Bela Bela local Municipality
Audited Annual Financial statements
for the year ended June 30, 2024

General Information

Legal form of entity	Municipality in terms of Section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with Section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Executive committee	
Honorable Mayor	Hon. Cllr G.M. Seleka
Executive committee members	Cllr M.H. Ledwaba (from 21 June 2024)
	Cllr A Van Der Heyde
Speaker	Cllr TN Zikhali
Chief Whip	Cllr K. Sepuru
Councillors	Cllr M.F. Koover
	Cllr K.S. Rachidumela
	Cllr J.M.Mabua
	Cllr M.J. Ngobeni (from 21 June 2024)
	Cllr M.J. Makhubela
	Cllr M.O. Tlaka
	Cllr J.D. Cloete
	Cllr P.V. Mashaba
	Cllr F.S. Hlongwane
	Cllr M.N. Mpunwana
	Cllr M.D. Senosha
	Cllr S.D. Seale
Grading of local authority	Level 3
Accounting Officer	Mr. T.G. Ramagaga
Chief Financial Officer (CFO)	Mr. R.M. Marutha
Registered office	58 Chris Hani Drive Bela Bela 0480
Postal address	Private Bag X1609 Bela Bela 0480
Banker	Absa Limited
Auditors	Auditor-General of South Africa (AGSA) Registered Auditors
Attorneys	Motalane Incorporated Noko Maimela Incorporated Mohale Incorporated Ndobela and Associates incorporated GSM Mohlabi incorporated
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Municipal Finance Management Act No. 56, 2003

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Abbreviations used:

MIG	Municipal Infrastructure Grant
CPI	Consumer Price Index
INEP	Integrated National Electrification Programme
EEDSM	Energy Efficiency and Demand Side Management
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
mSCOA	Municipal Standard Chart of Accounts
JSE	Johannesburg Stock Exchange
MFMA	Municipal Finance Management Act
MPAC	Municipal Public Accounts Committee
MSCOA	Municipal Standard Chart of Accounts
NRA	Normal Retirement Age
PAYE	Pay as Your Earn
PPE	Property, Plant and Equipment
RSA	Republic of South Africa
SETA	Sector Education and Training Authority
SDL	Skills Development Levy
SARS	South African Revenue Services
SCM	Supply Chain Management
UIF	Unemployment Insurance Fund
WSIG	Water Service Infrastructure Grant

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the audited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the audited 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 audited annual financial statements and was given unrestricted access to all financial records and related data.

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

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

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the audited 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 June 30, 2025 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the Bela Bela Local 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 32 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

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

Mr. T.G Ramagaga
Accounting Officer

Statement of Financial Position as at June 30, 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	3	480,908	361,755
Receivables from exchange transactions	4&5	69,303,501	60,565,747
Receivables from non-exchange transactions	5&6	68,438,591	65,111,105
Cash and cash equivalents	8	25,270,330	11,261,243
VAT receivable	7	5,155,579	7,789,978
		168,648,909	**145,089,828**
Non-Current Assets			
Receivables from exchange transactions	4	140,580	140,580
Investment property	9	67,457,882	60,717,194
Property, plant and equipment	10	921,469,381	856,446,494
Intangible assets	11	1,861,787	1,595,900
Heritage assets	12	538,950	538,950
		991,468,580	**919,439,118**
Non-Current Assets		991,468,580	919,439,118
Current Assets		168,648,909	145,089,828
Total Assets		**1,160,117,489**	**1,064,528,946**
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	106,058,870	146,267,193
Consumer deposits	14	7,236,417	6,955,063
Employee benefit obligation	15	3,443,000	2,231,000
Unspent conditional grants and receipts	16	49,663	7,441,162
Provisions	17	5,505,069	269,531
Finance lease obligation	18	4,171,101	1,097,512
Municipal Debt Relief financial liabilities	56	6,982,327	-
		133,446,447	**164,261,461**
Non-Current Liabilities			
Employee benefit obligation	15	58,439,000	51,534,000
Provisions	17	60,859,937	62,789,813
Finance lease obligation	18	4,014,851	705,710
Municipal Debt Relief financial liabilities	56	11,878,479	-
		135,192,267	**115,029,523**
Non-Current Liabilities		135,192,267	115,029,523
Current Liabilities		133,446,447	164,261,461
Total Liabilities		**268,638,714**	**279,290,984**
Assets		1,160,117,489	1,064,528,946
Liabilities		(268,638,714)	(279,290,984)
Net Assets		**891,478,775**	**785,237,962**
Accumulated surplus		891,478,775	785,237,960
Total Net Assets		**891,478,775**	**785,237,962**

