MTHONJANENI
LOCAL MUNICIPALITY
UMASIPALA WASE MTHONJANENI

MTHONJANENI LOCAL MUNICIPALITY

(REGISTRATION NUMBER KZN 285)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

Mthonjaneni Local Municipality

(Registration number KZN 285)
Annual Financial Statements for the year ended 30 June 2024

General Information

Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act No, 117 of 1998)
Executive Committee	
	Cllr M.N. Biyela (Mayor)
	Cllr P.E. Ntombela (Deputy Mayor)
	Cllr N.A. Mbatha (Speaker)
	Cllr N.P. Shobede (Exco Member)
	Cllr B.M.T Sibiya (Exco Member)
	Cllr P.S.M Mchunu (Exco Member)
Councillors	Cllr S.V. Majola (MPAC Chair)
	Cllr S.K. Mthimkhulu (Whip)
	Cllr S.S. Masuku - (Elected 20 July 2023)
	Cllr S.H. Shange
	Cllr K.T. Mkhize - Resigned (28 February 2024)
	Cllr D. Ntsele
	Cllr W.B. Nsele
	Cllr Z. Zulu
	Cllr M.V. Mchunu
	Cllr M.E. Ntshangase
	Cllr N.S. Ntuli
	Cllr S M Ndlovu
	Cllr T.H. Mchunu
	Cllr I.M. Biyela
	Cllr. N.N. Nzuza
	Cllr T.E. Mpungose
	Cllr N.S. Magwaza
	Cllr. S.B.K Biyela
	Cllr. I.S. Tembe
	Cllr. M.E Ntenga - (Elected 19 June 2024)
Grading of Local Authority	Grade 1
Accounting Officer	Mr Z.S Mthethwa
Chief Finance Officer (CFO)	Mr N.M Myeni

General Information

Business Address	21 Reinhold Street Melmoth 3835
Postal Address	P.O. Box 11 Melmoth 3835
Contact Number	(035) 450 2082
Banker	First National Bank
Auditor	Auditor General South Africa
Attorney	BMM Attorneys Inc

Index

The reports and statements set out below comprise the annual financial statements:

Abbreviations used:

EPWP	Expanded Public Works Programme
GRAP	Generally Recognised Accounting Practice
INEG	Intergrated National Electrification Programme Grant
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
SALGA	South African Local Government Association
UIF	Unemployment Insurance Fund

Accounting Officer's Responsibilities and Approval

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

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

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, he 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 above reproach. The focus of risk management in the municipality includes identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

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

The Annual Financial Statements 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.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 30 titled remuneration of Councillors, these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of the Public Office Bearers Act and the Minister of Cooperative governance and Traditional Affairs' determination in accordance with this Act.

The Annual Financial Statements set out on pages 5 to 91, which have been prepared on the going concern basis, were approved and were signed on its behalf by:

Mr Z.S Mthethwa
Accounting Officer

Mthonjaneni Local Municipality

(Registration number KZN 285)
Annual Financial Statements for the year ended 30 June 2024

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	3 309 168	3 294 259
VAT receivable	4	3 314 673	3 837 147
Receivables from Non-Exchange Transactions	5	17 799 226	19 556 303
Receivables from Exchange Transactions	6	6 731 017	5 934 108
Inventories	7	540 393	555 223
		31 694 477	**33 177 040**
Non-Current Assets			
Biological assets	8	2 104 597	2 271 712
Investment property	9	21 783	39 594
Property, plant and equipment	10	383 652 915	387 303 891
Intangible assets	11	24 764	37 378
Heritage assets	12	589	589
		385 804 648	**389 653 164**
Total Assets		**417 499 125**	**422 830 204**
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	86 464 654	62 319 649
VAT Payable	54	3 286 322	2 686 592
Consumer deposits	14	1 002 907	1 003 347
Unspent conditional grants and receipts	15	-	100 000
Provisions	16	711 479	521 490
Employee benefit obligation	17	318 636	451 905
		91 783 998	**67 082 983**
Non-Current Liabilities			
Provisions	16	5 502 080	4 972 562
Employee benefit obligation	17	6 905 381	5 883 856
		12 407 461	**10 856 418**
Total Liabilities		**104 191 459**	**77 939 401**
Net Assets		**313 307 666**	**344 890 803**
Accumulated surplus		313 307 666	344 890 803
Total Net Assets		**313 307 666**	**344 890 803**

* See Note 55

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
REVENUE			
Revenue From Exchange Transactions			
Revenue from exchange transactions			
Service Charges	18	31 287 179	27 602 554
Rental of Facilities and Equipment	19	247 367	300 904
Agency services	20	929 570	698 586
Licences and Permits	21	1 370 234	1 396 974
Other Income	22	984 701	306 853
Interest Received	23	1 267 890	1 064 749
TOTAL REVENUE FROM EXCHANGE TRANSACTIONS		**36 086 941**	**31 370 620**
Revenue From Non-Exchange Transactions			
Taxation revenue			
Property Rates	24	24 373 291	20 634 227
Property Rates - Interest earned from Non-exchange receivables	24	903 682	1 003 903
Transfer revenue			
Transfers and subsidies – Operational	25	104 627 539	100 316 000
Transfers and subsidies – Capital	25	23 744 094	50 280 162
Fines, Penalties and Forfeits	26	1 586 850	699 200
TOTAL REVENUE FROM NON-EXCHANGE TRANSACTIONS		**155 235 456**	**172 933 492**
Contract Revenue			
Contract revenue: INEP	27	7 500 788	4 816 381
TOTAL REVENUE		**198 823 185**	**209 120 493**
EXPENDITURE			
Employee Related Costs	28	(73 933 686)	(61 157 436)
Remuneration of Councillors	29	(10 181 010)	(9 701 398)
Depreciation and Amortisation	30	(27 054 297)	(24 736 779)
Asset Impairment	31	(2 791)	(6 972 625)
Debt Impairment	32	(2 859 729)	(1 698 730)
Interest Paid	33	(2 717 972)	(1 672 220)
Lease Rentals on Operating Lease	34	(981 100)	(1 030 862)
Bulk Purchases	35	(27 727 780)	(22 326 648)
Contracted Services	36	(34 100 253)	(41 615 023)
Contract costs: INEP	27	(7 500 788)	(4 816 381)
Inventory consumed	37	(1 338 232)	(1 556 184)
Operational Costs	38	(41 848 859)	(36 735 085)
TOTAL EXPENDITURE		**(230 246 497)**	**(214 019 371)**
Operating Loss		**(31 423 312)**	**(4 898 878)**
Actuarial gains/losses	17	45 257	87 290
Fair value adjustments	39	(167 115)	175 546
Gain or (loss) on disposal of non-current assets held	40	(37 967)	882 838
SURPLUS/(DEFICIT) FOR THE PERIOD		**(31 583 137)**	**(3 753 204)**

* See Note 55

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	348 558 968	348 558 968
Adjustments		
Prior year adjustments 55	85 039	85 039
Balance at 01 July 2022 as restated*	**348 644 007**	**348 644 007**
Changes in net assets		
Surplus for the year	(3 753 204)	(3 753 204)
Total changes	(3 753 204)	(3 753 204)
Restated* Balance at 01 July 2023	**344 890 803**	**344 890 803**
Changes in net assets		
Surplus for the year	(31 583 137)	(31 583 137)
Total Changes	(31 583 137)	(31 583 137)
Balance at 30 June 2024	**313 307 666**	**313 307 666**

* See Note 55

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Rates		25 161 936	20 770 510
Sale of goods and services		40 755 816	35 081 687
Grants		128 271 633	150 596 162
Interest income		2 171 572	1 064 749
Other receipts		984 701	-
		197 345 658	207 513 108
Payments			
Employee costs		(82 991 194)	(69 770 705)
Suppliers		(88 737 447)	(96 503 306)
Interest paid		(2 475 808)	(1 672 220)
		(174 204 449)	(167 946 231)
Net cash flows from operating activities	41	**23 141 209**	**39 566 877**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(23 126 300)	(42 666 690)
Proceeds from sale of property, plant and equipment	10	-	2 764 342
Net cash flows from investing activities		**(23 126 300)**	**(39 902 348)**
Net increase/(decrease) in cash and cash equivalents		**14 909**	**(335 471)**
Cash and cash equivalents at the beginning of the year		3 294 259	3 629 729
Cash and cash equivalents at the end of the year	3	**3 309 168**	**3 294 258**

