebership are used to apply this condition in practice.

Notable benefit plan risks faced by the Municipality can be summarised as follows:
- Inflation: The risk that future CPI inflation and medical aid contribution inflation are higher than assumed and present in an uncontrolled manner
- Longevity: The risk that eligible individuals live longer than assumed i.e. their benefits are payable for longer than expected.
- Volatility of open-ended, long-term DBO: The risk that the DBO may be volatile which is exacerbated by its long-term nature.
- Enforcement of eligibility criteria and rules: The risk that eligibility criteria and rules are not strictly or consistently enforced, to the detriment of the Municipality.
- Future changes in legislation: The risk that changes to legislation with respect to the post-employment medical aid benefit may increase the DBO for the Municipality.

Notes to the Financial Statements

Figures in Rand	2024	2023

18. Employee benefit obligations (continued)

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

	2024	2023
Carrying value		
Present value of the defined benefit obligation	60,908,000	54,716,000
Current liabilities	3,747,000	2,994,000
Non-current liabilities	57,161,000	51,722,000
	60,908,000	**54,716,000**

Changes in the present value of the defined benefit obligation are as follows:

	2024	2023
Opening balance	54,716,000	55,624,000
Service cost	1,691,000	1,994,000
Interest cost	6,605,000	6,372,000
Remeasurements	1,212,603	(6,296,414)
Contributions by employer	(3,316,603)	(2,977,586)
	60,908,000	**54,716,000**

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

	2024	2023
Service cost	1,691,000	1,994,000
Net interest on the net defined benefit liability (asset)	6,605,000	6,372,000
Remeasurements of the net defined benefit liability (asset)	1,212,603	(6,296,414)
	9,508,603	**2,069,586**

Calculation of actuarial gains and losses

	2024	2023
Actuarial (gains) losses – Obligation	(1,212,603)	6,296,414

Figures in Rand	2024	2023

18. Employee benefit obligations (continued)

Key assumptions used

The assumptions used at the reporting date:

	2024	2023
Discount rates used	12.18 %	12.40 %
Average expected remaining working-life time	18.20	18.30
Net discount rate - maximum subsidy inflation	6.18 %	6.41 %
Maximum subsidy inflation rate	5.39 %	5.63 %
Net discount rate - health care cost inflation	6.45 %	4.06 %
Health care cost inflation rate	8 %	8.00 %
Average retirement age	62	62
Continuation of membership at retirement	75.00 %	75.00 %
Proportion with a spouse dependant at retirement	60.00 %	60.00 %
Proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy and retirement	15.00 %	15.00 %
Mortality during employment	SA 85-90	SA 85-90
Mortality post-employment	PA(90) -1 with a 1% mortality i mproveme nt p.a. from 2010	PA(90) -1 with a 1% mortality i mproveme nt p.a. from 2010

	2024	2023
Inservice members	322	304
Continuation members	71	70
Inservice non members	491	454
	884	**828**

Withdrawal rates:

	2024	2023
20 - 24	9 %	9 %
25 - 29	8 %	8 %
30 - 34	6 %	6 %
35 - 39	5 %	5 %
40 - 44	5 %	5 %
45 - 49	4 %	4 %
50 - 54	3 %	3 %
55+	- %	- %

Sensitivity Analysis on Current-Service and Interest Costs	Change	Current Service Cost	Interest Cost	Total Cost	% Change
Central assumptions	-	1,691,000	6,605,000	8,296,000	-
Health care inflation rate	+1%	1,872,000	7,034,000	8,906,000	7 %
	-1%	1,463,000	6,082,000	7,545,000	(9)%
Discount rate	+1%	1,415,000	6,364,000	7,779,000	(6)%
	-1%	2,049,000	6,876,000	8,925,000	8 %
Post-employment mortality	+1 Year	1,656,000	6,428,000	8,084,000	(3)%
	-1 Year	1,727,000	6,778,000	8,505,000	3 %
Average retirement age	-1 Year	1,800,000	6,860,000	8,660,000	4 %
Membership continuation	-10%	1,478,000	6,219,000	7,697,000	(7)%

Sensitivity analysis on the defined benefit obligation	Change	Eligible Employees	Continuation members	Total BDO	% Change
Central assumptions		26,689,000	34,219,000	60,908,000	- %
Medical aid contributions	+1%	29,147,000	35,471,000	64,618,000	6 %
Inflation rate	-1%	23,669,000	32,660,000	56,329,000	(8)%

18. Employee benefit obligations (continued)

Discount rate	+1%	22,736,000	31,875,000	54,593,000	(10)%
Discount rate	-1%	31,695,000	36,929,000	68,624,000	13 %
Post-employment mortality	+1 year	26,124,000	33,163,000	59,287,000	(3)%
Post-employment mortality	-1 year	27,240,000	35,267,000	62,507,000	3 %
Average retirement age	-1 year	28,861,000	34,219,000	63,080,000	4 %
Membership continuation	-10%	23,291,000	34,219,000	57,510,000	(6)%
		-	**-**	**-**	**- %**

Past and Future Changes in the Net Defined Benefit Liability

	Year Ending 30/06/2024	Year Ending 30/06/2025	Year Ending 30/06/2026
Opening BDO	54,716,000	60,908,000	66,231,000
Current service cost	1,691,000	1,873,000	2,101,000
Interest cost	6,605,000	7,197,000	7,819,000
Subsidy (benefit) payments	(3,327,264)	(3,747,000)	(4,185,000)
Actuarial loss / (gain)	1,223,264	-	-
	60,908,000	**66,231,000**	**71,966,000**

	Year Ending 30/06/2024	Year Ending 30/06/2025	Year Ending 30/06/2025
Current portion (due in next 12 months)	3,747,000	4,185,000	4,505,000
Non-current portion	57,161,000	62,046,000	67,461,000
	60,908,000	**66,231,000**	**71,966,000**

Long Service Awards

The independent valuers carried out a statutory valuation on the Long Service Awards benefits as at 30 June 2024.

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	22,860,000	21,786,000

Changes in the net defined liability (asset) are as follows:

Opening balance	21,786,000	20,261,000
Service cost	1,983,000	1,606,000
Net interest expense or revenue	2,304,000	1,711,000
Remeasurements	(348,302)	63,472
Contributions by employer	(2,864,698)	(1,855,472)
	22,860,000	**21,786,000**

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

Service cost	1,983,000	1,606,000
Net interest on the net defined benefit liability (asset)	2,304,000	1,711,000
- Experience adjustments	(348,302)	63,472
	3,938,698	**3,380,472**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(348,302)	63,472

Notes to the Financial Statements

Figures in Rand	2024	2023

18. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.29 %	11.38 %
Expected rate of return on assets	5.42 %	6.62 %
Expected rate of return on reimbursement rights	6.42 %	4.47 %

Current liabilities	3,332,001	3,172,000
Non-current liabilities	19,528,000	18,614,000
	22,860,001	**21,786,000**

Key Demographic Assumptions

Average retirement age	62	62
Mortality during employment		SA 85-90
Active members	-	792

Withdrawal from service (sample annual rates)

Female - 20 years	9 %	9 %
Male - 20 years	9 %	9 %
Female - 30 years	6 %	6 %
Male - 30 years	6 %	6 %
Female - 40 years	5 %	5 %
Male - 40 years	5 %	5 %
Female - 50 years	3 %	3 %
Male - 50 years	3 %	3 %
Female - 55 years	- %	- %
Male - 55 years	- %	- %

Sensitivity Analysis on Current Service and Interest Costs

18. Employee benefit obligations (continued)

	Change	Current Service Cost	Interest Cost	Total	% Change
Central assumptions		1,983,000	2,304,000	4,287,000	-
General earnings inflation rate	+1%	2,129,000	2,453,000	4,582,000	7 %
	-1%	1,852,000	2,169,000	4,021,000	(6)%
Discount rate	+1%	1,866,000	2,355,000	4,221,000	(2)%
	-1%	2,115,000	2,243,000	4,358,000	2 %
Average retirement age	+2 Years	2,082,000	2,449,000	4,531,000	6 %
	-2 Years	1,879,000	2,154,000	4,033,000	(6)%
Withdrawal rates	x2	1,601,000	1,942,000	3,543,000	(17)%
	x0.5	2,249,000	2,547,000	4,796,000	12 %

Sensitivity analysis on current service and interest costs for year ending 30/06/2025	Change	Current Svc. cost	Interest Cost	Total	% Change
Central Assumptions		2,158,000	2,398,000	4,556,000	
General earnings inflation rate	+1%	2,319,000	2,551,000	4,870,000	7%
	-1%	2,013,000	2,259,000	4,272,000	-6%
Discount rate	+1%	2,028,000	2,454,000	4,482,000	-2%
	-1%	2,304,000	2,331,000	4,635,000	2%
Average retirement age	+2 yrs	2,266,000	2,550,000	4,816,000	6%
	-2years	2,038,000	2,233,000	4,271,000	-6%
Rates of termination of service	x2	1,730,000	2,033,000	3,763,000	-17%
	x0.5	2,456,000	2,641,000	5,097,000	12%
		-	-	-	

Sensitivity analysis on the DBO	Change	DBO	% Change
Central Asumptions		22,860,000	
General earnings inflation	+1%	24,216,000	6%
	-1%	21,628,000	-5%
Discount Rate	+1%	21,588,000	-6%
	-1%	24,281,000	6%
Average retirement age	+2 yrs	24,119,000	6%
	-2yrs	21,549,000	6%
Rates of termination of service	x2	19,723,000	-14%
	x0.5	24,961,000	9%
		-	

Multi-employer plans

Figures in Rand	2024	2023

18. Employee benefit obligations (continued)

Superannuation funds
The latest statutory valuation of the Superannuation Fund (defined benefit) as at 31 March 2023 concluded that:
- The fund's liabilities for service to the valuation date was 107.6% (2022:108%) funded on the discounted cash flow method at the valuation date.
- The fund is 107.6% funded on the "best estimate" funding basis as at the valuation date, and is also fully funded on the financial soundness" basis incorporating the full solvency reserve. At the valuation report, the fund was in a sound financial position.
- There was no deficit in respect of active members, A surcharge of 5.3% of pensionable salaries is payable.

Retirement funds
The latest statutory valuation of the Retirement Fund (defined benefits) as at 31 March 2023 reflected:
- The funding level of the Pensions Memorandum Account increased over the valuation period from 128.8% to 122.8%. This was mainly due to the release of the Solvency Reserve.
- Based on the valuation assumption applied in 2023, the fund was fully funded.