* See Note 48

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	220,651,599	189,890,060
Rental of facilities and equipment	20	1,192,390	1,477,412
Agency services	21	4,601,547	4,883,306
Sale of goods and rendering of services	22	1,418,360	1,759,780
Other income	23	4,811,178	3,416,865
Interest income from exchange	24	15,404,179	10,478,183
Fair value adjustments	25	6,803,688	16,657,156
Change in landfill provision income	58	3,020,493	-
Total revenue from exchange transactions		**257,903,434**	**228,562,762**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	95,606,089	108,940,485
Property rates - interest income	26	13,329,795	14,038,449
Licences and Permits (Non-exchange)	27	2,199,648	2,159,542
Availibility charges	28	3,578,310	3,368,707
Debt forgiveness	57	7,718,840	-
Transfer revenue			
Government grants & subsidies	29	224,819,967	206,008,449
Fines, Penalties and Forfeits	30	31,660,575	33,724,643
Public contributions and donations	59	16,744,000	-
Total revenue from non-exchange transactions		**395,657,224**	**368,240,275**
		257,903,434	228,562,762
		395,657,224	368,240,275
Total revenue		**653,560,658**	**596,803,037**
Expenditure			
Loss on disposal of assets	10	(3,006,097)	(1,937,085)
Employee related costs	31	(147,681,591)	(143,621,165)
Remuneration of councillors	32	(8,810,393)	(7,835,221)
Depreciation and amortisation	34	(40,925,725)	(38,973,174)
Impairment of assets	35	(921,188)	(2,736,580)
Finance costs	36	(15,351,366)	(17,502,000)
Debt Impairment	5	(78,440,588)	(38,930,513)
Bulk purchases	37	(136,245,642)	(111,941,973)
Contracted services	38	(49,074,015)	(40,983,531)
General Expenses	39	(66,873,160)	(63,337,206)
Total expenditure		**(547,329,765)**	**(467,798,448)**
Total revenue		653,560,658	596,803,037
Total expenditure		(547,329,765)	(467,798,448)
Surplus for the year		**106,230,893**	**129,004,589**

* See Note 48

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	905,026,060	905,026,060
Adjustments		
Prior year adjustments 48	(248,792,689)	(248,792,689)
Balance at July 1, 2022 as restated*	**656,233,371**	**656,233,371**
Changes in net assets		
Surplus for the year	129,004,589	129,004,589
Total changes	129,004,589	129,004,589
Restated* Balance at July 1, 2023	**785,247,880**	**785,247,880**
Changes in net assets		
Surplus for the year	106,230,893	106,230,893
Total changes	106,230,893	106,230,893
Balance at June 30, 2024	**891,478,775**	**891,478,775**

Note(s)

* See Note 48

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Service charges		177,200,312	196,415,709
Grants		217,428,468	213,235,268
Interest income		2,752,331	1,432,309
Property rates		104,581,049	36,856,359
Other receipts		17,987,547	13,011,681
		519,949,707	460,951,326
Payments			
Employee costs		(156,412,974)	(146,504,340)
Suppliers		(264,178,426)	(226,160,874)
Finance costs		(211,355)	(4,470,751)
		(420,802,755)	(377,135,965)
Total receipts		519,949,707	460,951,326
Total payments		(420,802,755)	(377,135,965)
Net cash flows from operating activities	40	**99,146,952**	**83,815,361**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(82,987,137)	(87,019,002)
Purchase of other intangible assets	11	(552,723)	-
Net cash flows from investing activities		**(83,539,860)**	**(87,019,002)**
Cash flows from financing activities			
Finance lease payments		(1,598,006)	(731,675)
Net increase/(decrease) in cash and cash equivalents		**14,009,086**	**(3,935,316)**
Cash and cash equivalents at the beginning of the year		11,261,243	15,196,558
Cash and cash equivalents at the end of the year	8	**25,270,329**	**11,261,242**