* See Note 55

Mthonjaneni Local Municipality

(Registration number KZN 285)
Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refferences
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	339 000	-	**339 000**	-	**(339 000)**	
Service charges	35 793 000	-	**35 793 000**	31 287 179	**(4 505 821)**	A1
Rental of facilities and equipment	410 000	-	**410 000**	247 367	**(162 633)**	A2
Interest - receivables	1 991 000	-	**1 991 000**	-	**(1 991 000)**	
Agency services	-	1 926 000	**1 926 000**	929 570	**(996 430)**	A3
Licences and permits	2 304 000	(1 926 299)	**377 701**	1 370 234	**992 533**	
Other revenue	2 063 098	3 000 000	**5 063 098**	984 701	**(4 078 397)**	A4
Interest received - investment	1 458 000	-	**1 458 000**	1 267 890	**(190 110)**	
Gain/Loss on Disposal of Fixed and Intangible Assets	1 000 000	-	**1 000 000**	(37 967)	**(1 037 967)**	A8
Total revenue from exchange transactions	**45 358 098**	**2 999 701**	**48 357 799**	**36 048 974**	**(12 308 825)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	34 171 000	-	**34 171 000**	24 373 291	**(9 797 709)**	A5
Property rates - penalties imposed	-	-	-	903 682	**903 682**	
Transfer revenue						
Government grants & subsidies	104 727 000	(124 000)	**104 603 000**	104 627 539	**24 539**	A6
Fines, Penalties and Forfeits	7 604 000	(2 000 000)	**5 604 000**	1 586 850	**(4 017 150)**	A7
Total revenue from non-exchange transactions	**146 502 000**	**(2 124 000)**	**144 378 000**	**138 992 150**	**(5 385 850)**	
Contract revenue						
Contract Revenue: INEP	-	-	-	7 500 788	**7 500 788**	A9
Total revenue	**191 860 098**	**875 701**	**192 735 799**	**175 041 124**	**(17 694 675)**	
Expenditure						
Employee Related Costs	(66 791 969)	3 210 273	**(63 581 696)**	(73 933 686)	**(10 351 990)**	A10
Remuneration of Councillors	(9 680 594)	-	**(9 680 594)**	(10 181 010)	**(500 416)**	
Depreciation and Amortisation	(16 829 959)	(5 000 000)	**(21 829 959)**	(27 054 297)	**(5 224 338)**	A11
Impairment loss/ Reversal of impairments	-	-	-	(2 791)	**(2 791)**	
Debt Impairment	(2 600 000)	-	**(2 600 000)**	(2 859 729)	**(259 729)**	
Interest Paid	-	(1 500 000)	**(1 500 000)**	(2 717 972)	**(1 217 972)**	A12
Lease rentals on operating lease	-	-	-	(981 100)	**(981 100)**	A13
Bulk purchases	(24 748 613)	2 999 612	**(21 749 001)**	(27 727 780)	**(5 978 779)**	A14
Contracted Services	(25 409 679)	(6 718 039)	**(32 127 718)**	(34 100 253)	**(1 972 535)**	A15
Transfers and Subsidies	(100 000)	-	**(100 000)**	-	**100 000**	
Contract Costs: INEP	-	-	-	(7 500 788)	**(7 500 788)**	A17
Inventory consumed	(4 566 235)	2 315 156	**(2 251 079)**	(1 338 232)	**912 847**	A19
Operational Costs	(25 951 427)	(2 483 136)	**(28 434 563)**	(41 848 859)	**(13 414 296)**	A16
Other (taken out of General expenses)	-	(10 148)	**(10 148)**	-	**10 148**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refferences
Total expenditure	(176 678 476)	(7 186 282)	(183 864 758)	(230 246 497)	(46 381 739)	
Operating deficit	15 181 622	(6 310 581)	8 871 041	(55 205 373)	(64 076 414)	
Transfers and subsidies - capital (monetary allocations) (National/Provincial and District)	(34 458 000)	5 088 000	(29 370 000)	(23 744 094)	5 625 906	A18
Fair value adjustments	-	-	-	(167 115)	(167 115)	
Actuarial gains/losses	-	-	-	45 257	45 257	
	34 458 000	(5 088 000)	29 370 000	23 865 952	5 504 048	
Deficit before taxation	49 639 622	(11 398 581)	38 241 041	(31 339 421)	(69 580 462)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	49 639 622	(11 398 581)	38 241 041	(31 339 421)	(69 580 462)	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refferences
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	2 870 000	**2 870 000**	540 393	**(2 329 607)**	
Receivables from non-exchange transactions	1 653 000	1 617 000	**3 270 000**	17 799 226	**14 529 226**	
VAT receivable	13 214 000	1 537 000	**14 751 000**	3 314 673	**(11 436 327)**	
Consumer debtors	9 467 000	11 724 000	**21 191 000**	6 731 017	**(14 459 983)**	
Cash and cash equivalents	25 112 000	(8 580 000)	**16 532 000**	3 309 168	**(13 222 832)**	
	49 446 000	**9 168 000**	**58 614 000**	**31 694 477**	**(26 919 523)**	
Non-Current Assets						
Biological assets	4 192 000	(1 921 000)	**2 271 000**	2 104 597	**(166 403)**	
Investment property	34 000	381 000	**415 000**	21 783	**(393 217)**	
Property, plant and equipment	439 926 000	(37 988 000)	**401 938 000**	383 652 915	**(18 285 085)**	
Intangible assets	198 000	262 000	**460 000**	24 764	**(435 236)**	
Heritage assets	589	-	**589**	589	**-**	
	444 350 589	**(39 266 000)**	**405 084 589**	**385 804 648**	**(19 279 941)**	
Total Assets	**493 796 589**	**(30 098 000)**	**463 698 589**	**417 499 125**	**(46 199 464)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	37 310 000	20 412 000	**57 722 000**	86 464 654	**28 742 654**	
Taxes and transfers payable (non-exchange)	100 000	-	**100 000**	-	**(100 000)**	
VAT payable	6 035 000	-	**6 035 000**	3 286 322	**(2 748 678)**	
Consumer deposits	1 008 000	5 000	**1 013 000**	1 002 907	**(10 093)**	
Employee benefit obligation	-	-	**-**	318 636	**318 636**	
Provisions	10 514 000	4 558 000	**15 072 000**	711 479	**(14 360 521)**	
	54 967 000	**24 975 000**	**79 942 000**	**91 783 998**	**11 841 998**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	6 905 381	**6 905 381**	
Provisions	5 402 000	482 000	**5 884 000**	5 502 080	**(381 920)**	
	5 402 000	**482 000**	**5 884 000**	**12 407 461**	**6 523 461**	
Total Liabilities	**60 369 000**	**25 457 000**	**85 826 000**	**104 191 459**	**18 365 459**	
Net Assets	**433 427 589**	**(55 555 000)**	**377 872 589**	**313 307 666**	**(64 564 923)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	457 087 000	(34 302 000)	**422 785 000**	313 307 668	**(109 477 332)**	
Total Net Assets	**457 087 000**	**(34 302 000)**	**422 785 000**	**313 307 668**	**(109 477 332)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refferences
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	32 283 000	-	**32 283 000**	25 161 936	**(7 121 064)**	
Service charges	35 861 000	-	**35 861 000**	40 755 816	**4 894 816**	
Other revenue	10 550 000	2 172 000	**12 722 000**	984 701	**(11 737 299)**	
Transfers and Subsidies - Operational	104 727 000	(124 000)	**104 603 000**	104 527 539	**(75 461)**	
Transfers and Subsidies - Capital	34 458 000	(5 088 000)	**29 370 000**	23 744 094	**(5 625 906)**	
Interest	1 458 000	-	**1 458 000**	2 171 572	**713 572**	
	219 337 000	**(3 040 000)**	**216 297 000**	**197 345 658**	**(18 951 342)**	
Payments						
Suppliers and Employees	(163 634 000)	(7 403 000)	**(171 037 000)**	(171 728 641)	**(691 641)**	
Interest paid	-	(1 500 000)	**(1 500 000)**	(2 475 808)	**(975 808)**	
Transfers and Grants	(100 000)	-	**(100 000)**	-	**100 000**	
	(163 734 000)	**(8 903 000)**	**(172 637 000)**	**(174 204 449)**	**(1 567 449)**	
Net cash flows from operating activities	**55 603 000**	**(11 943 000)**	**43 660 000**	**23 141 209**	**(20 518 791)**	
Cash flows from investing activities						
Proceeds from sale of property, plant and equipment	1 500 000	-	**1 500 000**	-	**(1 500 000)**	
Purchases of heritage assets	-	-	-	167 115	**167 115**	
Capital assets	(41 323 000)	9 401 000	**(31 922 000)**	(23 126 300)	**8 795 700**	
Net cash flows from investing activities	**(39 823 000)**	**9 401 000**	**(30 422 000)**	**(22 959 185)**	**7 462 815**	
Net increase/(decrease) in cash and cash equivalents	15 780 000	(2 542 000)	**13 238 000**	182 024	**(13 055 976)**	
Cash and cash equivalents at the beginning of the year	9 332 000	(6 038 000)	**3 294 000**	3 294 259	**259**	
Cash and cash equivalents at the end of the year	**25 112 000**	**(8 580 000)**	**16 532 000**	**3 476 283**	**(13 055 717)**	
Reconciliation						

Refer to note 56 for details on budget differences.

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these Annual Financial Statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the municipality.

The amounts presented in the interim financial statements are rounded-off to the nearest Rand.

1.2 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.

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and/or loans and receivables

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

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 16 - Provisions.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.5 Biological assets

The entity recognises biological assets or agricultural produce when, and only when:

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

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

The fair value of the pine plantations is based on the combined fair value of the land and the pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the pine trees.

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

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.

Accounting Policies

1.6 Investment property (continued)

Cost model

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

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

Item	Useful life
Office Parks	30 years
Shopping Centres	30 years
Housing Developments	30 years

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

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

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 into 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.

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.

Accounting Policies

1.7 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Land		Indefinite
Operational Buildings	Straight-line	10 - 50 Years
Electrical Infrastructure	Straight-line	10 - 50 Years
Road Infrastructure	Straight-line	10 - 25 Years
Water Supply Infrastructure	Straight-line	20 - 120 Years
Storm Water Infrastructure	Straight-line	10 - 50 Years
Solid Waste Infrastructure	Straight-line	10 - 50 Years
Sanitation Infrastructure	Straight-line	15- 50 Years
Community Facilities	Straight-line	05 - 50 Years
Transport Assets	Straight-line	03 - 25 Years
Community Assets	Straight-line	05 - 50 Years
Sports and Recreational Facilities	Straight-line	05 - 50 Years
Housing	Straight-line	10 - 50 Years
Computer Equipment	Straight-line	03 - 10 Years
Furniture and Office Equipment	Straight-line	02 - 15 Years
Machinery and Equipment	Straight-line	02 -15 Years

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

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another 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 discloses relevant information relating to assets under construction or development, in the notes to the financial statements.

1.8 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.

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

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

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

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

Accounting Policies

1.8 Intangible assets (continued)

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.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	3-10 Years
Websites	Straight-line	3-10 Years

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).

1.9 Heritage assets

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Transfers

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

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

Derecognition

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

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

1.10 Financial instruments

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

Accounting Policies

1.10 Financial instruments (continued)

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.

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.

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

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

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

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

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

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

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

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

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity 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 entity 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:
- combined instruments that are designated at fair value;

Accounting Policies

1.10 Financial instruments (continued)

- 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.

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities.

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

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

Financial instruments at fair value.

Financial instruments at amortised cost.

Financial instruments at cost.

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

The contractual rights to the cash flows from the financial asset expire, are settled or waived;

The municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

The municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

Financial liabilities

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

Accounting Policies

1.10 Financial instruments (continued)

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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

Presentation

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

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

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

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at cost
Statutory receivables from non exchange transactions	Financial asset measured at amortised cost

The entity 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
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at cost

1.11 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.

Accounting Policies

1.11 Statutory receivables (continued)

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

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

Recognition

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

1.11 Statutory receivables (continued)

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, a 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.

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 entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.12 Tax

Value Added Tax

The municipality is registered with the South African Revenue Service (SARS) for VAT on the invoice basis in accordance with Section 15(2) of the Value Added Tax Act No. 81 of 1991.

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.

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

Accounting Policies

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.

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.

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.

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

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

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

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

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

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 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits

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

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

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

Post-employment benefits: Defined contribution plans

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

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

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

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

The 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 any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

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

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:
- the amount determined above; and
- 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 these economic benefits is determined using a discount rate which reflects the time value of money.

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

Accounting Policies

1.16 Employee benefits (continued)

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

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

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

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute 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, an entity shall attribute benefit on a straight-line basis from:

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

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

Accounting Policies

1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

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

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.

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

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

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

Identification

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.

1.17 Impairment of cash-generating assets (continued)

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 recently 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;

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.

Accounting Policies

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.

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

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

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

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.

Accounting Policies

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.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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 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.

Accounting Policies

1.18 Provisions and contingencies (continued)

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.

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

A constructive obligation to restructure arises only when 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.

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

Contingent assets and contingent liabilities are only recognised in the notes to the annual financial statements. Contingencies are disclosed in note 43.

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.

Accounting Policies

1.19 Commitments

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

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

1.20 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

Rendering of services

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

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

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

Accounting Policies

1.20 Revenue from exchange transactions (continued)

Interest

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

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

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

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

1.21 Revenue from non-exchange transactions

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

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

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

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

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

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

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.

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

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

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

Recognition

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

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

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

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.

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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.

1.22 Borrowing costs

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

1.23 Accounting by principals and agents

Identification

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

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

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).

Accounting Policies

1.23 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

1.24 Comparative figures

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

1.25 Unauthorised expenditure

Unauthorised expenditure is defined in section 1 of the MFMA as follows:
"unauthorised expenditure", in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes—
(a) overspending of the total amount appropriated in the municipality's approved budget;
(b) overspending of the total amount appropriated for a vote in the approved budget;
(c) expenditure from a vote unrelated to the department or functional area covered by the vote;
(d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
(e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
(f) a grant by the municipality otherwise than in accordance with this Act.

Accounting Policies

1.26 Fruitless and wasteful expenditure

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

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

1.27 Irregular expenditure

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

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

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

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

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

1.28 Segment information

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

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

Accounting Policies

1.28 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 entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

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

1.29 Budget information

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

General purpose financial reporting by 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 economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2023/07/01 to 2024/06/30.