The statutory actuarial valuation carried out on the retirement fund as at 31 March 2023 reflected:
- The fund is 106.8% (2022:107.1%) funded as at the valuation date at the overall level. A recomendation was that, an additional increase is required in respect of pensioners who retired during certain months over the valuation period. The actual increase due to a pensioner depends on the date of retirement. We recommend that those pensions be increased as required by the Act, backdated to 1 July 2022.
- At the valuation report, the fund was in a sound financial position.

Pension Funds
The statutory valuation of the Provident Fund was performed as at 31 March 2023:
- Assets exceeded the liabilities and reserves at the valuation date. Unallocated assets amounted to 0.6% of the assets after the release from the Risk and Expense Reserve and the Investment Reserve was 7.0% of Member Shares at the valuation date.
- Members can elect a rate of contribution of 5%, 7.5% or 9.25% of pensionable salaries.
- The default rate of contribution is set at 9.25% (the highest rate). This rate apply to each new employee unless he/she actively chooses to contribute at a lower rate.
- The fund is 100.6% (2022:100.2%) funded as at the valuation date.
- At the valuation report, the fund was in a sound financial position.

19. Housing Development Fund

	2024	2023
Unappropriated surplus	5,897,864	321,035
Loans extinguished by Government on 1 April 1998	47,124,502	47,124,502
	53,022,366	**47,445,537**

The housing development fund is represented by the following assets and liabilities

	2024	2023
Bank and cash	53,022,366	47,445,537
Assets	53,022,366	47,445,537
Liabilities	-	-

Notes to the Financial Statements

Figures in Rand	2024	2023

20. Self-Insurance Reserve

Ring-fenced internal funds and reserves within accumulated surplus - 2024

	Insurance reserve	Total
Opening balance	15,459,392	15,459,392
Interest recognised	1,371,228	1,371,228
Utilisation of reserves	(66,291)	(66,291)
	16,764,329	**16,764,329**

Ring-fenced internal funds and reserves within accumulated surplus - 2023

	Insurance reserve	Total
Opening balance	14,803,567	14,803,567
Interest recognised	1,008,177	1,008,177
Utilisation of reserves	(352,352)	(352,352)
	15,459,392	**15,459,392**

The Municipality has a Self Insurance Fund to set aside amounts to offset potential losses or claims, which fall under a stop loss determined and calculated by Council's insurance broker based on the insurance risk carried by the Municipality.

The funds are kept in a separate call account and invested on short-term fixed deposits, and the interest earned is credited to the fund.

21. Service charges

	2024	2023
Sale of electricity	518,574,970	441,575,941
Solid waste	33,241,087	30,782,399
	551,816,057	**472,358,340**

22. Rental of facilities and equipment

	2024	2023
Facilities and equipment		
Rental of facilities	3,197,454	2,785,491
Premises	-	-
Garages and parking	-	-
Facilities and equipment	3,197,454	2,785,491

23. Interest from non-exchange receivables

	2024	2023
Interest on availabiltiy charges	1,011,921	859,921

24. Agency services

	2024	2023
Vehicle Registration	3,594,996	3,081,748

The Alfred Duma Local Municipality entered into an agreement with the KZN Department of Transport, to collect process and collect driver licenses on behalf of the Department. The municipality act as an agent to this transaction in accordance with GRAP 109, Principal agent arrangements.

A fee of 10% of the total revenue collected is payable to the Municipality by deducting the fee amount from the funds collected on a daily basis. R79 is paid over for every drivers licence card manufactured.

Notes to the Financial Statements

Figures in Rand	2024	2023

25. Licences and permits

Trading Licenses	298,335	165,642
Road and Transport	13,888	2,709
Learners Certificates	755,296	727,380
Licence Certificate	2,660,047	2,238,386
	3,727,566	**3,134,117**

26. Lease rentals on operating lease

Plant and equipment		
Contractual amounts	1,323,503	1,462,550
Lease rentals on operating lease - Other		
Contractual amounts	35,487	39,385
	1,358,990	**1,501,935**

Minimum Lease Due		
Within one year	1,768,902	1,597,026
In second to fifth year	4,827,674	2,601,606
	6,596,576	**4,198,632**

The municipality entered into a lease agreement with ITECH to lease the photocopier machines. The commencement of the lease was 01 February 2023 and expires in 01 February 2026.

27. Sales of goods and rendering of services

Advertisment	257,041	62,201
Entrance fees	258,334	172,148
Fire services	228,256	142,849
Health and cleaning services	194,127	317,431
Town planning and building fees	331,955	308,146
Sundry Revenue	164,253	138,939
Clearance certificate	307,485	315,215
Tracking control and parking	54,835	92,267
Legal fees	39,292	20,308
	1,835,578	**1,569,504**

28. Operational Revenue

Transactional handling fees	-	4,589
Incidental Cash Surplus	1,698	468,077
Collection Charges	63,543	-
Registration fees	188,123	197,744
Merchandising, jobbing and contract revenue	4,018,798	4,614,814
Sale of Property	327,728	197,500
Skills development levy refund	-	36
Insurance Refund	614,537	504,424
Staff recoveries	5,064	341
	5,219,491	**5,987,525**

The sale of property increased as a result of the burial tariff increases on the sale of plots of land. Registration fees relates to the collection of issuing of flammable certificates.

Merchandising, jobbing and contract revenue relates to activities and adhoc services provided to departments and customers.

Notes to the Financial Statements

Figures in Rand	2024	2023

29. Interest Received - Bank and Investments

Interest received - primary and call accounts	30,791,935	22,344,627
Interest received - investments	11,754,964	9,055,920
	42,546,899	**31,400,547**

30. Interest received - receivables from exchange transactions

Interest received - waste management receivables	9,300,809	6,615,038
Interest received - electricity receivables	2,531,235	1,754,470
Interest received - housing receivables	314	9,611
	11,832,358	**8,379,119**

31. Fair value adjustments

Investment property (Fair value model)	139,259,855	108,374,892

32. Inventories reversal on write down

Inventories losses/write-downs	-	1,005,629

Figures in Rand	2024	2023

33. Property rates

Rates received

Residential	136,666,389	87,663,733
Business and Commercial	73,728,171	56,299,318
State Owned	49,835,431	50,471,718
Industrial	4,437,575	825,249
Vacant Land	24,256,798	22,660,777
Agricultural	9,269,930	8,025,018
	298,194,294	225,945,813
Property rates - penalties imposed	43,834,356	39,884,534
	342,028,650	**265,830,347**

The following property allocation factors (rate) are applied to the various categories of property to determine assessment rates less the impermissible valuation allowed:

Valuation Roll Randages

Residential	0.01129	0.14110
Business and Commercial	0.02102	0.02473
Industrial	0.01352	0.01591
Agricultural	0.00274	0.00343
Vacant Land	0.04836	0.05090
State	0.02880	0.03113

Valuation Roll Market Values

Market values for the below mentioned categories:	**R '000**	**R '000**
Residential	14,412,113	9,661,379
Industrial/Commercial/Business	3,861,474	2,497,677
Agricultural	2,162,673	1,556,997
Public Service Infrastructure	31,772	18,640
Vacant Land	564,600	485,697
Municipal Land	624,809	665,470
State	3,142,000	1,617,955
Non Profit Organisations	19,670	101,692
Place of Worship/Religious	426,933	171,930
Municipal Vacant Land	130,260	2,168
Public Vacant Land	4,302	3,230
Other	1	103,993
	25,380,607	**16,886,828**

Valuations on land and buildings are performed every five years. The last general valuation came into effect on 1 July 2023.

Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Supplementary valuation rolls have been received for the 2023/2024 financial year.

Impermissible rebates are applied to residential properties valued less than or equal to R150 000 on market values.

Rates are levied on an annual basis with the final date for payment being Friday, June 30, 2024 . Interest is raised on overdue accounts at 10.25% per annum in accordance with the National Credit Act, in respect of arrears account arising after 1 November 2016. Arrears accounts arising before 31 October 2016 is charged interest at a rate of 9% per annum.

Notes to the Financial Statements

Figures in Rand	2024	2023

34. Government grants & subsidies

Operating grants		
Equitable share	307,255,000	285,376,934
Local Government Sectoral Education Authority (LGSETA)	853,683	785,591
Provincialisation of Libraries	7,189,842	7,428,801
Job Evaluation	127,672	210,680
Expanded Public Works Programme (EPWP)	2,808,000	2,993,000
Infrastructure Skills Development Grant (ISDG)	4,328,865	4,180,706
Finance Management Grant (FMG)	1,808,275	1,489,166
Municipal Employment Initiative Grant (MEIG)	499,534	-
Museum Subsidy	180,111	148,773
Municipal Infrastructure Grant (MIG)	2,024,297	3,119,665
Housing Accreditation	1,495,891	1,112,011
Municipal Disaser Relief Grant (MDRG)	16,456,506	15,979,847
	345,027,676	**322,825,174**
Capital grants		
Housing Accreditation	177,680	287,964
Museum Subsidy	68,889	86,227
Provincialisation of Libraries	485,159	500,198
Finance Management Grant (FMG)	291,725	610,834
Infrastructure Economics Development Grant (IEDG)	3,711,561	288,439
Municipal Disaster Relief Grant	8,312,957	3,497,428
Sports and Infrastructure Grant (SIG)	15,827,812	5,212,188
Infrastructure Skills Development Development Grant (ISDG)	121,135	319,294
Municipal Infrastructure Grant (MIG)	61,588,701	66,557,454
	90,585,619	**77,360,026**
	345,027,676	322,825,174
	90,585,619	77,360,026
	435,613,295	**400,185,200**

Equitable Share

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

All registered indigents receive a monthly subsidy in accordance with the Municipality's approved Indigent Policy.

Municipal Infrastructure Grant

Balance unspent at beginning of year	731,881	948,863
Current-year receipts	63,613,000	70,409,000
Conditions met - transferred to revenue	(63,612,998)	(69,677,117)
Withheld by National Treasury	(253,000)	(948,865)
	478,883	**731,881**

Conditions still to be met - remains a liability (see note 16).

This grant is utilised to construct roads and bridges, sportsfields, community halls and streetlights as part of the upgrading of informal settlement areas. Funds were withheld by National Treasury due to an amount not spent from the 2022/2023 financial year.