Bela Bela local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	205,487,773	1,330,521	**206,818,294**	220,651,599	**13,833,305**	55
Rental of facilities and equipment	1,614,106	(136,694)	**1,477,412**	1,192,390	**(285,022)**	55
Agency services	4,676,812	-	**4,676,812**	4,601,547	**(75,265)**	55
Sale of goods and rendering of services	1,791,433	-	**1,791,433**	1,418,360	**(373,073)**	55
Change in landfill provision income	-	-	**-**	3,020,493	**3,020,493**	55
Other income	571,677	1,428,322	**1,999,999**	4,811,178	**2,811,179**	55
Interest income	10,769,683	300,000	**11,069,683**	15,404,179	**4,334,496**	55
Fair value adjustment	-	-	**-**	6,803,688	**6,803,688**	55
Total revenue from exchange transactions	**224,911,484**	**2,922,149**	**227,833,633**	**257,903,434**	**30,069,801**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	142,474,619	(2,992,530)	**139,482,089**	95,606,089	**(43,876,000)**	55
Property rates - penalties imposed	14,186,205	-	**14,186,205**	13,329,795	**(856,410)**	55
Licences and Permits (Non-exchange)	1,973,592	-	**1,973,592**	2,199,648	**226,056**	55
Availibility charges	-	-	**-**	3,578,310	**3,578,310**	55
Debt forgiveness	-	-	**-**	7,718,840	**7,718,840**	55
Transfer revenue						
Government grants & subsidies	218,848,000	6,606,160	**225,454,160**	224,819,967	**(634,193)**	55
Public contributions and donations	-	-	**-**	16,744,000	**16,744,000**	55
Fines, Penalties and Forfeits	37,992,844	-	**37,992,844**	31,660,575	**(6,332,269)**	55
Total revenue from non-exchange transactions	**415,475,260**	**3,613,630**	**419,088,890**	**395,657,224**	**(23,431,666)**	
'Total revenue from exchange transactions'	224,911,484	2,922,149	**227,833,633**	257,903,434	**30,069,801**	55
'Total revenue from non-exchange transactions'	415,475,260	3,613,630	**419,088,890**	395,657,224	**(23,431,666)**	55
Total revenue	**640,386,744**	**6,535,779**	**646,922,523**	**653,560,658**	**6,638,135**	
Expenditure						
Employee related costs	(173,234,474)	(2,879,369)	**(176,113,843)**	(147,681,591)	**28,432,252**	55
Remuneration of councillors	(8,481,115)	(323,873)	**(8,804,988)**	(8,810,393)	**(5,405)**	55
Loss on disposal of assets	-	-	**-**	(3,006,097)	**(3,006,097)**	550
Depreciation and amortisation	(38,000,000)	-	**(38,000,000)**	(40,925,725)	**(2,925,725)**	55
Impairment loss	-	-	**-**	(921,188)	**(921,188)**	55
Finance costs	(15,000,000)	-	**(15,000,000)**	(15,351,366)	**(351,366)**	55
Debt Impairment	-	(14,000,000)	**(14,000,000)**	(78,440,588)	**(64,440,588)**	55
Bad debts written off	(14,000,000)	14,000,000	**-**	-	**-**	55

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	Reference
Bulk purchases	(147,781,500)	-	**(147,781,500)**	(136,245,642)	**11,535,858**	55
Contracted Services	(49,708,100)	(8,258,056)	**(57,966,156)**	(49,074,015)	**8,892,141**	55
General Expenses	(96,798,623)	14,706,167	**(82,092,456)**	(66,873,160)	**15,219,296**	55
Total expenditure	**(543,003,812)**	**3,244,869**	**(539,758,943)**	**(547,329,765)**	**(7,570,822)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**97,382,932**	**9,780,648**	**107,163,580**	**106,230,893**	**(932,687)**	

Reconciliation

Actual amount on comparable basis as presented in the budget and actual amount comparative statement	
Total revenue	636,838,482
Total expenses	(547,329,765)
Operating surplus	106,230,893
Total Operating Activities	99,146,953
Total Investing Activities	(83,539,860)
Total Financing Activities	(1,598,006)
Actual amount in the financial statements	
Total revenue	636,838,482
Total expenses	(547,329,765)
Operating surplus	106,230,893
Total Operating Activities	99,146,953
Total Investing Activities	(83,539,860)
Total Financing Activities	(1,598,006)