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

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.

1.30 Related parties

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

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

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

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

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

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

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.

Accounting Policies

1.30 Related parties (continued)

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

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

1.31 Events after reporting date

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

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

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

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

1.32 Government grants

Grants received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is no corresponding liability in respect of the related conditions.

Where there are conditions attached to a grant or transfer that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling fair value of the asset received.

1.33 Expenditure

Classification of expenses:

Expenditure is classified according to nature

Analysing expenses by nature

Analysing expenses by nature identifies costs and expenses in terms of their character and groups expenses according to the kinds of economic benefits or service potential received in incurring those expenses, irrespective of their application in the municipality's operations and/or where the expenses are incurred. The municipality therefore analyses the direct goods or services acquired or assets consumed.

Certain line items such are presented separately in the financial statements where the municipality presents an analysis of expenses by nature. These line items usually consist of a combination of different elements of expenditure by nature.

The municipal has adopted to disclosure expenditure according to nature. Certain line items have been disclosed separately in accordance with GRAP 1 on Presentation of Financial Statements.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

Standard/Intepretation:	Effective Date	Expected Impact
Grap 25 as Revised : Employee Benefis	01 July 2023	Not Material
The Limit On A Defined Benefit Asset, Minimum Funding Requirements And Their Interaction (IGRAP7)	01 July 2023	Not Material
The Effect of Past Decisions on Materiality IGRAP21	01 July 2023	Not Material
Accounting Guideline for Landfill Sites	01 July 2023	Not Material
Amendments to GRAP 1	01 July 2023	The adoption of this standard did not impact on the results of the municipality, but resulted in more disclosure than was previously provided in the annual financial statements

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/Intepretation:	Effective Date: Years beginning on or after	Expected Impact
GRAP 1 Presentation on Financial Statements	No effective date determined	Not expected to impact results but may result in additional disclosure
GRAP 103 Heritage Assets	No effective date determined	It is unlikely that the will have a material impact on the municipality's annual financial statements
GRAP 104 Financial Instruments	01 July 2025	It is unlikely that the will have a material impact on the municipality's annual financial statements
GRAP 105 Transfer of Functions Between Entities Under Common Control	No effective date determined	It is unlikely that the will have a material impact on the municipality's annual financial statements
GRAP 106 Transfer of Functions Between Entities Not Under Common Control	No effective date determined	It is unlikely that the will have a material impact on the municipality's annual financial statements
GRAP 107 Mergers	No effective date determined	It is unlikely that the will have a material impact on the municipality's annual financial statements
Improvements to Standards of GRAP	No effective date determined	Not expected to impact results but may result in additional disclosure

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Background

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

The effective date of these revisions have not yet been set..

It is unlikely that the revisions will have a material impact on the municipality's financial statements.

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the revisions is not yet set by the Minister of Finance.

The municipality expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The impact of this standard is currently being assessed.

Background

The Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3) applies to the selection of accounting policies. Entities apply the accounting policies set out in the Standards of GRAP, except when the effect of applying them is immaterial. This means that entities could apply alternative accounting treatments to immaterial items, transactions or events (hereafter called "items").

The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially "misstated" over time. If the effect was considered material, retrospective adjustments were often made.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

iGRAP 21 addresses the following two issues:
- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

The effective date of these interpretation have not yet been set. 01 April 2023.

The municipality expects to adopt the interpretation for the first time in the 2022/2023 01 April 2023.

It is unlikely that the interpretation will have a material impact on the municipality's financial statements.

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:
- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An municipality applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2025.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the amendment for the first time in the 2024/2025 annual financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements..

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	581	563
Bank balances	1 663 847	1 507 478
*Short-term deposits	1 644 740	1 786 218
	3 309 168	**3 294 259**

Cash and cash equivalents pledged as guarantee

First National Bank - Fixed Deposit - 7124500040078 Pledged as a guarantee to Eskom	1 540 000	1 540 000

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
First National Bank - Current (Main) - 54980006117	1 653 694	1 458 066	1 778 587	1 653 694	1 458 066	1 778 587
First National Bank- Current - 62330092470	10 150	49 413	92 032	10 150	49 413	92 032
Investec Bank - Call - 1100435097501	54 331	50 135	47 307	54 331	50 135	47 307
First National Bank - Fixed Deposit - 712450040078	1 540 000	1 540 000	1 540 000	1 540 000	1 540 000	1 540 000
First National Bank - Fixed Deposit - 62051262146	854	106 939	102 073	854	106 939	102 073
First National Bank - Call 62532053204	26 420	67 737	63 635	26 420	67 737	63 635
First National Bank - Call Account - 62771806092	19 603	18 142	2 683	19 603	18 142	2 683
First National Bank - Call Account - 62771807016	3 532	3 269	3 071	3 532	3 269	3 071
Total	**3 308 584**	**3 293 701**	**3 629 388**	**3 308 584**	**3 293 701**	**3 629 388**

4. VAT receivable

VAT	3 314 673	3 837 147

VAT is levied in accordance with the Value-Added Tax Act of 1991.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

5. Receivables from non-exchange transactions

Gross Balances		
Traffic Fines	3 165 117	1 691 342
Rates	27 376 232	28 051 802
	30 541 349	**29 743 144**
Less: Allowance for impairment		
Traffic Fines	(2 940 731)	(1 577 686)
Rates	(9 801 392)	(8 609 155)
	(12 742 123)	**(10 186 841)**
Traffic Fines	224 386	113 656
Rates	17 574 840	19 442 647
	17 799 226	**19 556 303**

5. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Traffic fines

The two types of traffic fines that are issued are:

1) Traffic fines issued in terms of the Administrative Adjudication of Road Traffic Offences Act (AARTO Act).

2) Traffic fines issued in terms of the Criminal Procedures Act.

Property rates

The Municipal Property Rates Act No. 06 of 2004 governs property rates billed. The Act regulates, the power of the municipality to impose rates on properties; to exclude certain properties from rating in the national interest; to make provisions for the municipality to implement a transparent and fair system of exemptions, reductions and rebates through the municipalities rating policy, making provisions for fair and equitable valuation methods of properties; to make provisions for objections and appeals.

Determination of transaction amount

Traffic fines

Traffic fines are issued in terms of the AARTO Act by way of notices to offenders which specify the value of the fine that must be paid, along with any discount that can be applied if the fine is paid within a specific period of time.

Traffic fines issued in terms of the Criminal Procedures Act are usually issued by way of notice to offenders, and can:

(a) indicate the value of the fine to be paid, and that certain reductions could be made to the value of the fine payable and how, or the circumstances under which, such reductions can be applied, or

(b) indicate that the offender must appear in Court on a specified date (in these instances, the value of the fine may or may not be indicated but this is often only determined after a separate legal process).

Property rates

Property rates are levied in terms of the municipality's property rates policy, which is aligned to the Municipal Property Rates Act No. 6 of 2004.

Interest or other charges levied/charged

The amount of rates levied by the municipality on properties, is the amount in the Rand

1. On the market value of the property;
2. b) In the case of public service infrastructure, on the market value of the public service infrastructure less 30% of that value as contemplated in section 17(1)(a) of the Municipal Property Rates Act of 2004 or on such a lower percentage as the minister determines in terms of section 17(4) of the Municipal Property Rates Act of 2004;
3. In the case of property to which section 17(1) (h), of the Municipal Property Rates Act of 2004, applies on the market value of the property less the amount stated in that section, or on such amount as the Minister may determine

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

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. 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. When the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced. The amount of loss is recognised in the surplus or deficit.

Notes to the Annual Financial Statements

5. Receivables from non-exchange transactions (continued)

Discount rate applied to the estimated future cash flows

Discount rate determined by adjusting risk free rate with a premium per risk category.

The risk-free rate is adjusted with the following premium:

Risk category	Premium adjustment
High risk	1.25%
Medium risk	0.75%
Low risk	0.25%

The risk premium adjustment to the risk-free rate is reviewed annually by management.

Receivables from non-exchange transactions pledged as security

There are no Receivables from Non- Exchange Transactions pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

5. Receivables from non-exchange transactions (continued)

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

Gross balances	30 541 349	29 743 144

Rates		
Current (0-30 days)	3 643 938	1 322 343
31 - 60 days	779 796	779 926
61 - 90 days	646 918	877 446
91 - 120 days	606 024	618 963
121 - 365 days	555 713	600 335
> 365 days	21 130 081	23 852 789
	27 362 470	**28 051 802**

Rates are imposed under the Municipal Property Rates Act, 6 of 2004. Rates are billed on properties under the jurisdiction of the municipality, according to the tariffs. Please refer to Note 24 .

Summary of property rates debtors by customer classification.

Organs of State		
Current (0-30 days)	1 588 757	576 541
31 - 60 days	339 991	340 048
61 - 90 days	282 056	382 566
91 - 120 days	264 226	269 868
121 - 365 days	242 291	261 746
> 365 days	9 212 715	10 399 816
	11 930 036	**12 230 585**

Commercial		
Current (0-30 days)	736 076	267 113
31 - 60 days	157 519	157 545
61 - 90 days	130 677	177 244
91 - 120 days	122 417	125 031
121 - 365 days	112 254	121 268
> 365 days	4 268 276	4 818 263
	5 527 219	**5 666 464**

Households		
Current (0-30 days)	1 319 106	478 688
31 - 60 days	282 286	282 333
61 - 90 days	234 184	317 635
91 - 120 days	219 381	224 065
121 - 365 days	201 168	217 321
> 365 days	7 649 089	8 634 710
	9 905 214	**10 154 752**

Fines disclosure

The municipality imposes traffic fines to offenders in accordance with the National Road Traffic Act, 1996 (93 of 1996).

Fines disclosure		
Current (0-30 days)	114 150	42 800
31 - 60 days	101 300	30 300
61 - 90 days	132 950	55 200

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

5. Receivables from non-exchange transactions (continued)

91 - 120 days	128 800	38 450
121 - 365 days	200 200	42 650
	2 487 717	1 481 942
	3 165 117	**1 691 342**

6. Receivables from Exchange Transactions

Gross balances		
Electricity	6 446 608	6 278 055
Refuse	5 690 810	4 751 501
Property rentals	302 044	262 883
	12 439 462	**11 292 439**

Less: Allowance for impairment		
Electricity	(2 764 804)	(2 537 963)
Refuse	(2 943 641)	(2 820 368)
	(5 708 445)	**(5 358 331)**

Net balance		
Electricity	3 681 804	3 740 092
Refuse	2 747 169	1 931 133
Property rentals	302 044	262 883
	6 731 017	**5 934 108**

Electricity		
Current (0 -30 days)	1 801 278	1 488 215
31 - 60 days	472 121	248 940
61 - 90 days	206 195	199 274
91 - 120 days	186 165	135 774
121 - 365 days	327 865	96 742
> 365 days	3 452 985	4 109 110
	6 446 609	**6 278 055**

Refuse		
Current (0 -30 days)	208 109	242 223
31 - 60 days	134 178	156 131
61 - 90 days	113 789	161 052
91 - 120 days	109 040	111 946
121 - 365 days	107 349	99 854
> 365 days	5 018 345	3 980 296
	5 690 810	**4 751 502**

Property rentals		
Current (0 -30 days)	15 317	13 626
31 - 60 days	7 685	11 229
61 - 90 days	7 685	11 185
91 - 120 days	5 044	11 185
121 - 365 days	5 000	9 818
> 365 days	261 314	205 840
	302 045	**262 883**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

6. Receivables from Exchange Transactions (continued)

Reconciliation of allowance for impairment

	2024	2023
Balance at beginning of the year	(5 358 331)	(5 079 545)
Contributions to allowance	(350 114)	(278 786)
	(5 708 445)	**(5 358 331)**

Receivables from Exchange Transaction pledged as security

There are no Receivables from Exchange Transactions pledged as security.