Notes to the Financial Statements

Figures in Rand	2024	2023

34. Government grants & subsidies (continued)

Infrastructure Economic Development Grant

Balance unspent at beginning of year	1,711,561	-
Current-year receipts	2,000,000	2,000,000
Conditions met - transferred to revenue	(3,711,561)	(288,439)
	-	**1,711,561**

This grant is utilised to assist the development of Community Small Medium Micro Enterprises (SMME). No funds withheld.

Animal Pound

Balance unspent at beginning of year	35,095	35,095

This grant is utilised for the construction of an Animal Pound.

Sports Infrastructure Grant

Current-year receipts	21,040,000	-
Conditions met - transferred to revenue	(15,827,812)	-
Other - Clearing the Debt that was raised due to non payment of grant	(5,212,188)	-
	-	**-**

This grant is utilised in the upgrading of sports facilities.

Municipal Employment Initiative Grant

Current-year receipts	500,000	-
Conditions met - transferred to revenue	(499,534)	-
	466	**-**

Conditions are met - remain liabilities (see note 16).

This grant is utilised to assist the development of Community Small Medium Micro Enterprises (SMME).

Department of Human Settlements Grants

Balance unspent at beginning of year	41,889,246	43,056,819
Current-year receipts	12,242,615	33,049,451
Conditions met - transferred to revenue	(13,039,828)	(34,217,024)
	41,092,033	**41,889,246**

Conditions still to be met - remains a liability (see note 16).

This grant is for construction of low cost houses and title deeds. No funds were withheld.

Notes to the Financial Statements

Figures in Rand	2024	2023

34. Government grants & subsidies (continued)

Finance Management Grant (FMG)

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

This grant is utilised for the payments Interns' salaries to advance the implementation of the MFMA, training of officials to meet the minimum
competency requirements, and for Asset Management and Financial System enhancements and training. No funds were withheld.

Municipal Disaster Relief Grant (MDRG - R & R)

Balance unspent at beginning of year	18,221,928	1,285,175
Current-year receipts	-	36,414,000
Conditions met - transferred to revenue	(17,799,635)	(19,477,247)
	422,293	**18,221,928**

Conditions still to be met - remains a liability (see note 16).

This grant is for rehabilitation of infrastructure damaged due to a disaster occurred.

Museum Subsidy

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

This grant is utilised to subsidise expenses incurred solely for the Museums. No funds have been withheld.

Provincialisation of Library Grant

Current-year receipts	5,890,000	5,890,000
Conditions met - transferred to revenue	(5,890,000)	(5,890,000)
	-	-

This grant is utilised to subsidise expenditure and upgrading of Libraries.No funds were withheld.

Municipal Disaster Response Grant - MDRG

Current-year receipts	11,775,000	-
Conditions met - transferred to revenue	(6,969,827)	-
	4,805,173	-

Conditions still to be met - remain liabilities and the application for roll over has been prepared (see note 16).

This grant is for rehabilitation of infrastructure damaged due to a disaster occurred.

Notes to the Financial Statements

Figures in Rand	2024	2023

34. Government grants & subsidies (continued)

Recapitalisation of Library - Cyber

Current-year receipts	1,785,000	2,039,000
Conditions met - transferred to revenue	(1,785,000)	(2,039,000)
	-	-

This grant is utilised for the remunaration of the Cyber Cadets in libraries. No funds have been withheld

Housing Accreditation

Balance unspent at beginning of year	1,756,147	1,288,088
Current-year receipts	3,589,029	1,868,035
Conditions met - transferred to revenue	(1,673,570)	(1,399,976)
	3,671,606	**1,756,147**

Conditions still to be met - remains a liability (see note 16)

This grant is utilised to capacitate the municipality in the construction of houses as part of the upgrading of Informal settlement areas

Eradication of Bucket System

Balance unspent at beginning of year	222,269	222,269

The grant was allocated to the former Indaka Local Municipality.

Expanded Public Works Programme

Current-year receipts	2,808,000	2,993,000
Conditions met - transferred to revenue	(2,808,000)	(2,993,000)
	-	-

This grant is a government programme aimed at the alleviation of poverty and unemployment. This programme ensures the full engagement on Labour Intensive Methods of Construction to workers for skills development.

Infrastructure Skills Development Grant (ISDG)

Current-year receipts	4,450,000	4,500,000
Conditions met - transferred to revenue	(4,450,000)	(4,500,000)
	-	-

The grant is utilised for skilling of interns in the areas of Engineering and Town Planning. There are no funds that are withheld.

Notes to the Financial Statements

Figures in Rand	2024	2023

34. Government grants & subsidies (continued)

Job Evaluation

Balance unspent at beginning of year	66,121	124,627
Current-year receipts	327,174	152,174
Conditions met - transferred to revenue	(127,672)	(210,680)
	265,623	**66,121**

Conditions still to be met - remains a liability (see note 16)

This funds are from the other municipalites to execute the duties in order to conclude the job evaluation and other Human Resources related concerns.

LGSETA

Balance unspent at beginning of year	117,839	-
Current-year receipts	1,053,010	903,431
Conditions met - transferred to revenue	(853,683)	(785,592)
	317,166	**117,839**

Conditions still to be met - remains a liability (see note 16).
The grants is utilised for the training of the municipal employees in the different departments.

35. Electricity Availabilty Charges

Electricity Availability Charges	2,854,026	2,400,998

36. Public contributions and donations

Public contributions and donations	-	939,544

37. Fines, Penalties and Forfeits

Illegal Connections Fines	3,008,126	2,499,698
Overdue Books Fines	5,299	2,978
Pound Fees Fines	9,908	12,778
Municipal Traffic Fines	6,535,663	11,824,300
Motor Vehicle Licence Penalties	39,468	-
Retentions Forfeits	-	16,619,761
	9,598,464	**30,959,515**

Notes to the Financial Statements

Figures in Rand	2024	2023

38. Employee related costs

Basic	280,327,213	254,953,817
Acting allowances	1,722,125	2,183,849
Bargaining Council Contributions	132,349	123,298
Bonus	19,658,513	19,345,953
Medical aid - company contributions	11,483,249	10,561,670
UIF	2,155,348	2,054,171
Post retirement medical aid contributions	1,691,000	1,994,000
Leave pay provision charge	4,413,336	8,980,299
Standby Allowance	4,383,395	4,147,906
Overtime payments	4,285,639	3,118,433
Long-service awards	1,983,000	1,606,000
Car allowance	22,584,516	21,214,120
Housing benefits and allowances	1,006,502	943,544
Tools allowances	4,885	5,835
Group Life Insurance	86,162	88,075
Uniforms/Special/Protective clothing	229,111	185,500
Cell phone allowances	7,751	16,847
Pension contributions	37,203,401	34,818,059
	393,357,495	**366,341,376**

Remuneration of Municipal Manager

Annual Remuneration	1,478,901	1,405,072
Car Allowances	240,000	240,000
Performances Bonuses	186,843	203,829
Contribution to UIF,Medical and Pension Funds	2,125	2,125
Leave Pay	-	286,963
	1,907,869	**2,137,989**

Remuneration of Chief Financial Officer

Annual Remuneration	1,064,384	749,112
Car Allowances	132,000	108,000
Contribution to UIF,Medical Aid and Pension Funds	1,948	1,594
Acting	54,565	43,490
Subsistence and Travelling Allowance	-	25,527
	1,252,897	**927,723**

Remuneration of Executive Director: Community and Social Services

Annual Remuneration	1,503,605	1,368,640
Car Allowance	120,000	120,000
Performance Bonuses	157,020	128,471
Contribution to UIF, Medical aid and Pension Funds	2,125	2,125
	1,782,750	**1,619,236**

Remuneration of Executive Director : Department of Planning and Human Settlements

Annual Remuneration	1,104,690	965,265
Car allowance	309,000	244,250
Performances Bonus	71,373	157,020
Contribution UIF, Medical Aid and Pension Funds	2,125	1,948
Leave pay	-	273,600
	1,487,188	**1,642,083**

Remuneration of Executive Director: Technical and Infrastructure Services

Figures in Rand	2024	2023

38. Inventory consumed (continued)

Annual Remuneration	1,479,605	1,396,057
Car Allowance	144,000	144,000
Performance Bonuses	171,295	99,922
Contribution to UIF, Medical Aid and Pension Funds	2,125	2,125
	1,797,025	**1,642,104**

Remuneration of Executive Director: Public Safety and Emergency Services

Annual Remuneration	978,923	1,145,304
Car Allowance	217,944	180,000
Performance Bonuses	142,746	171,295
Contribution to UIF, Medical aid and Pension Funds	2,125	2,125
Leave pay	-	166,291
	1,341,738	**1,665,015**

Remuneration of Executive Director:Corporate Services

Annual Remuneration	1,269,690	1,045,515
Car Allowance	144,000	164,000
Performance Bonuses	114,197	142,746
Contribution to UIF,Medical Aid and Pension Fund	2,125	1,948
Leave pay	-	198,302
	1,530,012	**1,552,511**

In-Kind Benefits (Provision of Security Services)

The Municipal Manager had two (2) bodyguards, one (1) driver and five (5) security guards. The expenditure amounted to R 2 376 007 for the 2022/2023 FY and the expenditure amounted to R 1 738 593 for the 2023/2024 FY.

The Executive Director: Public Safety and Emergency Services had three (3) bodyguards as at 30 June 2023. The expenditure amounted to R 812 958 for the 2022/2023 FY and the expenditure amounted to R 638 420 for the 2023/2024 FY.

The Executive Director: Technical and Infrastructural Services had two (2) bodyguards and one (1) driver as at 30 June 2023. The financial expenditure amounted to R 812 958 for the 2022/2023 FY and the expenditure amounted to R 638 420 for the 2023/2024 FY.