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	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	200,000	9,648,166	**9,848,166**	480,908	**(9,367,258)**	55
Receivables from exchange transactions	50,343,017	6,000,000	**56,343,017**	69,303,501	**12,960,484**	55
Receivables from non-exchange transactions	72,057,968	(6,000,000)	**66,057,968**	68,438,591	**2,380,623**	55
VAT receivable	1,007,057	-	**1,007,057**	5,155,579	**4,148,522**	55
Cash and cash equivalents	17,066,906	1,479,575	**18,546,481**	25,270,329	**6,723,848**	55
	140,674,948	**11,127,741**	**151,802,689**	**168,648,908**	**16,846,219**	
Non-Current Assets						
Investment property	134,917,076	330,435	**135,247,511**	67,457,882	**(67,789,629)**	55
Property, plant and equipment	881,040,812	(4,228,936)	**876,811,876**	921,469,381	**44,657,505**	55
Intangible assets	537,516	173,913	**711,429**	1,861,787	**1,150,358**	55
Heritage assets	538,950	-	**538,950**	538,950	**-**	55
Receivables from exchange transactions	224,290	-	**224,290**	140,580	**(83,710)**	55
	1,017,258,644	**(3,724,588)**	**1,013,534,056**	**991,468,580**	**(22,065,476)**	
Non-Current Assets	1,017,258,644	(3,724,588)	**1,013,534,056**	991,468,580	**(22,065,476)**	
Current Assets	140,674,948	11,127,741	**151,802,689**	168,648,908	**16,846,219**	
Total Assets	**1,157,933,592**	**7,403,153**	**1,165,336,745**	**1,160,117,488**	**(5,219,257)**	
Liabilities						
Current Liabilities						
Municipal Debt Relief financial liabilities	-	-	**-**	6,982,327	**6,982,327**	55
Finance lease obligation	-	-	**-**	4,171,101	**4,171,101**	55
Payables from exchange transactions	140,334,345	(2,478,745)	**137,855,600**	106,058,869	**(31,796,731)**	55
Consumer deposits	7,153,245	-	**7,153,245**	7,236,417	**83,172**	
Employee benefit obligation	35,037,796	-	**35,037,796**	3,443,000	**(31,594,796)**	55
Unspent conditional grants and receipts	414,343	101,250	**515,593**	49,663	**(465,930)**	55
Provisions	-	-	**-**	5,505,069	**5,505,069**	55
	182,939,729	**(2,377,495)**	**180,562,234**	**133,446,446**	**(47,115,788)**	
Non-Current Liabilities						
Municipal Debt Relief financial liabilities	-	-	**-**	11,878,479	**11,878,479**	55
Finance lease obligation	-	-	**-**	4,014,851	**4,014,851**	55
Employee benefit obligation	7,753,455	-	**7,753,455**	58,439,000	**50,685,545**	55
Provisions	75,761,151	-	**75,761,151**	60,859,937	**(14,901,214)**	55
	83,514,606	**-**	**83,514,606**	**135,192,267**	**51,677,661**	
	182,939,729	(2,377,495)	**180,562,234**	133,446,446	**(47,115,788)**	
	83,514,606	-	**83,514,606**	135,192,267	**51,677,661**	
	-	-	**-**	-	**-**	

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	Reference
Total Liabilities	**266,454,335**	**(2,377,495)**	**264,076,840**	**268,638,713**	**4,561,873**	
Assets	1,157,933,592	7,403,153	**1,165,336,745**	1,160,117,488	**(5,219,257)**	
Liabilities	(266,454,335)	2,377,495	**(264,076,840)**	(268,638,713)	**(4,561,873)**	
Net Assets	**891,479,257**	**9,780,648**	**901,259,905**	**891,478,775**	**(9,781,130)**	
Net Assets						
Accumulated surplus	891,479,257	9,780,648	**901,259,905**	891,478,776	**(9,781,129)**	55

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	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	123,952,920	(2,992,530)	**120,960,390**	104,581,049	**(16,379,341)**	55
Service charges	179,118,048	1,330,521	**180,448,569**	177,200,312	**(3,248,257)**	55
Grants	219,048,000	15,925,500	**234,973,500**	217,428,468	**(17,545,032)**	55
Interest income	1,600,000	300,000	**1,900,000**	2,752,331	**852,331**	55
Other receipts	69,548,836	1,291,628	**70,840,464**	17,987,547	**(52,852,917)**	55
	593,267,804	**15,855,119**	**609,122,923**	**519,949,707**	**(89,173,216)**	
Payments						
Supplier and Employee costs	(541,485,756)	(14,375,544)	**(555,861,300)**	(420,591,399)	**135,269,901**	55
Finance costs	(15,000,000)	-	**(15,000,000)**	(211,355)	**14,788,645**	55
	(556,485,756)	**(14,375,544)**	**(570,861,300)**	**(420,802,754)**	**150,058,546**	
Total receipts	593,267,804	15,855,119	**609,122,923**	519,949,707	**(89,173,216)**	
Total payments	(556,485,756)	(14,375,544)	**(570,861,300)**	(420,802,754)	**150,058,546**	
Net cash flows from operating activities	**36,782,048**	**1,479,575**	**38,261,623**	**99,146,953**	**60,885,330**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(90,737,904)	-	**(90,737,904)**	(82,987,137)	**7,750,767**	55
Purchase of other intangible assets	-	-	**-**	(552,723)	**(552,723)**	55
Net cash flows from investing activities	**(90,737,904)**	**-**	**(90,737,904)**	**(83,539,860)**	**7,198,044**	
Cash flows from financing activities						
Finance lease payments	-	-	**-**	(1,598,006)	**(1,598,006)**	55
Net increase/(decrease) in cash and cash equivalents	(53,952,592)	1,479,575	**(52,476,281)**	14,009,087	**66,485,368**	
Cash and cash equivalents at the beginning of the year	71,019,498	-	**71,019,498**	11,261,243	**(59,758,255)**	
Cash and cash equivalents at the end of the year	**17,066,906**	**1,479,575**	**18,543,217**	**25,270,330**	**6,727,113**	