7. Inventories

	2024	2023
Consumable stores	540 393	555 223

Inventory pledged as security

There is no inventory pledged as security.

Notes to the Annual Financial Statements

Figures in Rand

8. Biological assets

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Plantation	2 104 597	-	2 104 597	2 271 712	-	2 271 712

Reconciliation of biological assets - 2024

	Opening balance	Fair Value Adjustment	Total
Plantation	2 271 712	(167 115)	2 104 597

Reconciliation of biological assets - 2023

	Opening balance	Gains arising from changes in fair value	Total
Plantation	2 096 166	175 546	2 271 712

Pledged as security

There is no plantation pledged as security.

The plantation is planted forestry area totaling 72.06 ha. Valuation is performed on annual basis.

9. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	238 995	(217 212)	21 783	238 995	(199 401)	39 594

Reconciliation of investment property - 2024

	Opening balance	Depreciation	Total
Investment property	39 594	(17 811)	21 783

Reconciliation of investment property - 2023

	Opening balance	Depreciation	Total
Investment property	57 356	(17 762)	39 594

Pledged as security

There is no investment property pledged as security.

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

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	28 811 492	(13 484 062)	15 327 430	28 811 492	(12 235 767)	16 575 725
Community Assets	160 975 908	(51 276 055)	109 699 853	147 185 596	(44 472 346)	102 713 250
Computer Equipment	1 971 786	(1 210 998)	760 788	1 903 954	(1 034 932)	869 022
Electrical Infrastructure	113 187 631	(35 482 285)	77 705 346	109 384 071	(31 385 733)	77 998 338
Furniture and Office Equipment	2 553 267	(1 758 423)	794 844	2 539 667	(1 518 359)	1 021 308
Land	45 913 792	-	45 913 792	45 913 792	-	45 913 792
Machinery and Equipment	6 285 416	(4 078 567)	2 206 849	5 739 973	(3 656 230)	2 083 743
Road infrastructure	182 502 009	(67 450 504)	115 051 505	178 644 144	(55 271 299)	123 372 845
Solid Waste Infrastructure	1 180 595	(116 946)	1 063 649	893 241	(98 708)	794 533
Stormwater Infrastructure	14 931 926	(4 624 069)	10 307 857	14 657 144	(4 003 683)	10 653 461
Transport Assets	10 253 392	(6 027 529)	4 225 863	9 555 284	(5 041 472)	4 513 812
Water Supply Infrastructure	1 984 882	(1 389 743)	595 139	1 984 882	(1 190 820)	794 062
Total	**570 552 096**	**(186 899 181)**	**383 652 915**	**547 213 240**	**(159 909 349)**	**387 303 891**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Work in Progress	Disposals	Other Changes (Change in discount factor)	Depreciation	Impairment loss	Total
Operational buildings	16 575 725	-	-	-	-	(1 247 722)	(573)	15 327 430
Community Assets	102 713 250	-	13 790 311	-	-	(6 801 490)	(2 218)	109 699 853
Computer Equipment	869 022	142 630	-	(37 941)	-	(212 923)	-	760 788
Electrical Infrastructure	77 998 338	-	3 803 560	-	-	(4 096 552)	-	77 705 346
Furniture and Office Equipment	1 021 308	13 523	-	-	-	(239 987)	-	794 844
Land	45 913 792	-	-	-	-	-	-	45 913 792
Machinery and Equipment	2 083 743	545 447	-	-	-	(422 341)	-	2 206 849
Road Infrastructure	123 372 845	-	3 857 865	-	-	(12 179 205)	-	115 051 505
Solid Waste Infrastructure	794 533	-	-	-	287 355	(18 239)	-	1 063 649
Stormwater Infrastructure	10 653 461	-	274 782	-	-	(620 386)	-	10 307 857
Transport Assets	4 513 812	698 107	-	-	-	(986 056)	-	4 225 863
Water Supply Infrastructure	794 062	-	-	-	-	(198 923)	-	595 139
	387 303 891	**1 399 707**	**21 726 518**	**(37 941)**	**287 355**	**(27 023 824)**	**(2 791)**	**383 652 915**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Work in Progress	Disposals	Other Changes (Change in discount factor)	Depreciation	Impairment loss	Total
Operational buildings	18 193 916	-	-	-	-	(1 283 309)	(334 882)	16 575 725
Community Assets	87 717 744	195 338	22 118 964	-	-	(6 165 337)	(1 153 459)	102 713 250
Computer Equipment	762 671	344 487	-	(743)	-	(237 393)	-	869 022
Electrical Infrastructure	79 036 533	-	3 300 469	(140 447)	-	(4 198 217)	-	77 998 338
Furniture and Office Equipment	1 259 043	18 500	-	(6 544)	-	(249 691)	-	1 021 308
Land	45 913 792	-	-	-	-	-	-	45 913 792
Machinery and Equipment	2 687 361	-	-	(109 626)	-	(493 992)	-	2 083 743
Road Infrastructure	126 045 987	-	12 558 645	-	-	(10 285 533)	(4 946 254)	123 372 845
Solid Waste Infrastructure	753 695	-	-	-	59 027	(18 189)	-	794 533
Stormwater Infrastructure	9 377 694	-	2 370 114	-	-	(556 317)	(538 030)	10 653 461
Transport Assets	5 397 868	1 760 172	-	(1 624 144)	-	(1 020 084)	-	4 513 812
Water Supply Infrastructure	992 441	-	-	-	-	(198 379)	-	794 062
	378 138 745	**2 318 497**	**40 348 192**	**(1 881 504)**	**59 027**	**(24 706 441)**	**(6 972 625)**	**387 303 891**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

10. Property, plant and equipment (continued)

Pledged as security

There are no assets pledged as security.

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

	2024	2023
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Thubalethu Extension Electrification	15 589 110	15 589 110
The project has been put on hold while the Municipality completes the construction of the Thubalethu access roads to avoid damaging of road layers by heavy plant.		
Thubalethu Extension Access Roads	8 519 531	8 519 531
The project was put on hold but will be continued in the 2024/2025 financial period.		
	24 108 641	**24 108 641**

Reconciliation of Work-in-Progress 2024

	Included within Electrical Infrastructure	Included within Community	Included within Roads Infrastructure	Total
Opening balance	21 343 139	9 391 448	8 693 445	39 428 032
Additions/capital expenditure	3 803 559	13 790 311	4 760 210	22 354 080
Capitalised	-	(22 554 195)	(4 306 560)	(26 860 755)
	25 146 698	**627 564**	**9 147 095**	**34 921 357**

Reconciliation of Work-in-Progress 2023

	Electrical Infrastructure	Included within Community	Included within Roads Infrastructure	Total
Opening balance	18 042 667	4 218 528	27 451 164	49 712 359
Additions/capital expenditure	3 300 469	22 118 964	14 928 759	40 348 192
Capitalised	-	(16 946 045)	(33 686 449)	(50 632 494)
	21 343 136	**9 391 447**	**8 693 474**	**39 428 057**

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

	2024	2023
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Maintenance of Buildings and Facilities	1 590 437	953 953
Maintenance of Equipment	1 769 716	709 053
Maintenance of Infrastructure	274 555	2 135 564
Maintenance of Transport Assets	2 329 679	1 677 147
	5 964 387	**5 475 717**

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

Notes to the Annual Financial Statements

Figures in Rand

11. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	237 563	(212 799)	24 764	237 563	(200 185)	37 378

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software	37 378	(12 614)	24 764

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software	49 953	(12 575)	37 378

Notes to the Annual Financial Statements

Figures in Rand

12. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	589	-	589	589	-	589

Reconciliation of heritage assets 2024

	Opening balance	Total
Historical monuments	589	589

Reconciliation of heritage assets 2023

	Opening balance	Total
Historical monuments	589	589

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

13. Payables from exchange transactions

Trade payables	60 111 537	39 534 008
Retentions	7 659 773	7 508 737
Third parties - payroll	8 306 484	5 259 018
Accrued leave pay	5 013 232	3 658 524
Unallocated deposits	2 815 606	2 732 415
Income received in advance- prepaid electricity	74 867	87 266
Debtors in credit	829 950	1 348 875
Payments recieved in advance	40 054	865 885
13th Cheque bonus accrual	1 613 151	1 324 921
	86 464 654	**62 319 649**

14. Consumer deposits

Hall Deposits	95 012	84 150
Electricity	612 923	625 773
Poster Deposits	6 930	6 930
Library Deposits	9 146	9 146
Verge Deposits	278 896	277 348
	1 002 907	**1 003 347**

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Title Deed Restoration Grant	-	100 000

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

16. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions	Utilised during the year	Change in Estimate	Unwinding of discount	Total
Environmental rehabilitation	4 972 562	-	-	287 354	242 164	5 502 080
Performance Bonus	521 490	520 024	(330 035)	-	-	711 479
	5 494 052	**520 024**	**(330 035)**	**287 354**	**242 164**	**6 213 559**

Reconciliation of provisions - 2023

	Opening Balance	Additions	Total
Environmental rehabilitation	4 744 626	227 936	4 972 562
Performance Bonus	385 797	135 693	521 490
	5 130 423	**363 629**	**5 494 052**

Non-current liabilities	5 502 080	4 972 562
Current liabilities	711 479	521 490
	6 213 559	**5 494 052**

Environmental rehabilitation provision

The provision for environmental rehabilitation relates to the legal obligation to rehabilitate the Mthonjaneni Landfill Site. The landfill site has a remaining useful life of 7 years. The cost elements relating to planning for the closure are expected at least two years prior to the closure whilst actual rehabilitation and closure elements are expected in the year of closure and the following three years. This will be followed by post closure and monitoring costs to be incurred for a period of 30 years after closure.

Provision for bonuses

Performance Bonus

The provision for performance bonuses relates to the constructive obligation on payment of performance bonuses to Section 57 employees in 2024/25 Financial year in respect of performance for 2023/24 financial year. The senior management is entitled to a maximum of 14% performance bonus of their total earnings remuneration package for the year as per performance agreements..

17. Employee benefit obligations

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

Carrying value		
Present value of the defined benefit	4 541 760	3 865 727
Long service bonus awards accrued liability	2 682 266	2 470 034
	7 224 026	**6 335 761**

Non-current liabilities	6 905 381	5 883 856
Current liabilities	318 636	451 905
	7 224 017	**6 335 761**

17. Employee benefit obligations (continued)

Defined contribution plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid fund which is associated with the municipality, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund upon retirement. In such cases, the municipality is liable for a portion of the medical aid membership fee. The most recent actuarial valuations were carried out at 30 June 2024 by One Pangaea, Fellow of the Faculty of Actuaries and Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost were measured using the Projected Unit Credit Method.

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of certain retired

The Municipality has agreed to subsidise the medical aid contributions of continuation pensioners in the following way:

All new pensioners (that are currently still in service) and their dependents will receive a 60% subsidy upon attaining retirement age.

All new pensioners (that are currently still in service) and their dependents will receive a 60% subsidy subject to the maximum (CAP) amount of R5,624.50 (per month per member) as from 1 July 2024.