Notes to the Financial Statements

Figures in Rand	2024	2023

39. Remuneration of councillors

Mayor	1,005,693	1,020,341
Deputy Mayor	814,560	825,789
Mayoral Committee Members	3,444,120	3,622,735
Speaker	814,560	798,847
Councillors	23,557,012	21,375,817
Chief Whip	449,888	512,127
Section 79 Committee Chairperson	745,754	668,548
	30,831,587	**28,824,204**

Mayor (Cllr ZJ Sibisi)

Basic Salary	959,123	967,876
Cellphone Allowance	46,570	52,465
	1,005,693	**1,020,341**

Deputy Mayor (Cllr SS Simelane)

Basic Salary	734,750	773,324
Cellphone Allowance	46,570	52,465
Pension Fund Contributions	33,240	-
	814,560	**825,789**

Mayoral Committee Members

Basic Salary	2,260,077	2,394,106
Cellphone Allowance	354,975	410,614
Pension Fund Contributions	276,117	252,966
Travel Allowance	552,951	565,049
	3,444,120	**3,622,735**

Speaker (Cllr BP Sithole)

Basic Salary	712,024	694,897
Cellphone Allowance	46,570	52,465
Pension Fund Contributions	55,966	51,484
	814,560	**798,846**

Councillors

Basic Salary	16,166,270	16,280,574
Cellphone Allowance	2,784,290	3,064,250
Pension Fund Contributions	3,246,453	753,009
Travel Allowance	1,359,999	1,277,983
	23,557,012	**21,375,816**

Chief Whip (Cllr S Sithole)

Basic Salary	281,305	340,978
Cellphone Allowance	46,570	51,027
Pension Fund Contributions	22,661	23,820
Travel Allowance	99,352	96,302
	449,888	**512,127**

Section 79 Committee Chairperson (Cllr MR Suddaby)

Basic Salary	453,536	468,365
Cellphone Allowance	46,570	51,327
Pension Fund Contributions	72,781	65,076

Figures in Rand	2024	2023

39. Remuneration of councillors (continued)

Travel Allowance	172,867	83,780
	745,754	**668,548**

In-Kind Benefits (Provision of Security Services)

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

The Mayor had four (4) full time bodyguards, two (2) drivers and three (3) security guards, and the use of Council owned vehicles. The expenditure amounted to R 3 372 410 for the 2022/2023 FY. The expenditure amounted to R 2 790 788 for the 2023/2024 FY.

The Deputy Mayor had two (2) full time bodyguards and one (1) driver and use of a Council owned vehicle. The expenditure amounted to R 812 958 for the 2023/2024 FY.The expenditure amounted to R 3 372 410 for the 2023/2024 FY.

The Speaker had two (2) full time bodyguards and one (1) driver and use of a Council owned vehicle. The expenditure amounted to R 541 972 for the 2022/2023 FY. The expenditure amounted to R 851 226 for the 2023/2024 FY.

The Chief Whip had four (4) full time bodyguards, two (2) drivers and five security guards and use of a Council owned vehicle. The expenditure amounted to R 735 114 for the 2022/2023 FY. The expenditure amounted to R 2 821 543 for the 2023/2024 FY.

Cllr ASD Warasally had two (2) bodyguards and one (1) driver. The expenditure amounted to R 654 883 for the 2022/2023 FY. The expenditure amounted to R 851 226 for the 2023/2024 FY.

Cllr Biyela had one (1) bodyguard and one (1) driver. The expenditure amounted to R 0 for the 2022/2023 FY. The expenditure amounted to R 929 999 for the 2023/2024 FY.

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

40. Inventory consumed

Inventory consumed - materials, supplies and consumables	31,682,651	23,952,976

41. Remeasurements on employee benefits

Actuarial losses (gains) for post retirement medical aid	1,212,603	(6,296,414)
Actuarial losses (gains) on long service awards	(348,302)	63,472
	864,301	**(6,232,942)**

42. Loss on disposal of assets

Property, plant and equipment	5,174,072	2,677,641
Investment property	465,225	860,297
Intangible assets	22,065	7,362
	5,661,362	**3,545,300**

Notes to the Financial Statements

Figures in Rand	2024	2023

43. Depreciation and amortisation

Property, plant and equipment	82,373,220	81,437,810
Intangible assets	597,215	546,418
	82,970,435	**81,984,228**

44. Impairment loss

Impairment		
Property, plant and equipment	(23,703)	1,459,781
	(23,703)	1,459,781
	-	-

45. Debt impairment

Debt impairment	88,588,316	71,351,195

46. Finance costs

Non-current borrowings	122,366	312,265
Finance leases	103,962	103,045
Interest on landfill site provision	8,335,524	3,061,870
Actuarial interest on long service awards and post retirement medical aid	8,909,000	8,083,000
	17,470,852	**11,560,180**

47. Bulk purchases

Electricity - Eskom	418,958,457	348,546,676

Electricity losses

Units purchased (Kilowatt hours)	267,799,035	260,859,608
Units sold (Kilowatt Hours)	(225,142,839)	(219,188,900)
Total loss(Kilowatt Hours)	**42,656,196**	**41,670,708**
Comprising of:		
Technical losses (Monetary Amount)	17,005,239	14,086,419
Non-technical losses (Monetary Amount)	37,168,131	30,917,953
Total (Monetary Amount)	**54,173,370**	**45,004,372**
Percentage Loss:		
Total loss	16 %	16 %

Notes to the Financial Statements

Figures in Rand	2024	2023

48. Contracted services

Outsourced Services		
Administrative and Support Staff	945,452	-
Animal Care	193,467	212,650
Burial Services	4,870	105,496
Business and Advisory	21,255	30,879
Catering Services	18,500	-
Cleaning Services	-	11,500
Meter Management	2,466,430	-
Professional Staff	16,579	5,123
Connection/Dis-connection	840,000	-
Security Services	32,576,306	24,731,667
Transport Services	-	69,130
Consultants and Professional Services		
Business and Advisory	6,243,896	10,560,089
Infrastructure and Planning	2,692,360	521,568
Legal Cost	3,751,870	2,395,981
Contractors		
Catering Services	1,553,304	863,376
Electrical	-	1,961,979
Event Promoters	4,344,332	344,200
Gardening Services	-	7,856
Maintenance of Buildings and Facilities	195,280	698,324
Maintenance of Equipment	681,068	702,338
Maintenance of Unspecified Assets	38,260,851	33,540,886
Pest Control and Fumigation	31,212	48,993
Traffic and Street Lights	3,174	73,865
Transportation	793,389	193,293
Sports and Recreation	-	2,441,438
Presented previously	-	-
Outsourced Services	37,082,859	25,166,445
Consultants and Professional Services	12,688,126	13,477,638
Contractors	45,862,610	40,876,548
	95,633,595	**79,520,631**

49. Transfer and subsidies

Transfers and Subsidies		
Transfer to Public Corp - ESKOM	-	7,938,251
Educational Institutions	557,654	134,610
Ward Upliftment Programme	3,849,258	-
Social Assistance:Social Relief	109,826	-
	4,516,738	**8,072,861**

The Municipality had taken a decision not to roll out free basic electricty on the compliled database during the 2023/2024 financial year. This is due to the fact that there are certain issues that must still be attended by Eskom. Once these issues have been finalised, the Municipality will be in the position to implement free basic electricity.

Notes to the Financial Statements

Figures in Rand	2024	2023

50. Operational costs

Advertising	681,325	621,888
Auditors remuneration	5,466,257	4,875,691
Bank charges	438,628	628,328
Cleaning	1,060	7,705
Commission paid	3,175,269	4,784,547
Assets less than capitalisation	290,498	456,919
Discount allowed	2,547,001	1,763,254
Entertainment	29,644	5,637
Hire Charges	541,020	413,150
Insurance	6,426,361	4,634,719
IT expenses	8,337,059	9,596,647
Levies	3,009,260	2,763,337
Deeds	43,822	45,350
Fuel and oil	14,886,988	13,571,195
Postage and courier	2,397,257	3,582,851
Printing and stationery	1,925,479	1,918,846
Protective clothing	3,652,100	3,295,295
Subscriptions and membership fees	4,527,792	4,297,480
Telephone and fax	3,745,707	4,713,728
Travel - local	2,289,674	2,132,241
Toll Gate Fees	37,206	9,501
Travel Agency Commision	34,201	52,260
Municipal Services	27,995,877	25,683,728
Licence Fees	1,070,485	1,085,871
Conference and Seminars	658,384	1,262,461
Worksman Compensation Fund	2,526,859	2,247,680
Divers licence and permit	1,170	10,921
Vehicle tracking	846,340	846,622
Communication and Satellite Signals	-	68,757
Employees Bursaries	278,956	876,980
Learnership and internship	1,201,915	1,245,674
	99,063,594	**97,499,263**

Figures in Rand	2024	2023

51. Construction Contracts

Contracts in progress at financial year end		
Construction contract revenue	1,080,884	10,303,120
Construction contract expenditure	(1,080,996)	(11,300,588)
	(112)	**(997,468)**

Contract amounts included in trade and other payables		
Deferred construction revenue	855	6,000

In accordance with National Treasury guidance issued in August 2023,the Integrated National Electrification Progamme Grant and its associated expenditure was recorded as construction contract revenue and expenditure.

This is due to the Municipality implementing projects within the Eskom area and the assets being transferred to Eskom.

On receipt of the grant, the amount is recorded as an advance payment. Revenue is recognised as construction contract revenue in accordance with expenditure being incurred.

The remaining balance on advances received in excess of work completed are included in trade and other payables. For the prior financial year, the Municipality was required to declare output VAT on the proceeds received which the Municipality was not aware of this requirement until the National Treasury guidance was issued in August 2023.As a result, this reduced funds available to fund expenditure already committed to and therefore revenue recognition was limited to the funds received and available for use.