1. Significant accounting policies

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

1.1 Basis of preparation

The audited 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 financial statements have been prepared on an accrual basis of accounting and incorporate the historical cost convention as the basis of measurement, except where indicated otherwise.

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

These accounting policies are consistent with the previous period.

1.2 Going concern assumption

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

1.3 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position only when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.4 Materiality

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

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

1.5 Comparative information

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

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

The presentation and classification of items in the current year is consistent with prior periods.

1.6 Presentation currency

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

Significant Accounting Policies

1.7 Significant judgements and sources of estimation uncertainty

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

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

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

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

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

Water Inventory

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

Significant Accounting Policies

1.7 Significant judgements and sources of estimation uncertainty (continued)

Impairment of Property, Plant and Equipment, Intangible Assets and Heritage Asset

The Municipality classifies all assets held with the primary objective of generating a commercial return as cash generating assets. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-cash-generating assets.

Impairment of Non-cash-generating Assets

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount Is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

A Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit

Significant Accounting Policies

1.7 Significant judgements and sources of estimation uncertainty (continued)

Provisions

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

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Legal obligation - arises when the settlement of the obligation can be enforced by law

Constructive obligation - arises where past practices creates a valid expectation on the part of a third party and the entity may have no realistic alternative but to incur the expense.

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

The best estimate is normally the amount that the entity would rationally pay to settle the obligation or to transfer it to a third party at reporting date. These estimates are based on judgements by management and these judgements are supported by experience of similar transactions and, in some cases, reports from independent experts. Any events after reporting date should also be considered and included.

If the effect of time value of money is material, the provision should be measured at the present value of the expected future outflows of resources.

The discount rate to be used, to determine the present value, should be pre-tax and should take into consideration the current market assessment of the time value of money as well as risk specifically associated with the liability. The entity should be careful not to adjust the discount rate and the future cash flows for the same risks as this will result in double-counting of risks.

Where discounting is used, the balance of the provision will increase with interest in each period to reflect the passage of time. This is also known as unwinding of the discount. The periodic unwinding of the discount should be treated as a finance cost in surplus or deficit as it occurs.

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.

Provisions are used only for expenditures for which the provision was originally recognised.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Environmental rehabilitation provisions

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

Significant Accounting Policies

1.7 Significant judgements and sources of estimation uncertainty (continued)

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

As the related asset is measured using the cost model

In applying the principles in the standards of GRAP on Provisions, Contingent liabilities and Contingent assets, the municipality recognises the cost of rehabilitation as part of the landfill rehabilitation provision as the recognition criteria of a provision is met.

The municipality applies the Interpretation of the Standards of GRAP on Changes in Existing Decommissioning, Restoration and Similar Liabilities to account for changes in the landfill rehabilitation provision that results from changes in:

- the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation,
- a change in the discount rate, and
- an increase that reflects the passage of time.

In applying the principles in the Standards of GRAP on Changes in Existing Decommissioning, Restoration and Similar Liabilities, if the related asset is measured using the cost model:

- Changes in the liability are added to, or deducted from, the cost of the related asset in the current period.
- The amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognised immediately in surplus or deficit.
- If the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the entity shall test the asset for impairment by estimating its recoverable amount or recoverable service amount, and shall account for any impairment loss, in accordance with the Standards of GRAP on Impairment of Non-cash-generating Assets or Impairment of Cash-generating Assets.

Contingent liabilities

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or
  - the amount of the obligation cannot be measured with sufficient reliability.