All existing continuation members (pensioners) and their dependents will continue to receive a 60% subsidy subject to the maximum (CAP) amount of R5,624.50 (per month per member) 1 July 2024.

The maximum subsidy is expected to increase at increase at 75% of inflation.

Split between short and long term portion of Post Employment Medical

Subsidy Liability		
Current Liability	122 976	119 521
Non-current Liability	4 418 785	3 746 206
	4 541 761	**3 865 727**

Net expense recognised in the statement of financial performance

Service cost	297 607	320 263
Interest cost	609 110	484 213
Remeasurements	(118 968)	57 277
Payments made by employer	(111 715)	(104 648)
	676 034	**757 105**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	13,60%	12,72%
Medical cost trend rates	9,47%	8,77%
Expected medical increases	7,97%	7,27%
Net discount rate	3,77%	3,64%

Notes to the Annual Financial Statements

17. Employee benefit obligations (continued)

Long Service Bonus Awards Liability

Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed. In most cases, employees choose to exercise the option to wholly convert their accumulative leave bonus days into cash.

Completed service (Years)	Total Long Service Benefit Award (% of Annual Salary)	Total Long Service Benefit Award (% of Annual Salary)
10	4%	(10/249) x Annual Salary
15	8%	(20/249) x Annual Salary
20,25,30,35,40 and 45	12%	(30/249) x Annual Salary

Valuation Assumptions

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised below:

Assumption	30 June 2024	30 June 2023
Discount rate	10.66%	11.23%
CPI	5.50%	6.17%
Salary increase rate	6.50%	7.17%
Net Discount Rate	3.91%	3.80%

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2023 the duration of liabilities was 6.36 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2024 is 10.66% per annum, and the yield on inflation-linked bonds of a similar term was about 4.89% per annum. This implies an underlying expectation of inflation of 5.50% per annum ([1 + 10.66%] / [1 + 4.89%%] - 1).

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 3.91% per annum ([1 + 10.60%] / [1 + 6.50%] - 1).

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

17. Employee benefit obligations (continued)

Demographic and decrement assumption

The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as follows:

Assumption	30 June 2024	30 June 2023
Normal retirement age (years)	65	65
Mortality	SA85-90	SA85-90

The following withdrawal assumptions were applicable over the prior and current valuation periods:

Age	Withdrawal rates (Male)	Withdrawal rates (Female)
20	16%	24%
25	12%	18%
30	10%	15%
35	8%	10%
40	6%	6%
45	4%	4%
50	2%	2%
55	1%	1%
60+		

Recognition of net expense

	2024	2023
Opening accrued liability	2 499 256	2 293 214
Service cost	238 993	240 236
Interest cost	261 245	253 545
Remeasurements	73 711	(115 344)
C: Benefit payments	(390 940)	(172 395)
	2 682 265	**2 499 256**

Split between short and long term portion of obligation

	2024	2023
Current liability	195 659	332 384
Non-current liability	2 486 606	2 137 649
	2 682 265	**2 470 033**

18. Service charges

	2024	2023
Service charges - reconnection fees	28 590	79 191
Refuse removal	2 002 465	1 853 489
Sale of electricity	29 353 884	25 725 706
Less Revenue Forgone - Electricity	(97 760)	(55 832)
	31 287 179	**27 602 554**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

19. Rental of facilities and equipment

Premises		
Hall hire	99 734	89 042
Facilities and equipment		
Rental income	147 633	211 862
	247 367	**300 904**

20. Agency services

Motor Licenses	929 570	698 586

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

Details of the arrangement is as follows:

Department of Transport

The municipality acts on behalf of the Department of Transport to issue licenses to, and collect money from motorists, i.e. there are three parties to the arrangement, Principal (Department of Transport), Agent (Mthonjaneni Local Municipality) and Third party (The Motorist)

As the Department of Transport is responsible for issuing the license, the transaction is between the Department of Transport and the motorist, i.e. the municipality is not a party to the transaction with the third parties. The municipality facilitates the issuing of these licenses and the collection of the prescribed fees.

The municipality receives a fee of 10% of the transaction amount and there were no changes that occurred during the reporting period.

21. Licences and permits

Motor Licenses	1 359 298	1 379 614
Business Licenses	10 208	8 396
Taxi rank Permits	728	8 964
	1 370 234	**1 396 974**

22. Other income

Sundry income	926 779	250 766
Building plan fees	26 847	15 448
Cemetery fees	7 263	13 017
Rates clearance certificate	3 235	1 918
Photocopying	20 577	25 704
	984 701	**306 853**

23. Interest Received

Interest revenue		
Bank	321 661	381 156
Interest charged on trade and other receivables	564 852	573 131
Short term deposits	381 377	110 462
	1 267 890	**1 064 749**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

24. Property rates

Rates received

Residential	7 475 179	7 341 916
Commercial	7 917 715	7 685 336
Agriculture	2 653 848	2 743 726
Public service infrastructure	10 013 835	7 337 498
Vacant land	840 456	382 819
Less: Revenue forgone	(4 527 742)	(4 857 068)
	24 373 291	20 634 227
Property rates - Interest earned from receivables	903 682	1 003 903
	25 276 973	**21 638 130**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

24. Property rates (continued)

Valuations

Agriculture	1 003 650 000	1 001 561 000
Commercial	413 805 000	422 973 000
Public service Infrastructure	686 000	686 000
Public service purpose	472 929 000	456 242 000
Residential	462 530 000	464 739 000
Vacant land	67 554 000	66 754 000
Industrial	9 871 000	9 871 000
Public benefit organisation	15 073 000	18 460 000
	2 446 098 000	**2 441 286 000**

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

The new general valuation will be implemented on 01 July 2025.

Property Rates Tariffs:

Agriculture	0.43	0.41
Commercial	2.18	2.08
Industrial	2.18	2.08
Land Reform	Exempt	Exempt
Municipal Property	Exempt	Exempt
Place of Worship	Exempt	Exempt
Public Benefit Organisation	Exempt	Exempt
Public Service Infrastructure	0.43	0.41
Public Service Purpose	2.18	2.08
State Owned	2.18	2.08
Residential	1.73	1.65
Multi-Purpose	1.73	1.66
Rural Tourism and Hospitality	1.73	1.65
State Trust Land	2.18	2.08
Urban Tourism and Hospitality	1.73	1.65
Vacant Land	2.18	2.08
Unauthorised use	2.18	2.08

Rebates:

Residential	15%	15%

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

24. Property rates (continued)

State Owned	0%	0%
All other properties other than residential, state, agriculture, and public service infrastructure	15%	15%
Agriculture	30%	30%
Early Bird Rebate (12 Months in advance payment)	15%	15%
Pensioners Rebate (From 60 Years)	20%	20%
Public Service Infrastructure	20%	20%

Residential Properties have a reduction of R50 0000 on Market value

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

25. Transfers and subsidies

	2024	2023
Operating grants		
Equitable share	98 426 000	93 695 000
Expanded Public Works Programme (EPWP)	2 092 000	2 536 000
Financial Management Grant (FMG)	2 850 000	2 850 000
Title Deed Restoration Grant	24 539	-
Community Library Grant	254 000	254 000
Provincialization of Libraries Grant	981 000	981 000
	104 627 539	**100 316 000**
Capital grants		
Municipal Infrastructure Grant	19 370 000	48 539 000
Integrated National Electrification Grant (INEG)	4 374 094	1 741 162
	23 744 094	**50 280 162**
	128 371 633	**150 596 162**

Integrated National Electrification Grant (INEG)

	2024	2023
Current-year receipts	4 374 094	1 741 162
Conditions met - transferred to revenue	(4 374 094)	(1 741 162)
	-	-

Integrated National Electrification Grant received for licensed areas

Expanded Public Works Programme Grant

	2024	2023
Current-year receipts	2 092 000	2 536 000
Conditions met - transferred to revenue	(2 092 000)	(2 536 000)
	-	-

Financial Management Grant

	2024	2023
Current-year receipts	2 850 000	2 850 000
Conditions met - transferred to revenue	(2 850 000)	(2 850 000)
	-	-

Municipal Infrastructure Grant

	2024	2023
Current-year receipts	19 370 000	48 539 000
Conditions met - transferred to revenue	(19 370 000)	(48 539 000)
	-	-

Title Deeds Restoration Grant

	2024	2023
Balance unspent at beginning of year	100 000	100 000
Conditions met - transferred to revenue	(24 539)	-
Repayment	(75 461)	-
	-	**100 000**

Conditions still to be met - remain liabilities (see note 15).

Community Library Grant

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

25. Transfers and subsidies (continued)

Current-year receipts	254 000	254 000
Conditions met - transferred to revenue	(254 000)	(254 000)
	-	-

Provincialization of Libraries Grant

Current-year receipts	981 000	981 000
Conditions met - transferred to revenue	(981 000)	(981 000)
	-	-

26. Fines, Penalties and Forfeits

Law Enforcement Fines	1 586 850	699 200

27. Construction Contract

Advance received		
Intergrated National Electrification Programe (INEP)	8 625 906	5 538 838

Construction Contract		
Construction contract revenue	7 500 788	4 816 381
Construction Contract Expenditure	(7 500 788)	(4 816 381)
	-	-

The municipality received a schedule 5B to unlicensed areas. The municipality is undertaking construction activities as a primary contractor on behalf of Department of Mineral Resources and Energy and Eskom in areas where it does not have an approved license for the supply of electricity. The municipality has accounted for this transaction according to Grap 11, Construction contract.

To measure reliably the work perfomed, the completion of a contract is determined by the proportion that contract costs incurred for work perfomed to date bear to the estimated total contract costs and completion of a physical proportion of the contract work.

As at end of 30 June 2024, there were no gross amount due from customers for work as an asset and the gross amount due to customers for work as a liability.