Notes to the Financial Statements

Figures in Rand	2024	2023

52. Cash generated from operations

Surplus	263,610,696	204,544,808
Adjustments for:		
Depreciation and amortisation	82,970,435	81,984,228
Loos /Gain on sale of assets and liabilities	5,661,362	3,545,300
Actuarial gains / losses	864,301	(6,232,942)
Fair value adjustments	(139,259,855)	(108,374,892)
Impairment on cash and non cash generating assets	(23,703)	1,459,781
Debt impairment	88,588,316	71,351,195
Bad debts written off	19,591,132	15,782,499
Contribution to staff leave	4,388,665	8,980,299
Controbution to employee benefit obligation included in employee cost	3,674,000	3,600,000
Contribution to annual bonus payable	(102,756)	842,167
Retention forfets	-	(16,619,761)
Contribution to performance bonus	1,089,569	1,116,496
Inventory losses or write-downs	-	(1,005,629)
Donation of land and assets received	-	(939,544)
Provision for pension fund contribution	2,328,317	-
Interest on Landfill site provision	8,335,524	3,061,870
Interest on long service awards and post retirement medical aid	8,909,000	8,083,000
Changes in working capital:		
Inventories	(4,478,291)	(4,041,217)
Receivables from exchange transactions	(31,640,494)	(36,357,944)
Receivables from non-exchange	(122,324,495)	(95,192,585)
Movement in construction contract	(5,145)	(562,280)
Payables from exchange transactions	(10,238,641)	7,540,026
Provision	(843,479)	1
Unspent conditional grants and receipts	(13,441,480)	18,993,046
Consumer deposits	(307,239)	933,638
Employee benefits obligation	(6,181,300)	(4,833,060)
Housing operating Fund	5,576,848	4,348,001
Movement - Self insurance fund	1,304,935	655,826
	168,046,222	**162,662,327**

53. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	14,444,430	11,920,187
Total capital commitments		
Already contracted for but not provided for	14,444,430	11,920,187

This expenditure will be finance from

Already contracted for but not provided for		
• Municipal Infrastructure Grant	1,995,933	4,078,003
• Infrastructure Economic Development Grant	-	1,555,828
• Municipal Disaster Response Grant	7,496,527	4,499,694
• Internal Funding	4,951,971	542,662
• Intergrated National Electricification Programme	-	1,244,000
	14,444,431	**11,920,187**
Total capital commitments		
Already contracted for but not provided for	14,444,431	11,920,187

Figures in Rand	2024	2023

54. Contingencies

Contingent assets

There are no contingent assets for the 2023/2024 financial year

Contingent Liabilities

The municipality is defending a case for damages for allegations of unlawful arrest anddefamation. The State Attorney's office is dealing with this matter. Case No 11653/2015	500,000	500,000
The municipality is defending a case for damages involving a minor falling into a trench. The claim and the matter has not been set down for trial as yet. Case No.9222/2010.	985,000	985,000
The municipality is defending a case for an outstanding payments to a service provider. The Municipality is defending the claim and the case is at discovery stage and awaiting trial. Case No. 6040/2015.	1,900,000	1,900,000
The municipality is defending a case for an outstanding payments relating to the release of retention. The matter is still pending. Case No. 491/2018.	219,450	219,450
The municipality is defending a case for damages for allegations of unlawful arrest. The Municipality is defending the matter and the matter is on the pleading stage.Case No.60/2021.	200,000	200,000
The municipality is defending a case for an outstanding payments due and payable to a service provider. Defendent has filed a pre-trial Notice. Case No. 87872020/P	1,406,030	1,406,030
The municipality is defending a case for alleged service rendered to have been rendered to the former Indaka Local Municipality which were not paid for. The matter is awaiting trial date. Case No. 13232/17P	763,780	763,780
The municipality is defending the case for damages made by municipal driver who reversed into her vehicles. The municipality is defending the case using the internal legal practitioner	28,000	-
The municipality is defending the matter in respect of claims against the municipality for services provided. The case number is 4288/24P KZN/LC/RC 143/2022	12,450,652	-
The municipality is defending the matter in respect of claims regarding a minor who was electricuted after coming into contact with a live wire on a water tanker. Case number 15479/23	2,040,000	-
The municipality is defending the matter in respect of a motor vehicle collision between Westrand Panelbeaters and a pothole within the jurisdictional area of the Alfred Duma Local Municipality. Case Number 335/2022	92,777	-
The municipality is defending the matter in respect of a motor vehicle collision between Ms Lerissa Singh and a pothole within the jurisdictional area of the Alfred Duma Local Municipality. Case number 174/2022	20,126	-
The municipality defending the matter in respect of a claim against the municipality for damages in respect of a Wrongful arrest by the Department: Public Safety and the SAPS. Case number 819/2021	200,000	-
	20,805,815	**5,974,260**

Notes to the Financial Statements

Figures in Rand	2024	2023

54. Contingencies (continued)

55. Related parties

Related party transactions

Key Management Personnel and Councillors Remuneration

Remuneration of Key Management Personnel and Councillors is set on Note 38 & 39 to the Annual Financial Statements.

56. Change in estimate

Property, plant and equipment

The Municipality has revised the remaining useful livesof assets which had reached the end of their useful lives. based on the asset conditions in terms of GRAP 17 paragraph 56.

The effect of of the revision has increased a depreciation by R1 737 198.

Depreciation	Depreciation before change in estimate	Less: Depreciation after change in estimate	Change in depreciation per annum
Intangible assets	591,029	(597,215)	(6,186)
Community assets	15,023,911	(14,461,212)	562,699
Computer Equipment	1,914,488	(2,126,851)	(212,363)
Furniture and office equipment	1,138,431	(1,186,597)	(48,166)
Machinery and equipment	3,204,645	(3,291,459)	(86,814)
Buildings	1,138,459	(1,146,172)	(7,713)
Infrastructure - Electricity	8,206,031	(8,041,669)	164,362
Infrastructure - Roads	44,718,012	(42,739,349)	1,978,663
Infrastructure - Solid Waste	3,584,021	(3,584,021)	-
Infrastructure - Stormwater	2,374,903	(2,397,361)	(22,458)
Transport Asset	2,828,189	(3,413,017)	(584,828)
	84,722,119	**(82,984,923)**	**1,737,196**

57. Section 45 of Supply Chain Management Regulations- Awards made to close family members of persons in the service of the State

The Municipality conducted business during the financial period with the below mentioned service providers, of which the directors are closely related to a person employed in the services of the State.

Figures in Rand	2024	2023

57. Section 45 of Supply Chain Management Regulations- Awards made to close family members of persons in the service of the State (continued)

Harvey World Travel - Person in Service of the State: Mr TC Madikane, spouse of Director TC Madikane, is a Board Member of CETA (Construction Education & Training Authority) Person in Service of the State: Mr SR Zikode, spouse of Director S Motha is a Board Member of Nkomazi Special Economic Zone and Limpopo Special Economic Zone	195,665	66,422
Mivusa Trading (Pty) Ltd - Spouse Waseela Asmal, wife of Director Shauib Asmal, is employed at the Alfred Duma Local Municipality in the revenue department. The spouse has no influence in terms of any awards in accordance with the post	2,577,666	1,084,780
One Stop Computers - Waseela Asmal, spouse of Director Shauib Asmal, is employed at the Alfred Duma Local Municipality in the revenue department.The spouse has no influence in terms of any awards in accordance with the post..	4,764,495	6,656,031
Nsizi Global Industries - Nerusha Naidoo, spouse of Director Sameer Asmal, is employed at the Alfred Duma Local Municipality in the contract management department.The spouse has no influence in terms of any awards in accordance with the post.	660,840	35,899
Munsoft - Mary Mmakopa Rerani ,spouse of Director Ndiafhi Rerani, is employed as a stenographer in the Office of the Chief Justice. Resigned and Left on 31/07/2022.	-	1,682,933
Dulis Funeral Parlour - Patience Phindile Nduline, spouse of Director MI Ndulini is an employee of the South African Police Services	44,000	38,031
Emkhonjana - Noxolo Sithembile Mthembu, spouse of Director SJ Mthembu is employed as the Deputy CFO at Zululand District Municipality.	-	56,543
Niphile Consulting - Mrs Nokubonga Khoza, spouse employed at the Department of Social Development employed as Head of Head of Ministry. The Contract ended on 31 July 2024.	49,617,243	37,634,391
Kulungwane Distribution - Duduzile Mgidi, spouse of Director Nhlanhla Mgidi, is employed as a Cashier at the City of Tswane Municipality	500,359	66,470
	58,360,268	**47,321,500**

58. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

Notes to the Financial Statements

Figures in Rand	2024	2023

58. Prior-year adjustments (continued)

2023

	Note	As previously reported	Prior Period Errors that occurred Prior to 1 July 2022	Prior period errors restating the 2022/23 movements	Restated
Cash and cash equivalent	1	528,673,702	290,793	-	528,964,495
Receivables from exchange transactions	2	131,353,281	512,927	1,423,849	133,290,057
Receivables from non -exchange transactions	3	281,507,930	(16,286,510)	(4,186,590)	261,034,830
Inventories	4.	33,227,660	2,481,599	18,323,053	54,032,312
Investment property	5	174,981,923	260,030,379	342,271,807	777,284,109
Property plant and equipment	6	1,839,268,114	4,047,967	(249,436,321)	1,593,879,760
Intangible assets	7	1,185,668	62,870	(20,957)	1,227,581
Payables from exchange transactions	8	(214,712,709)	(128,958)	(4,725,409)	(219,567,076)
Consumer deposits	9	(19,843,613)	-	(2,215,780)	(22,059,393)
Unspent conditional grants and receipts	10	(64,634,248)	-	(117,839)	(64,752,087)
Long term loans - Non-current portion	11	(2,495,293)	-	(21,262)	(2,516,555)
Accumulated Surplus	12	(2,505,898,061)	(251,011,067)	(101,294,551)	(2,858,203,679)
		182,614,354	**-**	**-**	**182,614,354**

Statement of financial performance

2023

	Note	As previously reported	Prior period errors restating the 2022/23 movements	Re-classification	Restated
Service charges	1	(474,949,231)	2,590,891	-	(472,358,340)
Construction contract revenue	2	(10,309,119)	5,999	-	(10,303,120)
Sale of goods and rendering of services	3	(1,591,289)	21,785	-	(1,569,504)
Fair value adjustments	4	(4,935,940)	(103,438,952)	-	(108,374,892)
Property rates	5	(229,926,978)	3,981,165	-	(225,945,813)
Property rates - penalties imposed	6	(41,440,024)	1,555,490	-	(39,884,534)
Electricity availability charges	7	(2,432,815)	31,817	-	(2,400,998)
Employee related costs	8	374,924,898	(500,532)	(8,083,000)	366,341,366
Remuneration of councillors	9	28,888,565	(64,362)	-	28,824,203
Fines penalties and forfeits		(28,459,817)	(2,499,698)	-	(30,959,515)
Interest on availability charges		(862,846)	2,925	-	(859,921)
Depreciation and amortisation	10	81,344,198	640,030	-	81,984,228
Finance costs	11	3,455,919	21,261	8,083,000	11,560,180
Lease rentals on operating lease	12	1,505,131	(3,196)	-	1,501,935
Impairment on cash and non-cash generating assets	13	1,484,960	(25,179)	-	1,459,781
Bulk purchases	14	348,956,352	(409,676)	-	348,546,676
Contracted services	15	79,558,423	(37,792)	-	79,520,631
Loss on disposal of assets and liabilities	16	7,573,074	(4,027,774)	-	3,545,300
Debt impairment	17	71,525,216	(174,022)	-	71,351,194
Inventory consumed	18	23,673,396	279,580	-	23,952,976
Operational cost	19	96,743,586	755,679	-	97,499,265
Deficit for the year		**324,725,659**	**(101,294,561)**	**-**	**223,431,098**

Errors

Notes to the Financial Statements

Figures in Rand	2024	2023

58. Prior-year adjustments (continued)

The following prior period errors adjustments occurred:

Prior period narrations- Financial Position

1. Cash and cash equivalents
There were prior year transactions that needed to be corrected that affected cash and cash.

2. Receivables from non-exhange transactions
Adjustment to traffic fines. Audit dump totals changed as a result of the live traffic fine system

3. Receivables from exchange transactions
The municipality undertook an external VAT review whereby transactions were previously not claimed by the municipality from SARS. This resulted in adjustments to the VAT accounts. Additionally, consumer deposits and billing adjustments were recognised that related to prior financial years.