The municipality does not recognise contingent liabilities. Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent liabilities are reviewed continuously to determine if the outflow of resources have become probable. A provision is raised in the financial statements in the period in which the outflow of resources becomes probable.

In measuring a contingent liability relating to a legal claim against the municipality, the municipality does not include an estimate of its own legal costs to be incurred. The reason is that the recognition of a liability or disclosure of a contingent liability is based on past events that give rise to the obligation. In this case, the past event would be the performance of the work by the legal practitioners.

Significant Accounting Policies

1.7 Significant judgements and sources of estimation uncertainty (continued)

The municipality own legal costs are considered part of its future conduct and are subject to and within the control of the municipality's future actions. As a result, there is no past event at the reporting date that would give rise to a liability or contingent liability in relation to the entity's estimate of its own legal costs.

Contingent asset

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

The municipality does not recognise contingent assets. Contingent assets are disclosed where an inflow of economic benefits or service potential is probable.

Contingent assets are assessed on a continuous basis and should an inflow of resources become virtually certain then the related asset should be recognised.

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 post-retirement benefits obligations are based on current market conditions. Additional information is disclosed in Note 15.

Effective interest rate

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

Allowance for doubtful debts

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

Recognition and Derecognition of Land

The municipality assesses whether it controls or does not control land by considering the principles contained in IGRAP 18

The municipality is assessed to not control land of which it is the legal owner or the custodian and relevant transactions are accounted for per the requirements of the relevant Standards of GRAP and the required disclosure are made in the relevant Notes to the Financial Statements

In order to assess that the municipality does not control the land, the following factors are considered in applying its judgement:

- Another entity acts as the custodian of the land in terms of a binding arragement with the municipality and that entity has the right to direct access to the land, and to restrict or deny the access of others to the land.
- Another entity is required or granted a right to use the land in terms of a binding arrangement with the municipality and that entity has the right to direct access to the land, and to restrict or deny the access of others to the land to meet its service delivery objectives.

Significant Accounting Policies

1.7 Significant judgements and sources of estimation uncertainty (continued)

Accounting by principals and agent

Management's judgement is required when determining it has entered into a principal agent arrangement, as set out in note 44. 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).

The assessment of whether a municipality is a principal or an agent requires the municipality to evaluate rights and obligations of all parties to each binding arrangement to establish whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Impairment of statutory receivables

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

Significant delays in assets under construction

The municipality regards delays in assets under construction of more than one year as significant.

Material losses

Losses that occur due to normal production are classified as production costs and factored into the municipality's tariffs. They, therefore, do not constitute material losses. If actual production losses exceed the budgeted production losses factored into the tariff, the difference is considered a material loss.

Materail losses are reported on annual financial statement on note and the amount is VAT inclusive.

1.8 Investment property

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Investment property also includes land held for an undetermined future use.

Initial recognition

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Subsequent measurement – fair value model

Investment property is subsequently measured using the fair value model. Investment property is carried at fair value, representing open market value determined by professional valuer on reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

If the Municipality determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that investment property at cost until the fair value can be reliably determined or construction has been completed.

Where the Municipality has determined that the fair value of an investment property (other than investment property under construction) is not determinable on a continuing basis, the Municipality measures that investment property using the cost model.

Derecognition/Disposal

1.8 Investment property (continued)

Investment properties are derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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

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

1.9 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

Initial recognition and measurement

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Subsequent measurement

Amortisation is calculated on cost, using the straight-line method, over the useful lives of the assets. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.ing period. The intangible assets's useful life and the amortisation method for intangible assets are reviewed at the end of each reporting report.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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	2-30 years
Servitudes	Straight-line	Indefinite

1.10 Heritage assets

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

The Municipality classifies assets as heritage assets where the significance as a heritage asset can be determined. In regard to land and buildings all graded sites are classified a Heritage Assets. Furthermore, land with a natural significance is not componentised but seen as a single Heritage Asset due to all parts contributing together to make up its significance.

Significant Accounting Policies

1.10 Heritage assets (continued)

Land and buildings that qualify as Heritage assets, but of which a significant portion of that land and buildings is held for use in the production or supply of goods or services or for administrative purposes, are recognised as property, plant and equipment, rather than heritage assets.

Initial recognition and measurement

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

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent Measurement

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

Subsequently all heritage assets (excluding Heritage Assets which are land and buildings) are measured at cost less accumulated impairment losses. Heritage assets are not depreciated.