The municipality will transfer these projects to Eskom after completion as per the Memorandum of understanding signed between the Municipality and ESKOM.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

28. Employee related costs

Basic	46 740 125	39 763 448
Bonus 13th Cheque	3 114 385	1 941 426
Medical aid - company contributions	3 089 615	2 568 184
UIF	376 634	341 161
SALGA	20 200	17 215
Leave pay provision charge	2 019 798	838 034
Other Allowances (Standby, Remote, Night Shit, Cellphone, Once Off, Fire Arm and Danger)	1 943 956	1 732 751
Overtime	1 936 970	1 810 013
Pension contributions	6 232 123	5 032 823
Travel, motor car, accommodation, subsistence and other allowances	5 194 856	4 420 342
Long-service awards	500 238	493 781
Acting allowances	472 200	453 020
Housing benefits and allowances	1 055 834	940 762
Post employment medical - Current Interest cost	609 110	484 213
Post employment medical - Current Service cost	297 607	320 263
Performance bonus	330 035	-
	73 933 686	**61 157 436**

Remuneration of Municipal Manager of- Z.S Mthethwa

Annual Remuneration	815 823	779 391
Backpay	30 227	29 401
Backpay Accruals	34 248	-
Non-pensionable	20 340	30 510
Non-pensionable Accrual	20 340	-
Car Allowance	150 000	150 000
Performance Bonuses	78 560	-
Contributions to UIF, Medical and Pension Funds	2 125	2 303
House Allowance	72 000	72 000
Scarcity (Remote allowance)	41 513	40 056
Subsistence	483	-
Skills levy	11 004	10 714
Additional Travel	5 420	-
	1 282 083	**1 114 375**

Remuneration of Chief Financial Officer - N.M. Myeni

Annual Remuneration	891 465	854 905
Car Allowance	150 000	150 000
Back Pay	30 334	21 169
Back Pay Accrual	34 368	-
Performance Bonus	64 571	-
Non-Pensionable	20 340	20 340
Non-Pensionable Accruals	20 340	-
Contributions to UIF, Medical and Pension Funds	2 125	12 699
Remote allowance	41 659	40 196
Other (Skills Levy, Additional travel)	29 977	23 970
	1 285 179	**1 123 279**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

28. Employee related costs (continued)

Remuneration of Director Community Services - F.S Mazibuko

Annual Remuneration	766 787	491 675
Back Pay	18 385	1 132
Backpay Accruals	31 244	-
Car Allowance	180 000	120 000
Performance Bonus	48 602	-
Non Pensionable	13 560	-
Non Pensionable Accruals	20 340	-
Cellphone Allowance	1 500	12 000
Contributions to UIF, Medical and Pension Funds	2 125	1 417
Remote Allowance	37 872	24 467
Skills Levy	10 292	6 254
Subsistence allowance	-	8 348
Long service award	46 259	-
Other (Additional Travel)	16 395	-
	1 193 361	**665 293**

Remuneration of Director Corporate Services - N.B Mathe

Annual Remuneration	796 777	511 673
Back Pay	18 385	1 134
Back Pay Accruals	31 244	-
Car Allowance	150 000	100 000
Performance Bonus	74 796	-
Cellphone Allowance	-	10 500
Contributions to UIF, Medical and Pension Funds	2 125	1 417
Non-Pensionable	13 560	-
Non Pensionable Accruals	20 240	-
Remote Allowance	37 872	24 467
Skills Levy	9 869	6 508
Long Service	-	22 835
Subsistance allowance	-	2 181
Additional Travel	3 759	5 117
	1 158 627	**685 832**

Remuneration of Director Technical and Planning Services PT Xulu (Acting from 01 July 2023 to 31 December 2023)

Acting Allowance	44 519	82 419
Backpay Accruals	1 476	-
Non-Pensionable Accruals	10 170	-
Performance Bonuses	63 506	-
	119 671	**82 419**

Remuneration of Director Technical and Planning Services - N.W Zikhali (From 1 January 2024)

Annual Remuneration	398 394	-
Backpay Accruals	15 622	-
Non-Pensionable Accruals	10 170	-
Car Allowance	75 000	-
Contributions to UIF	1 063	-
Contributions to Medical, pension, Skills	4 863	-
Remote Allowance	18 936	-
Cellphone Allowance	9 000	-
	533 048	**-**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

29. Remuneration of councillors

Hon. Mayor	993 325	948 568
Deputy Mayor	804 850	768 181
Executive Committee Members	1 322 463	1 265 989
Hon. Speaker	467 160	445 644
All Other Councillors	5 723 173	5 445 736
Chief Whip	440 821	417 064
MPAC Chairperson	429 218	410 216
	10 181 010	**9 701 398**

In-kind benefits

The Hon. Mayor and Deputy Mayor are full-time. Hon. Speaker and Executive Committee Members are part-time. Hon. Mayor, Hon Speaker and Deputy Mayor, each are provided with an office and secretarial support at the cost of the Council.

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

The Hon. Mayor, Deputy Mayor and Hon. Speaker each have a driver and a full-time bodyguard.

30. Depreciation and amortisation

Property, plant and equipment	27 023 872	24 706 441
Investment property	17 811	17 762
Intangible assets	12 614	12 576
	27 054 297	**24 736 779**

31. Impairment loss

Impairments		
Property, plant and equipment	2 791	6 972 625

32. Debt Impairment

Impairment	2 859 729	1 698 730

33. Interest paid

Interest and penalties paid	2 475 808	1 672 220
Interest on non-current provisions	242 164	-
	2 717 972	**1 672 220**

Interest and penalties paid are mainly due to cash flow challenges which resulted due to arrears on accounts such as Eskom, Telkom, South Africa Revenue Service and Pension Funds.

34. Lease rentals on operating lease

Motor vehicles		
Contractual amounts	260 847	286 718
Equipment		
Contractual amounts	720 253	744 144
	981 100	**1 030 862**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

35. Bulk purchases

Electricity - Eskom	27 727 780	22 326 648

36. Contracted services

Outsourced Services		
Business and Advisory	5 727 196	7 238 048
Cleaning Services	19 218	218 122
Fire Services	90 205	25 631
Internal Auditors	178 512	283 770
Refuse Removal	3 777 818	3 625 641
Security Services	9 072 042	8 013 929
Drivers Licence Cards	609 336	483 210
Consultants and Professional Services		
Business and Advisory	314 631	140 118
Property Valuation Fees	345 323	420 224
Legal Cost	281 000	1 218 052
Contractors		
Catering Services	3 249 595	2 527 939
Distribution of Electricity by Others	-	6 439 945
Municipal Events	857 567	2 290 262
First Aid	-	15 993
Maintenance of Buildings and Facilities	994 737	953 953
Maintenance of Equipment	1 006 941	709 255
Maintenance of Transport Assets	2 670 900	1 677 147
Medical Services	142 500	-
Maintenance of Infrastructure	1 623 639	2 135 564
Transportation	1 406 375	1 054 020
Stage and Sound Crew	1 732 718	2 144 200
	34 100 253	**41 615 023**

37. Inventory consumed

Consumables	1 338 232	1 556 184

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

38. Operational Costs

Advertising	2 275 253	2 183 949
Assets expensed	10 899	5 600
Auditors remuneration	2 274 832	2 041 014
Bank charges	183 230	95 765
Bursaries	687 575	356 656
Commission paid	1 555 722	1 570 782
Conferences and seminars	77 057	170 590
EPWP Stipends	3 816 997	3 222 489
Electricity	1 464 566	609 510
Social Relief	197 635	-
Inventory consumed	189 990	-
Fuel and oil	3 845 632	3 455 488
Hire	7 554 664	10 320 216
IT expenses	547 059	38 176
Insurance	1 587 710	962 418
Other expenses	943 955	94 322
Printing and stationery	524 961	248 351
Project maintenance costs	908 686	893 535
Protective clothing	1 084 312	728 853
Skills development levy	751 983	624 486
Subscriptions and membership fees	979 766	712 225
Telephone and fax	1 238 487	1 434 030
Training	289 813	120 323
Travel - local	6 287 043	4 238 806
Ward committee	1 799 464	1 912 435
Water	441 298	347 200
Workmen's compensation	330 270	347 866
	41 848 859	**36 735 085**

39. Fair value adjustments

Biological assets - (Fair value model)	(167 115)	175 546

40. Gain/Loss on Disposal of Fixed and Intangible Assets

Gain or loss on disposal of non-current assets held	(37 967)	882 838

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

41. Cash generated from operations

Deficit	(31 583 137)	(3 753 204)
Adjustments for:		
Depreciation and amortisation	27 054 297	24 736 779
Fair value adjustments	167 115	(175 546)
Asset impairment	2 791	6 972 625
Debt impairment	2 859 729	1 272 682
Movements in retirement benefit assets and liabilities	933 513	933 924
Movements in provisions	432 153	(95 952)
Actuarial gains/loss	(45 257)	-
Gain or Loss on disposal	37 967	(910 347)
Changes in working capital:		
Inventories	14 830	88 668
Consumer debtors	(1 101 356)	(390 541)
Other receivables from non-exchange transactions	(798 205)	(1 348 365)
Payables from exchange transactions	24 145 004	12 942 165
VAT	1 122 205	(865 038)
Unspent conditional grants and receipts	(100 000)	-
Consumer deposits	(440)	(4 762)
	23 141 209	**39 403 088**

42. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	35 464 507	35 349 880
Total capital commitments		
Already contracted for but not provided for	35 464 507	35 349 880

This committed expenditure relates to property, plant and equipment. These commitments will be financed by available through government grants and internal revenue. All Capital commitments are disclosed VAT inclusive.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	981 097	1 030 862
- in second to fifth year inclusive	1 260 718	840 478
	2 241 815	**1 871 340**

Operating lease payments represent rentals payable by the municipality for certain of its telephone equipment, photocopiers and motor vehicles. No contingent rent is payable.

43. Contingencies

There are no reimbursement from any third parties for potential obligations of the municipality, nor pending cases as at the date of the report.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

44. Related parties

Relationships

Members of key management	Z.S. Mthethwa (Municipal Manager) N.M. Myeni (Chief Financial Officer) N.B. Mathe (Director: Corporate services) P.T. Xulu Acting Director: Technical and Planning Services (01 July 2023 to November 2023) F.S. Mazibuko (Director: Community Services) N.W Zikhali (Director: Technical and Planning Services)

Related party balances

The following councillors and key management owed the municipality in respect of traffic fines as at 30 June 2024

	2024	2023
Councillors		
Cllr P.E. Ntombela (Deputy Mayor)	2 350	2 350
Cllr N.A. Mbatha (Speaker)	2 900	2 900
Cllr T.E. Mpungose	200	200
Cllr B.M.T Sibiya	5 900	5 900
Cllr K.T. Mkhize	900	900
Cllr N.S Ntuli	450	450
Cllr S.M Khuzwayo - Resigned 30 September 2022	-	1 200
Cllr S.S Mnguni - Resigned 02 May 2023	-	200
Directors		
Mr. Z.S. Mthethwa (Municipal Manager)	875	875
Mrs. S. Mchunu (Former: Director Technical Services)	-	950
Mrs. N.B. Mathe (Director Corporate Services)	200	200
Mr P.T. Xulu (Acting Director Technical Services)	1 350	1 350

As per Section 124(1)(b) of the MFMA, the following Councillors owed the Municipality in respect of property rates and service charges for a period of more than 90 days as at 30 June 2024.

	2024	2023
Councillors		
Cllr N.A. Mbatha	217	-

Refer to note 28&29 for disclosure of remuneration of key management and councillors.

45. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a central treasury department (municipality treasury) under policies approved by the accounting officer. The accounting officer provides written principles for overall risk management.

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.

	2024	2023
Financial liabilities	86 464 654	62 062 978

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

45. Risk management (continued)

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.

Financial instrument	2024	2023
Cash and cash equivalents	3 309 168	3 294 259
Receivables from Exchange transactions	6 731 017	4 119 079
Receivables from Non Exchange transactions	20 199 643	21 769 331

46. 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.

(a) The Accounting Officer continue to procure funding for the ongoing operations for the Municipality.

(b) The Municipality have not lost any of the key customers or principal suppliers.

(c) The Municipality does not experience Labour difficulties.

(d) The Municipality does not have shortage of important suppliers.

(e) Financial results, bank account balance and net asset are all positive.

The municipality is a government entity which is grant dependent. The municipality received conditional & unconditional grants on a yearly basis to meet its operational and service delivery needs, Thus the municipality has adequate grant funding for the ongoing operations for the Municipality

In addition, the municipality collects revenue for services rendered and the will augment their cash flows in subsequent years.

At the end of the financial year 2023/2024 ending on 30 June 2024, the municipality experienced some negative key financial ratios listed below:

Description	Ratio	Norm
Current ratio	0,35: 1	1.5 :1
Cash coverage ratio	0.02 months	1-3 months
Creditors payment period	165 days	30 days
Collection rate	99 %	95%

The municipality is currently experiencing cash flow challenges and at times is not able to honour obligations as they fall due. The municipality is situated in a rural area with very limited economic activities and is mainly grant dependent. A majority of our customers are failing to honour their obligations thus affecting the cash flow projections.