4.Inventories :
This was to correct land parcels qualifying to be classified as Inventory Land in line with the GRAP Standards, this has been corrected.

5. Investment property
Assets have been found belonging to the Municipality on site that were omitted from the Municipality's investment property register. Some land that was in our Land Register should have been reclassified to Investment properties due to it being held for capital appreciation. This has been corrected.

6. Property, plant and equipment
There were some assets that were found during asset verification. There were also assets that were in the books of the Municipality but they were never assets of the Municipality and this has been corrected.

7. Intangible assets
There were take on assets relating to intangible assets. These assets were Microsoft office packages found on site but were not included in the register.

8**. Payable from exchange transactions**
There were payables and accruals that were not raised in the prior years and some other payables and accruals that were incorrectly raised in the prior years. Correcting journal has been processed to correct these errors.

9**. Consumer deposit**
Adjustment to deposits raised in 2023/24 that related to prior periods was processed.

10. Unspent conditional grants and receipts
The Job Evaluation Grant was incorrectly receipted exclusive of VAT, which required restatement.

11.Long-term loans
Loans were understated in the previous financial year as accrued interest was not recognised.

12. Accumulated surplus
The above mentioned prior period errors impacted the accumulated surplus in relation to Property,Plant and Equipment, Payables from Exchange Transactions which required restatement.

Notes to the Financial Statements

Figures in Rand	2024	2023

58. Prior-year adjustments (continued)

Prior period narrations - Financial performance

58. Prior-year adjustments (continued)

1. Services Charges
The collection of rates,refuse and electricity availabilty was incorrectly levied.

2. **Construction contract revenue**
The unspent funds that were not approved by Treasury was identified during the audit due to the duplication of transactions.

3. Sale of goods and rendering of services
Corrections were effected due to the adjustments related to the billing in the prior financial year.

4. Fair value adjustment

5.Property rates
Error was identified during the audit that the rates was incorrectly levied on municipal owned properties

6. Property rates- penalties imposed
Error was identified during the audit that the rates penalties was incorrectly levied on municipal owned properties

7 Electricity availability
Error was identified on the billing of the consumers

8. Employee related costs
There was a reclassification of interest cost for long service and post retirement medical aid from employee related cost to finance cost in line with GRAP 25.

9. Remuneration of councillors
Errors were identified and were corrected.

10 Fines, penalties and forfeits
Errors was identified during the

11. Interest on availability charges

12. Depreciation and amortisation
There were some assets that were found during asset verification. There were also assets that were in the books of the Municipality but they were never assets of the Municipality and this has been corrected. This has affected prior year depreciation.

13. Finance cost
There was a reclassification of interest cost for long service and post retirement medical aid from employee related cost to finance cost in line with GRAP 25. Loans were understated in the previous financial year as accrued interest was never recognised.

14. Lease rental on operating lease
An error was identified relating to Ithala operating lease for the recognition of the lease payments.

15. Impairment on cash and non-cash generating asset
Properties that were impaired previously were subsequently derecognised as prior period adjustments based on control of the assets. As a result impairment was restated

16. Bulk purchases
There were ESKOM transactions that were recorded on an incorrect period and there were accruals that were not raised relating to ESKOM. This has been corrected.

17. Contracted services
Creditors were reconciled and transactions were identified for goods and services rendered that required correction.

18. Loss on disposal of asset and liabilities
Movable assets were sold during an auction. Furthermore, land was donated and investment property was registered into

58. Prior-year adjustments (continued)

private individual's names.

19. Debt impairment
The municipality had identified a reclassification between electricity services and fines and penalties related to tampered meters. As a result, the collection rate per group category was affected and resulted in re-statements.

20. Inventory consumed
Creditors were reconciled and transactions were identified for goods and services rendered that required correction.

21.Operational Cost

Change in accounting policy

No change in accounting policies occurred during the year under review.

59. Risk management

Financial risk management

Due to the largely non trading nature of the activities and the way in which they are financed, the Municipalities are not exposed to the degree of financial risks faced by business entities.

The Municipality's finance section monitors and manages the financial risks relating to the operations of the Municipality. These risks include credit risk, liquidity risk, risk market 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.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

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 undercounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	2024	2023
Liquidity risk		
Long term loans	914,667	842,716
Payables from exchange transactions	213,609,198	219,567,075
Finance lease obligation	-	801,919
Consumer Deposits	21,752,154	22,059,393
	236,276,019	**243,271,103**

Notes to the Financial Statements

Figures in Rand	2024	2023

59. 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. Except as detailed below, the carrying amount of financial assets recorded in the Financial Statements, which is net of impairment losses, represent the municipality's maximum exposure to credit without taking account of the value of any collateral obtained.

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

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Financial Instrument		
Cash and cash equivalents	560,534,966	528,964,484
Receivables from exchange transactions (contractual receivables)	131,438,494	101,267,326
Receivables from non-exchange transactions (contractual receivables)	7,000,711	11,076,411
	698,974,171	**641,308,221**

60. Going concern

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

Figures in Rand	2024	2023

60. Going concern (continued)

The ability of the Municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the Accounting Officer continue to procure funding for the ongoing operations for the Municipality and that the annual financial statements will remain in force for so long as it takes to maintain the solvency of the Municipality and Sound Financial Management.

Based on the above, the annual financial statements have been prepared on a going concern as sufficient measures are in place to curb the impact of pandemic.

Repayment of long term debt- The municipality has not defaulted in meeting its obligations to repay its long-term debt, and currently has the same two existing loans.

Grant funding in terms of DoRA - Capital projects as well as operational expenditure are partially funded through gazetted transfers to the Municipality to ensure continued operations in terms of budgeted expenditure expenditure for the 2023/2024

Revenue Enhancement Strategy - The Municipality has implemented as Revenue Enhancement Strategy to ensure all money that is due collected. It must also be noted that the Municipality has ongoing incentive drives for ratepayers and consumers to improve revenue collective.

Payment Creditors within 30 (thirty) days - The municipality has not defaulted in making creditors payments timeously, excepts where there are delays in receiving necessary documents to process payments.

Payments of Bulk Services - Municipality has not defaulted in payments of the Eskom Bulk Payments

All Unspent Grants funded are **100%** cash-backed

Cash and Cash Equivalent is sitting at **R 560 534 966**

The Current ratio is **1 : 3.54** which shows the municipality can be able to honour its obligations

The Debts to total asset ratio is **13%**, this reflects strong results of all debts are covered but total asset;

61. Events after the reporting date

There was an event after the reporting date that is disclosed under note 62 in respect of Fruitless and Wasteful expenditure

62. Unauthorised expenditure

	2024	2023
Opening balance as previously reported	7,200,898	20,099,475
Add: Unauthorised expenditure - current	11,862,870	7,200,898
Less: Amount Approved/Condoned/Authorised by Council	(7,200,898)	(20,099,475)
Closing balance	**11,862,870**	**7,200,898**

62. Unauthorised expenditure (continued)

2022/2023 Incidents

The municipality incurred unauthorised expenditure of R 7 200 898 comprising:

An amount of R 997 241 was non-cash in respect of the loss on disposal of asset.

An amount of R 6 203 657 was cash in respect of capital expenditure of R 5 212 188 funded by the Department of Sports, Arts & Culture in respect of the Sports Infrastructure Grant and R 991 469 was in respect of INEP overspending.

2023/2024 Incidents

The municipality incurred unauthorised expenditure of R11 862 870 for the 2023/2024 financial year in respect of security costs (cash) and interest costs on the landfill site rehabilitation provision as per the expert's report (non cash).

An amount of R4 823 135 was due to unwinding of interest on landfill site provision which is non-cash in nature of which is only finalised during the preparation of the Annual Financial statement when the expect report is received.

An amount of R 7 039 736 which was cash in nature was due to security expenditure due to the following:
1. Vandalism at recently renovated municipal facilities, electrical switch houses and sub-stations, including damage or theft of municipal assets, has led to the assignment of security personnel to protect these assets.

2. Provision of Close Protection to Councillors and Officials whilst awaiting the Threat Assessments from the Provincial Commissioner’s Office of the South African Police Services (SAPS) in terms of the Council approved Municipal Councillors/Officials Office Bearer Policy.

3. Delays in receiving SAPS Security Threat Assessment reports have resulted in interim security being allocated for Councillors or Officials to ensure their safety, as such imminent and life-threatening threats cannot be confirmed or dismissed without official SAPS reports.

Cost Cutting Measures

1. Additional Security Measures (CCTV Surveillance Cameras) were installed at the sub-stations and the quantity of security guarding these sites was reduced due to municipal Security Budget constraints being experienced with the agreement that services would still be required on an as-and-when-required basis.

2. The Department of Public Safety and Emergency Services has sought help from the Department of Co-Operative Governance and Traditional Affairs to address overdue reports and improve the timeliness of future reports. The issue was also raised with the National Commissioner of Police. Due to insufficient responses, our Honourable Mayor has now written a letter to the Office of the KZN Premier for further assistance.

3. Internal Security Access Control Officers were appointed at various municipal sites effective from July 2024 in order to reduce Contracted Security Services costs.

The amount of R11 862 870 has already been referred by the Accounting Officer to Internal Audit for investigation in terms of Section 32 of the Municipal Finance Management Act.

The amount of R30 811 for fruitless and wasteful expenditure will also be investigated in terms of Section 32 of the Municipal Finance Management Act.

An amount of R7 200 898 was incurred as a result of non-cash and cash items being processed in the finalisation of the Annual Financial Statements for the 2022/2023 financial year. This was reffered for investigation in accordance with section 32 of the MFMA and has been written of by Council during the 2023/2024 financial year.