Derecognition

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

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

1.11 Inventories

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

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

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

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 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.

Significant Accounting Policies

1.11 Inventories (continued)

When inventories are consumed, the carrying amounts of those inventories are recognised as an expense. The amount of any write-down of inventories to current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Provisions and contingencies

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

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

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

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.12 Provisions and contingencies (continued)

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

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

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

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

1.13 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.

Measurement

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

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

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.

Interest earned and rentals received

Revenue arising from the use by others of municipality's assets yielding interest and rental 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.

Income from agency services

Revenue arising from situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of commission or fee payable to the municipality for services performed.

Revenue recognition of unclaimed deposits

Significant Accounting Policies

1.13 Revenue from exchange transactions (continued)

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

Service charges

- Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. The municipality council approved consumption estimates based on estimates which is used where the inaccessible meters does not have history that could be substantiated. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.
- Service charges relating to Sewerage and refuse removal is recognised monthly in arrears by applying the approved tariff. The municipality use the approved tariff for basic charge and based on the size of the property determine the revenue to be recognised..
- In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Significant Accounting Policies

1.14 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.

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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.

1.14 Revenue from non-exchange transactions (continued)

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.

Rates and Taxes

Taxes satisfy the definition of a non-exchange transaction due to the taxpayer transferring resources (tax paid) to government without receiving approximately equal value directly in exchange.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied. Unless laws or regulations specify otherwise, it is likely that the taxable event for the following is:

- Property (rate) tax – the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

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

Transfers and subsidies

Unconditional grants - The Municipality recognises revenue from unconditional grants upon receipt and/or when resources transferred meet the criteria for recognition as an asset and there is also no present obligation to the Municipality to refund transferred resources to the transferor. Unconditional grants also includes grants with restrictions since restrictions do not include a requirement that the transferred asset, or future economic benefits or service potential be returned to the transferor if the asset is not deployed as specified. Therefore, gaining control of an asset subject to a restriction does not impose on the Municipality a present obligation to transfer future economic benefits or service potential to third parties when control of the asset is initially gained. The Municipality recognises grants with restriction and unconditional grants as revenue upon receipt of the grant and no corresponding liability is recognised. Unconditional grants are measured at their fair value.

Conditional grants - Conditions on transferred assets (hereafter referred to as conditions) require that the entity either consume the future economic benefits or service potential of the asset as specified or return future economic benefits or service potential to the transferor in the event that the conditions are breached. Therefore, the Municipality incurs a present obligation to transfer future economic benefits or service potential to third parties when it initially gains control of an asset subject to a condition. This is because the Municipality is unable to avoid the outflow of resources as it is required to consume the future economic benefits or service potential embodied in the transferred asset in the delivery of particular goods or services to third parties or else to return to the transferor future economic benefits or service potential. Therefore, when a Municipality initially recognises an asset that is subject to a condition it also recognises a liability. Revenue on such grants is recognised when the qualifying expenditure has been incurred and to the extent that conditions have been complied with.

Debt forgiveness and assumption of liabilities

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

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

Fines

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the municipality is entitled to collect. Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.14 Revenue from non-exchange transactions (continued)

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

Gifts and donations, including goods in-kind

Gifts and donations are voluntary transfers of assets that one entity makes to another, normally free from stipulations. Goods in-kind are tangible assets transferred to an entity, without charge, but may be subject to stipulations.

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.

As indicated under the section on Recognition of assets, grants, gifts and donations (other than services in-kind) are recognised when the definition of an asset is met and the recognition criteria of an asset are satisfied. The making of a gift or donation and the transfer of legal title is often simultaneous and in these circumstances there is no doubt as to the future economic benefits flowing to the municipality, however the transfer of legal title does not necessarily have to happen before the municipality will have control over the asset.

For grants, gifts and donations received without conditions attached, revenue is recognised when the asset is recognised. For grants, gifts and donations received that have conditions attached to it, a liability will be recognised to the extent that the conditions have not been met, and will be reduced as the conditions are satisfied with a corresponding increase in revenue.

Goods in-kind are recognised as assets when the goods are received or there is a binding agreement to receive the goods. If the goods in-kind have conditions attached to it, a liability will be recognised to the extent that the conditions have not been met, and will be reduced as the conditions are satisfied with a corresponding increase in revenue.

At initial recognition, gifts and donations including goods in-kind are measured at their fair value. Due to the nature of these transactions, the fair values might not be readily available and consequently it may be obtained with reference to market prices or appraisals.