The municipality has developed a turnaround plan and has reviewed the cost containment measures to reduce non-priority spending. The municipality has established an interim finance committee to review monthly fixed costs and new purchase requisitions. The municipality developed a funded MTREF budget for 2024/25 and is committed to spend within the approved budget and improve the cash flow position.

Figures in Rand	2024	2023

47. Events after the reporting date

Asset Disposal

The municipal council took a resolution on the 27th of March 2024 to dispose off assets. The following assets were disposed off through an auction held on the 23rd of July 2024, after the reporting period.

Nissan NP 300:	BG43WX-ZN
Isuzu fire engine:	NO 5303
Toyota Etios: 1.5 SD Sprint:	NO5537
Corolla Quest CVT:	BG43XH-ZN
Hiace Sesfikile 2.5D 16S:	NO 3809

The total carrying amount of the above assets disposed is R622 073.13

The Municipality Debt Relief is a conditional and application-based debt-write off programme in terms of which Eskom will write-off the debt (including interest and penalties) of all municipalities that owe Eskom as at 31 March 2023 (excluding the March 2023 current account) over three years. The Municipality's arrears as of 31 March 2023 amounted to R7,476, 949. The Municipality is due for assessment and one third write off in the 2023/2024 financial year.

48. Unauthorised expenditure

	2024	2023
Opening balance as previously reported	97 268 789	59 283 981
Add: Unauthorised expenditure - current	47 404 734	37 984 808
Closing balance	**144 673 523**	**97 268 789**

Analysed as follows

	2024	2023
Non-Cash Items		
Depreciation	5 224 338	9 448 005
Debt Impairment	259 729	-
Impairment Loss	2 791	6 972 625
	5 486 858	**16 420 630**
Cash Items		
Employee Related Costs	10 351 990	-
Remuneration of Councillors	500 416	-
Interest	1 217 972	1 201 307
Operating Lease	981 100	1 030 862
Contracted Services	1 972 535	10 640 343
Bulk Purchases	5 978 780	419 796
General Expenses	13 414 296	3 455 489
Contract Cost	7 500 788	4 816 381
	41 917 877	**21 564 178**

49. Fruitless and wasteful expenditure

	2024	2023
Opening balance as previously reported	3 498 058	1 825 838
Add: Fruitless and wasteful expenditure identified - current	2 475 808	1 672 220
Closing balance	**5 973 866**	**3 498 058**

Fruitless and wasteful expenditure comprises of interest on overdue accounts.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

50. Irregular expenditure

Opening balance as previously reported	172 834 163	73 077 650
Add: Irregular expenditure - current	24 561 870	64 067 247
Add: Irregular expenditure - prior period (Under investigation)	-	62 174 545
Less: Amount certified by Council as irrecoverable and written off (Prior year)	-	(16 230 743)
Less: Amount certified by Council as irrecoverable and written off (Current year)	-	(10 254 536)
Closing balance	**197 396 033**	**172 834 163**

Figures in Rand	2024	2023

50. Irregular expenditure (continued)

Details of Irregular Expenditure due to non-compliance with tax regulations

Details of Irregular Expenditure due to non-compliance with Section 29(2) Regulations

Dolphin Coast Solutions	743 805	822 045
Brockwell Auto Engineering	-	1 229 375
Buthelezi Mtshali Mzulwini Attorneys	-	1 362 390
Mfezi Security	5 146 557	5 391 572
PayDay	463 317	256 096
Sigcinubunye Funeral Services	1 057 555	861 916
Wesbank	352 413	331 142
	7 763 647	**10 254 536**

Details of Irregular Expenditure due to non-compliance with local content requirements

Makoloni Projects - Inkisa Electrification	-	703 422
Masina Engineering - Umhlathuze Electrification	590 525	770 387
	590 525	**1 473 809**

Details of Irregular Expenditure due to non-compliance with regulation 19(a) - Competitive bidding

Izinga Holdings - Mahhehhe creche	-	923 254
Izinga Holdings - Njomelwane Community Hall	-	1 241 104
BI Infrastructure - Ndundulu Gravel	-	3 891 670
Izinga Holdings - Ntilingwane Gravel Road	-	1 990 826
ACB Group - Urban roads upgrade (Thubalethu)	-	1 478 812
ACB Group - Makhubalo Gravel Road Phase 2	-	1 703 351
Isando Structural Engineering and Civils	-	2 479 053
BI Innfrastructure Consultants (Pty) Ltd-Bedlane community Hall	-	3 042 297
TPA CONSULTING CC	147 030	1 947 494
Ibhele Nabangani Consulting Engineer-Kwezulu Sportfield	761 662	6 665 865
Thokomela Trading (Pty) Ltd	3 783 878	1 832 087
ZLM PROJECT ENGINEERING	5 274 199	4 566 339
	9 966 769	**31 762 152**

Details of Irregular Expenditure due to contract extension not in accordance with legislation

CCG Systems: TR25-2016	2 686 637	4 804 763

Details of Irregular Expenditure due to non-compliance with regulation 32

Amanquhe Data Doctors	711 300	1 523 586

Details of Irregular Expenditure due to non-compliance with regulation 36

ACB Group - Sizanami & Ofankomo Gravel Road	973 582	10 125 273
Bargain Uniform	-	805 750
Asambisane Enterprise	-	770 000
Unakane Security Division	1 869 410	2 321 719
	2 842 992	**14 022 742**

Details of Irregular Expenditure due to non-compliance with CIDB regulation 25(1)

Asiphoxi	-	99 650

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

50. Irregular expenditure (continued)

Nozigangi	-	126 008
	-	**225 658**

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	865 963	591 038
Amount paid - current year	(865 963)	(591 038)
	-	-

Electricity distribution losses

Electricity distribution losses		
Units lost (Kilowatts)	1 333 245	1 288 243
Units lost (Selling Price)	3 457 206	2 810 091
Units lost (Percentage)	9.67%	9,42%

The electricity distribution losses are mainly due to aging infrastructure, technical losses and illegal connections.

Audit fees

Current year subscription / fee	2 775 607	2 347 144
Amount paid - current year	(994 725)	(2 347 144)
	1 780 882	**-**

PAYE and UIF

Opening balance	(186 539)	(72 421)
Current year subscription / fee	12 855 042	11 184 674
Amount paid - current year	(13 133 541)	(11 298 792)
	(465 038)	**(186 539)**

Pension and Medical Aid Deductions

Opening balance	3 477 827	2 711 990
Current year subscription / fee	16 322 701	13 534 630
Amount paid - current year	(14 916 726)	(12 768 793)
	4 883 802	**3 477 827**

VAT

VAT receivable	3 314 673	3 837 147
VAT payable	3 286 322	2 686 592
	28 351	**1 150 555**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

52. Deviation from supply chain management regulations

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

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

	2024	2023
Deviations current year (Regulation 36)		
Emergency procurement	-	378 314
Sole supplier or service provider	788 944	466 001
Impractical/Impossible to follow procurement process	4 502 315	3 797 104
	5 291 259	**4 641 419**

53. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

The municipality is organised and reports to management on the basis of four major areas:

Executive and Council

Finance and Administration

Corporate and Community Services

Technical Services

The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Notes to the Annual Financial Statements

Figures in Rand

53. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Executive and Council	Finance and Admin	Corporate and Community Services	Technical Services	Total
Revenue					
Service Charges	-	-	2 008 858	29 278 321	31 287 179
Rental of Facilities and Equipment	-	147 633	99 734	-	247 367
Agency services	-	-	929 570	-	929 570
Licences and Permits	-	-	1 370 234	-	1 370 234
Other Income	-	429 845	20 746	534 109	984 700
Interest Received	-	1 267 890	-	-	1 267 890
Property Rates	-	24 373 292	-	-	24 373 292
Property Rates - Interest earned from Non-exchange receivables	-	-	-	903 682	903 682
Transfers and subsidies	-	101 276 000	3 327 000	23 768 633	128 371 633
Fines, Penalties and Forfeits	-	-	1 586 850	-	1 586 850
Gain or loss on disposal of non-current assets	-	37 967	-	-	37 967
Fair value adjustments	-	-	-	167 115	167 115
Fair Value adjustments - Acturial	-	45 257	-	-	45 257
Contract Revenue:INEP	-	-	7 500 788	-	7 500 788
Total segment revenue	**-**	**127 577 884**	**16 843 780**	**54 651 860**	**199 073 524**
Entity's revenue					**199 073 524**

Notes to the Annual Financial Statements

Figures in Rand

53. Segment information (continued)

	Executive and Council	Finance and Admin	Corporate and Community Services	Technical Services	Total
Expenditure					
Employee Related Costs	8 448 740	13 294 949	38 649 008	13 540 987	73 933 684
Remuneration of Councillors	10 181 009	-	-	-	10 181 009
Depreciation and Amortisation	198 923	3 139 502	4 114 791	19 601 081	27 054 297
Contribution to Provision for impairment	-	1 496 684	1 363 045	-	2 859 729
Interest Paid	-	2 475 808	242 164	-	2 717 972
Lease Rentals on Operating Lease	-	-	720 253	260 847	981 100
Bulk Purchases	-	-	-	27 727 780	27 727 780
Contracted Services	10 554 744	5 663 865	7 185 596	10 696 050	34 100 255
Contract Cost: INEP	-	-	7 500 788	-	7 500 788
Inventory consumed	153 466	-	304 479	880 287	1 338 232
Operational Costs	3 788 480	5 494 318	13 357 458	19 208 601	41 848 857
Total segment expenditure	**33 325 362**	**31 565 126**	**73 437 582**	**91 915 633**	**230 243 703**
Total segmental surplus/(deficit)					**(31 170 179)**
Assets					
Inventories	-	540 393	-	-	540 393
Receivables from Non-Exchange Transactions	17 574 840	-	224 386	-	17 799 226
VAT receivable	-	3 314 673	-	-	3 314 673
Receivables from Exchange Transactions	-	6 731 017	-	-	6 731 017
Cash and cash equivalents	-	3 309 168	-	-	3 309 168
Biological assets	-	-	-	2 104 597	2 104 597
Investment property	-	21 783	-	-	21 783
Property, Plant and Equipment	3 281 915	2 610 089	114 775 930	262 984 981	383 652 915
Intangible assets	-	24 764	-	-	24 764
Heritage assets	-	589	-	-	589
Total segment assets	**20 856 755**	**16 552 476**	**115 000 316**	**265 089 578**	**417 499 125**
Total assets as per Statement of financial Position					**417 499 125**

Notes to the Annual Financial Statements

Figures in Rand

53. Segment information (continued)

	Executive and Council	Finance and Admin	Corporate and Community Services	Technical Services	Total
Liabilities					
Payables from exchange transactions	-	86 464 654	-	-	86 464 654
Consumer deposits	-	1 002 907	-	-	1 002 907
VAT Payable	-	3 286 322	-	-	3 286 322
Provisions	711 479	5 502 080	-	-	6 213 559
Employee benefit obligation	-	7 224 017	-	-	7 224 017
Total segment liabilities	**711 479**	**103 479 980**	**-**	**-**	**104 191 459**
Total liabilities as per Statement of financial Position					**104 191 459**