Figures in Rand	2024	2023

62. Unauthorised expenditure (continued)

Analysed as follows: non-cash

Gains and losses	-	997,241
Unwinding interest on landfill site rehabilitation provision	4,823,135	-
	4,823,135	**997,241**

Analysed as follows: cash

Capital Expenditure funded by Sports Infrastructure Grant	-	5,212,188
Construction contract expenditure in terms of INEP	-	991,469
Contracted services - security expenditure	7,039,736	-
	7,039,736	**6,203,657**

63. Fruitless and wasteful expenditure

Opening balance as previously reported	899,250	1,480,962
Add: Fruitless and wasteful expenditure identified - current	30,811	342,239
Add: Fruitless and wasteful expenditure identified - prior period	-	(305)
Less: Amount recovered - current	(21,762)	(341)
Less: Amount written off - current	(892,791)	(340,539)
Less: Amount written off - prior period	(2,346)	(582,766)
Closing balance	**13,162**	**899,250**

2023/2024 Incidents
Interest was incurred due to late payments that were made. this is currently being investigated in terms of section 32 of the MFMA.

The fruitless and wasteful expenditure in the amount of R892 791 (Winwater (PTY) LTD) was written off by Council in July 2024 (LC 18/07/2024) .

2022/2023 Incidents

An amount of R342 239 relates to the penalties incurred from Eskom, Telkom, Municipal Councilors Pension Fund and Workmen's Compensation Fund

An amount of R340 539 relating to the Workmen's Compensation Fund was written off by the Council during the 2022/2023 financial year.

An amount of R305, that related to Telkom and Eskom penalties has been recovered from the staff during the 2022/223 financial year. The prior year amount of R1 480 962 was investigated in terms of Section 32 of MFMA and after the investigations the Council resolved to write it off an amount of R582 766 and R341 was recovered from the staff during the 2022/2023 financial year.

64. Irregular expenditure

Opening balance as previously reported	1,493,247	400,103
Add: Irregular expenditure - current	2,313,611	1,493,247
Less: Amount written off - current	(1,493,247)	(400,103)
Closing balance	**2,313,611**	**1,493,247**

Figures in Rand	2024	2023

64. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
Non compliance with SCM regulation - section 17c		-	1,493,247

Incidents

2023/2024

An amount of R 2 313 611 was identified to be irregular expenditure during audit process of 2023/2024 financial year. It must be highlighted that there was a financial gain and not a financial loss to the Municipality by awarding service providers who are registered vendors for Value Added Tax (VAT) as the Municipality can always claim the VAT back from the South African Revenue Services. Should the Municipality have awarded the non-registered VAT vendors, it will result in an outflow of cash resources noting that the VAT cannot be claimed from SARS.

The amount of R1 493 246.88 was investigated and an item was submitted to Council in May 2024 to write off this expenditure.

2022/2023

An amount of R 1 493 247 was identified to be irregular expenditure during the audit process of 2022/2023 financial year. The Municipality has requested more than three (3) service providers to submit the quotations. However less than three (3) quotation were received and the Municipality procured goods/ services. In terms of section 17(c) of the SCM regulations, the municipality did not stipulate the reasons for obtaining less than three (3) quotations

65. Deviations from Supply Chain Management Regulations

Quotations	12,075	-

65. Reconciliation between budget and cash flow statement (continued)

2023/2024

There is one deviation incurred as from 01 July 2023 to 30 June 2024. Emergency work done to locate the cable fault from Fairclough Road Switch house to Kruis street substation

2022/2023

There was no deviations incurred during 2022/2023 financial year

66. Reconciliation note of Statement of Comparison of Budget and Actuals

The budget is approved on an accrual basis in accordance with the format of the MBRR schedules. The approved budget covers the period from 1 July 2023 to 30 June 2024.

The financial statements are prepared on the accrual basis using a classification on the nature of expenses in the statement of financial performance in accordance with GRAP. The amounts in the financial statements were realigned to a classification as per the MBRR schedules to be on the same basis as the final approved budget. The amounts of these adjustments are identified in the following table.

A reconciliation between the actual amounts on a comparable basis as presented in the statement of comparison of budget and actual amounts and the actual amounts presented in Statement of Financial Performance, Financial Position and Cash Flow Statement for the period ended 30 June 2024, due to presentation differences are identified, is presented below. The financial statements and budget documents are prepared for the same period.

Reconciliation of actuals reported in the Statement of Comparison of Budget and Actuals

	Total revenue	Total current assets	Total non current assets	Total current liabilities
As per Statement of Comparison of budget and actual amounts	1,383,177,785	1,597,376,540	2,163,068,889	(827,967,866)
Reconciliation items:				
VAT payable (Output VAT) netted off against VAT receivables	-	(527,160,200)	-	527,160,200
Eskom deposits reclassified as non-current assets	-	(3,299,830)	3,299,830	-
Transfers and subsidies - capital (monetary allocations)	90,585,623	-	-	-
As per Statement of Financial Performance / Financial Position	**1,473,763,408**	**1,066,916,510**	**2,166,368,719**	**(300,807,666)**

67. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2024	2023
Current year subscription / fee	4,527,792	4,166,819
Amount paid - current year	(4,527,792)	(4,166,819)
	-	-

Audit fees

	2024	2023
Current year subscription / fee	6,286,196	5,607,045
Amount paid - current year	(6,286,196)	(5,607,045)
	-	-

Notes to the Financial Statements

Figures in Rand	2024	2023

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

PAYE and UIF

Current year subscription / fee	56,752,223	54,573,237
Amount paid - current year	(56,752,223)	(54,573,237)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	48,607,035	45,176,603
Amount paid - current year	(48,607,035)	(45,176,603)
	-	-

VAT

VAT output payables and VAT input receivables are shown in note 5.

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

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

Councillors' arrear consumer accounts

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

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr. SE Mbhele	-	2,729	2,729
Cllr. LBM Kubheka	498	14,058	14,556
Cllr. S Makhathini	902	20,378	21,280
	1,400	**37,165**	**38,565**

30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr. LG Hlomuka	-	10,365	10,365
Cllr. LG Hlongwane	-	10,337	10,337
Cllr. SE Kubheka	-	10,337	10,337
Cllr. GS Kubheka	-	10,460	10,460
Cllr. ZI Madondo	-	11,107	11,107
Cllr. S Makhathini	-	443	443
Cllr. VF Makhathini	-	7,954	7,954
Cllr. SE Mbhele	-	4,093	4,093
Cllr. XF Mhlongo	-	7,284	7,284
Cllr. NP Mlotshwa	-	9,923	9,923
Cllr. N Mlotshwa	-	9,923	9,923
Cllr. P Nsele	-	1,805	1,805
Cllr. A Rajkoomar	-	9,253	9,253
Cllr. NJ Sithebe	-	9,923	9,923
Cllr. NB Shabalala	-	9,923	9,923
Cllr. NB Dlamini	-	10,160	10,160
Cllr. S Sithole	-	10,378	10,378
Cllr. T Xaba	-	9,923	9,923
Cllr. MP Zungu	-	6,319	6,319
Cllr. F Zuma	-	6,361	6,361
Cllr. SX Zwane	-	10,460	10,460
Cllr. MM Khoza	-	10,365	10,365
Cllr. OS Nxumalo	-	10,027	10,027
Cllr. LB Kubheka	-	10,298	10,298
Cllr. MN Mbhense	-	9,923	9,923
Cllr. LBM Mavuso	-	11,017	11,017
Cllr. S & N Makhathini	-	17,273	17,273
	-	**245,634**	**245,634**

68. Segment information

General information

68. Segment information (continued)

Identification of segments

In accordance with GRAP 18, Segment reporting as an activity of the municipality that generates economic benefits or service potential(Including the economic benefit or service potential relating to transactions between activities of the same entity). whose results are regularly reviewed by management to make decisions about the resources to be allocated to that activity and assessing its performance; and for which separate financial information is available. The municipality has identified various activities within the municipality that meets the definition of segment.

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

Aggregated segments

The Municipality operates throughout the Alfred Duma jurisdiction. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Segment 1	Community Services
Segment 2	Electricity
Segment 3	Public Safety
Segment 4	Public Works & Roads
Segment 5	Solid Waste & Cleasing
Segment 6	Town Planning and LED

68. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Community Services	Electricity	Public Safety	Public Works & Roads	Solid Waste & Cleansing	Town Planning and LED	Total
Revenue from exchange transactions							
Service charges	-	517,559,949	-	-	33,087,057	-	550,647,006
Construction contract revenue	-	1,080,884	-	-	-	-	1,080,884
Rental of facilities and equipment	640,475	-	-	-	-	-	640,475
Interest received - receivables from exchange	-	2,531,235	-	-	9,300,809	-	11,832,044
Agency services	-	-	3,594,996	-	-	-	3,594,996
Licensing and permits	-	-	3,429,230	-	-	-	3,429,230
Sale of goods and rendering of services	439,695	-	283,091	-	-	-	722,786
Operational revenue	111,554	2,903	188,123	-	-	-	302,580
Revenue from non- exchange transactions							
Government grants and subsidies	-	19,799,800	-	107,018,272	67,539,120	4,211,095	198,568,287
Electricity availability charges	-	2,854,026	-	-	-	-	2,854,026
Fines,penalties and forfeits	9,908	3,008,126	6,575,131	-	-	-	9,593,165
Interest on availability charges	-	1,011,921	-	-	-	-	1,011,921
Total segment revenue	**1,201,632**	**547,848,844**	**14,070,571**	**107,018,272**	**109,926,986**	**4,211,095**	**784,277,400**