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

Notes to the Annual Financial Statements

Figures in Rand

53. Segment information (continued)

2023

	Executive and Council	Finance and Admin	Corporate and Community Services	Technical Services	Total
Revenue					
Service Charges	-	-	1 853 489	25 749 065	27 602 554
Rental of Facilities and Equipment	-	211 862	89 042	-	300 904
Agency services	-	-	698 586	-	698 586
Licences and Permits	-	-	1 396 974	-	1 396 974
Other Income	-	252 537	24 176	28 465	305 178
Interest Received	-	1 064 749	-	-	1 064 749
Fair Value Adjustments - Acturial	-	87 290	-	-	87 290
Actuarial Gains	-	1	-	-	1
Property Rates	-	20 507 667	126 560	-	20 634 227
Property Rates - Penalties Imposed	-	-	-	1 003 903	1 003 903
Government Grants & Subsidies	-	96 546 675	3 771 000	50 280 162	150 597 837
Fines, Penalties and Forfeits	-	-	699 200	-	699 200
Gains or loss on disposal of non-current assets	-	882 838	-	-	882 838
Fair value adjustments	-	-	175 546	-	175 546
Contract Revenue	-	-	-	4 816 381	4 816 381
Total segment revenue	**-**	**119 553 619**	**8 834 573**	**81 877 976**	**210 266 168**
Entity's revenue					**210 266 168**

Notes to the Annual Financial Statements

Figures in Rand

53. Segment information (continued)

	Executive and Council	Finance and Admin	Corporate and Community Services	Technical Services	Total
Expenditure					
Employee Related Costs	6 112 226	9 693 062	33 227 331	12 124 820	61 157 439
Remuneration of Councillors	9 701 398	-	-	-	9 701 398
Depreciation and Amortisation	198 379	3 340 536	4 236 740	16 961 123	24 736 778
Bulk Purchases	-	-	-	22 326 648	22 326 648
Debt Impairment	-	1 529 821	168 909	-	1 698 730
Contribution to Provision for Impairment	-	6 972 625	-	-	6 972 625
Interest Paid	-	1 672 220	-	-	1 672 220
Lease Rentals on Operating Lease	-	-	744 144	286 718	1 030 862
Inventory Consumed	35 285	-	265 034	1 255 865	1 556 184
Contracted Services	10 328 800	6 701 032	8 626 691	15 958 499	41 615 022
Operational Costs	1 914 999	3 762 009	10 743 085	20 314 995	36 735 088
Contract Cost- INEP	-	-	-	4 816 381	4 816 381
Total segment expenditure	**28 291 087**	**33 671 305**	**58 011 934**	**94 045 049**	**214 019 375**
Total segmental surplus/(deficit)					**(3 753 207)**
Assets					
Inventories	-	555 223	-	-	555 223
Receivables from Non-Exchange Transactions	19 442 647	-	113 656	-	19 556 303
VAT receivable	-	3 837 147	-	-	3 837 147
Receivables from Exchange Transactions	-	5 934 108	-	-	5 934 108
Cash and cash equivalents	-	3 294 259	-	-	3 294 259
Biological Assets	-	-	-	2 271 712	2 271 712
Investment Property	-	39 594	-	-	39 594
Property, Plant and Equipment	3 281 912	2 396 148	98 888 837	282 736 993	387 303 890
Intangible Assets	-	37 378	-	-	37 378
Heritage Assets	-	589	-	-	589
Total segment assets	**22 724 559**	**16 094 446**	**99 002 493**	**285 008 705**	**422 830 203**

Notes to the Annual Financial Statements

Figures in Rand

53. Segment information (continued)

	Executive and Council	Finance and Admin	Corporate and Community Services	Technical Services	Total
Total assets as per Statement of financial Position					**422 830 203**
Liabilities					
Payables from exchange transactions	-	62 319 649	-	-	62 319 649
VAT Payable	-	2 686 592	-	-	2 686 592
Consumer deposits	-	1 003 347	-	-	1 003 347
Unspent conditional grants and receipts	-	-	-	100 000	100 000
Provisions	-	521 490	4 972 562	-	5 494 052
Employee benefits obligation	-	6 335 761	-	-	6 335 761
Total segment liabilities	**-**	**72 866 839**	**4 972 562**	**100 000**	**77 939 401**
Total liabilities as per Statement of financial Position					**77 939 401**

Measurement of segment surplus or deficit, assets and liabilities

54. VAT payable

VAT	3 286 322	2 686 592

55. 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

55. Prior-year adjustments (continued)

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
VAT Receivable		1 200 823	(50 268)	2 686 591	3 837 146
Property, Plant and Equipment		387 310 063	(6 172)	-	387 303 891
Intangible		35 875	1 503	-	37 378
Recievables from Non Exchange Transactions		21 769 331	(397 998)	(1 815 030)	19 556 303
Recievables from Exchange		4 119 078	-	1 815 030	5 934 108
		414 435 170	**(452 935)**	**2 686 591**	**416 668 826**

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Payables from exchange transactions		57 721 581	(385 377)	4 983 445	62 319 649
VAT Payable		-	-	2 686 591	2 686 591
Current Provisions		5 504 935	-	(4 983 445)	521 490
Accumulated Surplus		344 958 362	(67 559)	-	344 890 803
		408 184 878	**(452 936)**	**2 686 591**	**410 418 533**

Statement of financial performance

2023

	Note	As previously reported	Correction of error	Restated
Transfers and subsidies- Operational		102 057 162	(1 741 162)	100 316 000
Transfers and subsidies- Capital (monetary allocations)		48 539 000	1 741 162	50 280 162
Gain or Loss on disposal of non-current assets		910 347	(27 509)	882 838
Property Rates		20 770 510	(136 283)	20 634 227
Surplus for the year		**172 277 019**	**(163 792)**	**172 113 227**

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Depreciation and Amortisation		24 747 970	(11 191)	-	24 736 779
Operational Costs		36 850 144	-	(115 059)	36 735 085
Employee Related Costs		61 042 380	-	115 056	61 157 436
Deficit for the year		**122 640 494**	**(11 191)**	**(3)**	**122 629 300**

Errors

The following prior period errors adjustments occurred:

55. Prior-year adjustments (continued)

Errors

Property Plant and Equipement

During the year the municipality reviewed the useful lives of assets and there were assets that had been fully depreciated but still in use and prior depreciation had to be reversed and treated as prior period error.In addition,there was minor assets that were derecognised during the year that also affected the prior period

Intangible Assets

During the year the municipality reviewed the useful lives of assets and there were assets that had been fully depreciated but still in use and prior depreciation had to be reversed and treated as prior period error. In addition,there was minor assets that were derecognised during the year that also affected the prior period

Payables from Exchange Transactions

The entity considered the appropriateness of disclosure of leave provision and it was found to be more appropriate to treat it as an accrual as opposed to a provision in line with GRAP 19.The Municipality further restated prior year accounts payable due to expenditure that was not recognised prior year.

VAT Payable

VAT receivable reflected on the face of the 2023 Audited Statement of Financial Position, includes the accrual and SARS debtor accounts. The offsetting of these accounts are not considered appropriate as the input VAT accrual and output VAT accrual accounts do not necessarily relate to the same debtor and creditor, but rather different parties to these transactions that is yet to be collected, and yet to be paid. VAT Was reclassified to correctly reflect VAT receivable and Payable

Provisions

The entity considered the appropriateness of disclosure of leave and 13th cheque provision and it was found to be more appropriate to treat it as an accrual as opposed to a provision in line with GRAP 19.

Transfers and Subsidies - Operational

The Municipality recieved Schedule 5B (capital subsidies to municipalities to address the electrification backlog) Integrated National Electrification Programme (INEP) allocations). The INEP Grant revenue was incorrectly disclosed as Operational Transfers and Subsidies in prior year

Transfers and Subsidies - Capital

The Municipality recieved Schedule 5B (capital subsidies to municipalities to address the electrification backlog) Integrated National Electrification Programme (INEP) allocations). The INEP Grant revenue was incorrectly disclosed as Operational Transfers and Subsidies in prior year

Gains or Loss on Disposal of Non Current Assets

There was minor assets that were derecognised during the year that also affected the prior period

Depreciation and Amortisation

During the year the municipality reviewed the useful lives of assets and there were assets that had been fully depreciated but still in use and prior depreciation had to be reversed and treated as prior period error.

Operational Costs

Expenditure relating to employee related costs were reclassifed from operational costs to employee related costs

Employee Related Costs

55. Prior-year adjustments (continued)

Expenditure reclassified from operational costs to employee related costs as the nature of the transactions relates to employee costs

Receivables from Non-exchange Transactions

The Municipality restated prior year receivables from non exchange transactions due to billing transactions that were adjusted in the prior year.

The municipality reclassified interest on recievables from Non Exchange transactions to Recievable from exchange transactions

56. Budget differences

Material differences between budget and actual amounts

A1- The municipality had lower than budgeted revenue from Electricty due to persistant load shedding from the beginning of the financial year up to 30 March 2024.

A2- The municipality had anticipated an increase on rental of facilities but due to the nature of this line item, the results show that the demand was lower than what the municipality anticipated.

A3- The municipality had anticipated an increase on agency fees but due to the nature of this line item, the results show that the demand was lower than what the municipality anticipated.

A4-The municipality had anticipated an increase on other income as result of sale of sites and harvesting of pine plantation which did not materialize in the year under review.

A5- The municipality had anticipated an increase in property rates revenue base from sale of properties/sites which was expected to increase the billing of property rates after the new owners have developed their sites, but the sale did not materialize.

A6- The variance was due to tittle deeds grant that was realised which the municipality did not budget for in the year under audit.

A7- The municipality appointed a traffic management service provider and therefore anticipated to improve in issuing and collection fines on road traffic offenders. The contract between the service provider and the municipality was however cancelled due to non-performance by the service provider.

A8- The municipality had anticipated to dispose off some municipal assets in the 2023/24 financial year. The disposal ended taking place after the financial year.

A9- The municipality budgeted contract revenue - INEG under other revenue, however for the INEG reporting guideline requires that contract revenue be disclosed as a line item.

A10- The municipality had implemented cost containment measures as a strategy to curve down expenditure and therefore adjusted employee costs budget downwards, however due to operational demands, the municipality was forced to fill up positions in the organogram.

A11- The municipality had planned to dispose off some municipal assets during the financial year. The disposal got delayed and took place after the reporting period due to unforeseen circumstances. The additions and capital projects capitalised during the financial year contributed to the increase in the anticipated depreciation for the year.

56. Budget differences (continued)

A12- The municipality is currently experiencing cash flow challenges resulting to failure in paying creditors within 30 days. This resulted in the municipality to incur more interest and penalties from creditors.

A13- The budget for operating leases was provided for under budget for contracted services, however for presentation purposes of the annual financial statements it is presented as a separate line item under expenditure.

A14- The municipality has projected lower than actual based on information available during the budget preparation.

A15- Some contractual agreements like security were unavoidable for safety of municipal assets and employees

A16- As part of cost containment, the municipality has cut operational expenditure budget during the adjustment budget but due to unavoidable administrative and community needs, the municipality had to respond and speed up the service delivery to the community of Mthonjaneni.

A17- The budget for contract cost was incorrectly included under contracted services, however for GRAP AFS, reclassification of actual expenditure was required. Additionally change in treatment of INEP Grants has resulted on all old INEP projects expenditure that are in progress be also included under contract cost which the municipality did not budget for in the year under review.

A18- The budget accounted as per GRAP 23 but for AFS has been recognised under GRAP 11

A19- The municipality implemented control meausres to limit stock issues, these measures decreased the demand and therefore the anticipated issues were more than the actual.