Notes to the Financial Statements

Figures in Rand

	Community Services	Electricity	Public Safety	Public Works & Roads	Solid Waste & Cleansing	Town Planning and LED	Total
68. Segment information (continued)							
Reconciling items to the Financial Performance							
Unallocated - Fair Adjustments							139,259,855
Unallocated - Interest -External Investments							42,546,899
Unallocated - Interest Received - Receivables							314
Unallocated - Licences and Permits							298,335
Unallocated - Operational revenue							4,916,911
Unallocated - Rental of Facilities and Equipment							2,556,979
Unallocated - Sale of Goods and Rendering of Services							1,112,792
Unallocated services charges							1,169,051
Unallocated - Fines, Penalities and Forfeits							5,299
Unallocated - Governments Grants and Subsidies							237,045,005
Unallocated - Property Rates							298,194,294
Unallocated - Property Rates - Penalties Imposed							43,834,356
Total revenue reconciling items							**770,940,090**
Entity's revenue							**1,555,217,490**
Expenditure							
Bad debts written off	-	1,103,520	6,220,950	-	5,768,950	-	13,093,420
Bulk purchases	-	418,958,457	-	-	-	-	418,958,457
Construction contract expenditure	-	1,080,996	-	-	-	-	1,080,996
Contracted services	698,831	3,374,224	4,222,446	34,775,323	998,400	552,034	44,621,258
Debt Impairment	-	(6,616,790)	-	-	15,535,238	-	8,918,448
Depreciation and amortisation	13,414,095	7,592,745	3,368,943	45,382,133	3,680,962	-	73,438,878
Employee related cost	37,059,854	41,174,054	39,913,697	39,786,222	27,786,648	6,006,330	191,726,805
Finance Cost	-	122,366	-	(23,703)	-	-	98,663
Inventory consumed	4,451,903	10,269,658	7,225,585	6,628,628	1,096,987	74,493	29,747,254
Lease rental on operating lease	82,128	41,064	82,128	82,128	-	41,064	328,512
Operational Cost	8,147,328	22,450,406	16,613,548	3,873,018	1,111,044	214,459	52,409,803
Transfers and Subsidies	-	-	-	-	-	3,849,258	3,849,258
Total segment expenditure	**63,854,139**	**499,550,700**	**77,647,297**	**130,503,749**	**55,978,229**	**10,737,638**	**838,271,752**

Notes to the Financial Statements

Figures in Rand

	Community Services	Electricity	Public Safety	Public Works & Roads	Solid Waste & Cleansing	Town Planning and LED	Total
68. Segment information (continued)							
Total segmental surplus/(deficit)							**(53,994,352)**
Reconciling items to the Financial Performance							
Unallocated - Bad debts written off							6,497,713
Unallocated - Contracted Services							51,012,332
Unallocated - Debt Impairment							79,669,867
Unallocated - Depreciation and Amortisation							9,531,556
Unallocated - Employee Related Cost							201,630,686
Unallocated - Finance Cost							17,348,486
Unallocated - Inventory Consumed							1,935,399
Unallocated - Lease Rental on Operating Lease							1,030,479
Unallocated - Loss on Disposal of fixed and Intangible Assets							5,661,362
Unallocated - Operational Cost							46,653,784
Unallocated - Remuneration of Councillors							30,831,587
Unallocated - Transfers and Subsidies							667,480
Unallocated - Actuarial losses							864,301
Entity's surplus (deficit) for the period							**263,610,701**
Assets							
Segment Asset Acquisitions	48,575,817	24,209,561	1,654,274	32,133,152	-	160,000	106,732,804
Unallocated - Asset Acquisitions							28,581,300
Total assets as per Statement of financial Position							**135,314,104**

2023

	Community	Electricity	Public Safety	Public Works and Roads	Solid Waste and Cleansing	Town Planning and LED	Total

Notes to the Financial Statements

Figures in Rand

68. Segment information (continued)

Revenue from exchange transactions							
Services charges	-	439,037,905	1,117,963	-	30,873,592	-	471,029,460
Rental of facilities and equipment	551,405	-	-	-	-	-	551,405
Interest received - receivables from exchange transactions	-	1,754,470	-	-	6,615,038	-	8,369,508
Agency services	-	-	3,081,748	-	-	-	3,081,748
Licences and permits	-	-	2,968,475	-	-	-	2,968,475
Construction contract revenue	-	10,303,120	-	-	-	-	10,303,120
Sales of goods and rendering of services	459,793	-	236,015	-	-	9,698	705,506
Operational revenue	136,978	-	665,568	-	-	253	802,799
Revenue from non exchange transactions							
Government grants and subsidies	-	18,675,750	-	-	62,373,300	97,883,021	178,932,071
Electricity availability charges	-	2,400,998	-	-	-	-	2,400,998
Public contribution and donations	939,544	-	-	-	-	-	939,544
Fines, penalties and forfeits	12,778	2,499,698	11,824,300	-	-	16,619,761	30,956,537
Interest on availability	-	859,921	-	-	-	-	859,921
Total segment revenue	**2,100,498**	**475,531,862**	**19,894,069**	**-**	**99,861,930**	**114,512,733**	**711,901,092**
Reconciling items to the Financial Performance							
Unallocated - Services charges							1,392,614
Unallocated - Rental of facilities and equipments							2,234,087
Unallocated - Interest received - receivables							9,611
Unallocated - Licences and permits							165,642
Unallocated - Sale of Goods and Rendering of Services							863,998
Unallocated - Operational revenue							5,184,727
Unallocated - Interest received - external Investments							31,400,547
Unallocated - Fair value adjustments							108,374,892
Unallocated - Actuarial gains							6,232,942
Unallocated - Inventories on reversal write down							1,005,629
Unallocated - Fines, penalties and forfeits							2,978
Unallocated - Government grants and subsidies							221,253,130
Unallocated - Property rates							225,945,813
Unallocated - Property rates - penalities impossed							39,884,534
Total revenue reconciling items							**643,951,144**

68. Segment information (continued)

	Community	Electricity	Public Safety	Public Works and Roads	Solid Waste and Cleansing	Town Planning and LED	Total
Entity's revenue							**1,355,852,236**
Expenditure							
Bad Debts Written Off	-	(262,093)	-	-	(3,414,964)	-	(3,677,057)
Bulk Purchases	-	(348,546,676)	-	-	-	-	(348,546,676)
Construction Contract Expenditure	-	(11,300,588)	-	-	-	-	(11,300,588)
Contraced Sevices	(604,799)	(8,563,719)	(6,429,957)	-	(1,110,300)	(25,957,407)	(42,666,182)
Debt Impairment	-	(9,089,468)	-	-	(16,392,740)	-	(25,482,208)
Depreciation and amortisation	(16,531,393)	(7,389,275)	(163,184)	(3,047,973)	(3,216,202)	(43,925,414)	(74,273,441)
Employee Related Cost	(30,137,530)	(38,757,727)	(38,892,399)	(9,889,419)	(25,401,400)	(33,222,860)	(176,301,335)
Finance Cost	-	(312,265)	-	-	-	-	(312,265)
Impairment on Cash and Non-cash generating asset	576,817	-	-	-	-	-	576,817
Inventory Consumed	(2,850,108)	(9,907,026)	(3,342,151)	(163,598)	(995,421)	(5,149,369)	(22,407,673)
Lease Rental on Operating Lease	(90,918)	(50,157)	(105,850)	-	-	(42,691)	(289,616)
Operational cost	(5,790,487)	(20,176,367)	(15,689,032)	11,815	(638,770)	(3,280,602)	(45,563,443)
Transfers and subsidies	-	(7,938,251)	-	-	-	-	(7,938,251)
Total segment expenditure	**(55,428,418)**	**(462,293,612)**	**(64,622,573)**	**(13,089,175)**	**(51,169,797)**	**(111,578,343)**	**(758,181,918)**
Total segmental surplus/(deficit)							**1,470,083,010**

Figures in Rand

	Community	Electricity	Public Safety	Public Works and Roads	Solid Waste and Cleansing	Town Planning and LED	Total
68. Segment information (continued)							
Reconciling items to the Financial Performance							
Unallocated - Bad Debts Written Off							(12,105,442)
Unallocated - Contracted Services							(36,854,444)
Unallocated - Debt Impairement							(45,868,987)
Unallocated - Depreciation and Amortisation							(7,710,787)
Unallocated - Employee Related Cost							(190,040,039)
Unallocated - Finance Cost							(11,247,916)
Unallocated - Impairment on cash nd non - cash generating asset							(2,036,598)
Unallocated - Inventory Consumed							(1,545,303)
Unallocated - Lease Rental on Operating lease							(1,212,323)
Unallocated - Loss on Disposal of Fixed and Intangible Assets							(3,545,300)
Unallocated - Operational Cost							(51,935,820)
Unallocated - Remunaration of Councillors							(28,824,204)
Unallocated - Transfers and Subsidies							(134,610)
Entity's surplus (deficit) for the period							**204,544,810**
Assets							
Segment assets acquisitions	25,322,652	42,698,896	2,611,416	12,057,255	802,309	15,401,800	98,894,328
Unallocated assets acquisitions							77,380,003
Total assets as per Statement of financial Position							**176,274,331**

69. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

Housing Development Project
The municipality is a party to a principal-agent arrangement in terms of the Housing Development Project. The municipality is considered to be an agent in accordance with GRAP 109, with the Provincial Department of Human Settlements being the principal in this arrangement.

Details of the arrangement is as follows:
The purpose of the arrangement is to construct low-cost houses for the identified beneficiaries. The funding is provided by the Provincial Department of Human Settlements.

Significant terms and conditions of the arrangement are as follows:
The municipality to manage and procure the implementation of the project.
Design the product in consultation with all stakeholders.
Investigate building systems and designs that are acceptable with the community, the municipality and the Department.
Construct the project in accordance with the drawings and specifications within the period of the agreement.

Significant risks have been identified as follows:
Delays in land acquisitions, and funding approval.
Social unrest, Inadequate funding to meet the requirements, and environmental risks.

Mitigation strategies and benefits associated with the relationship are as follows:
Negotiating with land owners prior to the construction.
Ensuring compliance with the agreements to ensure speedy release of the funding.
Constant communication with the community and ensuring public participation.
Be pro-active in the feasibilty study to be aware of the evironmental pre-conditions.

Entity as agent

Remittance of resources

The remittance of resources during the period are:.
The Municipality received funds totalling R 12 242 615 in addition to the unspent opening balance of R41 889 246 and amount spent total to R 13 039 828. The unspent funds at end of the financial year is R 41 092 034. See note 16.

Revenue recognised

The Municipality does not receive compensation for the transactions carried out on behalf of the principal, in terms of the arrangement, and hence no revenue has been recognised in the current and prior financial year.

Liabilities and corresponding rights of reimbursement recognised as assets

No liabilities have been incurred on behalf of Human Settlements have been recognised by the municipality.

70. Bad Debts Written off

	2024	2023
Waste	5,768,950	3,414,964
Rates	5,256,466	262,093
Sundry Debtors	1,070,642	4,043,669
Electricity	1,103,520	597,150
Housing	170,604	384,773
Traffic	6,220,950	7,079,850
	19,591,132	**15,782,499**