Services in-kind

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

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

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

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

Service in-kind is recogniseed when it meet asset the recognition criteria. These assets are, however, immediately consumed and a transaction of equal value is also recognised to reflect the consumption of the service.

Revenue is recognised when the asset is recognised.

The following may lead to the municipality not being able to recognise the services in-kind as an asset:

- The municipality has insufficient control over the services provided; or
- The municipality may have control over the service provided but may not be able to measure it reliably.

Significant Accounting Policies

1.15 Property, plant and equipment

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

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

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

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

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

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

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

Subsequent measurement – cost model. Subsequently all property plant and equipment, excluding land, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Depreciation

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

Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying values of assets.

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

Site rehabilitation and restoration costs

Significant Accounting Policies

1.15 Property, plant and equipment (continued)

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

As the related asset is measured using the cost model: -

a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;

b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and

c) if the adjustment results in an addition to the cost of an asset, the group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash generating assets and/or impairment of non-cash-generating assets.

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	5-80 years
Machinery and equipment	Straight-line	3-20 years
Furniture and office equipment	Straight-line	3-20 years
Transport assets	Straight-line	3-20 years
Computer equipment	Straight-line	3-20 years
Infrastructure	Straight-line	2-100 years
Community	Straight-line	5-80 years
Recreational facilities	Straight-line	5-100 years
Emergency equipment	Straight-line	2-20 years

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

1.16 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. Financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost. The Municipality determines the classification of its financial instruments at initial recognition.

Initial recognition and measurement

A financial instrument is recognised, when the Municipality becomes a party to the contractual provisions of the instrument. The municipality recognises financial assets using the trade date accounting.

Subsequent measurement – financial assets

Financial assets consist of cash and cash equivalents, deposits, receivables and investments.

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

1.16 Financial instruments (continued)

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

Subsequent measurement – financial liabilities

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Municipality establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs.

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

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

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

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

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

Classification

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

Type of financial asset	Classification in terms of GRAP 104
Cash and cash equivalent	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non exchange transactions (excluding statutory receivables)	Financial asset measured at amortised cost

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

Type of financial liability	Classification in terms of GRAP 104
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Finance Lease obligation	Financial liability measured at amortised cost

1.17 Statutory receivables

Identification

Significant Accounting Policies

1.17 Statutory receivables (continued)

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

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

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

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

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

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

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.

Significant Accounting Policies

1.17 Statutory receivables (continued)

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

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

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

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

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

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

Derecognition

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

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

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

Significant Accounting Policies

1.18 Contingent assets and contingent liabilities

Contingent liabilities

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

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

The municipality does not recognise contingent liaiblities. Contingent laiblities are disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

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

The municipali ty does not recognise contingent assets. Continegnt assets are disclosed where an inflow of economic benefits or servoce potential is probable. Contingencies are disclosed in the notes to the municipality

1.19 Value Added Tax

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

The municipality is registered as a category C VAT vendor. VAT receivable or payable is calculated on a monthly basis. VAT receivable is treated as current assets while VAT payable is treated as current liablity.

VAT is accounted for on an accrual basis in the annual financial statements.

1.20 Leases

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

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality’s net investment in the finance lease.

Finance leases - lessee

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

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

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

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

Significant Accounting Policies

1.20 Leases (continued)

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.21 Cash and cash equivalents

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

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

1.22 Councillor and Employee benefits

Identification

Councillor and Employee benefits

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

Other long-term employee benefits are councillor/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.

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.

1.22 Councillor and Employee benefits (continued)

Short-term employee and councillor benefits

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

Short-term councillor/employee benefits include items such as the following, if expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related services: (a) wages, salaries and social security contributions; (b) paid annual leave and paid sick leave; (c) bonus, incentive and performance related payments; and (d) non-monetary benefits such as medical care, housing, cars and free or subsidised goods or services for current employees. An entity need not reclassify a short-term employee benefit if the entity's expectations of the timing of settlement change temporarily. However, if the characteristics of the benefit change (such as a change from a non-accumulating benefit to an accumulating benefit) or if a change in expectations of the timing of settlement is not temporary, then the entity considers whether the benefit still meets the definition of short-term employee benefits.

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 municipality 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 municipality has no realistic alternative but to make the payments.

When an councillor/employee has rendered service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term councillor/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.

Post-employment benefits: Defined contribution plans

Recognition and measurement

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

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

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

Significant Accounting Policies

1.22 Councillor and Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Recognition and measurement

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

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

Actuarial valuation method

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

Attributing benefit to periods of service

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

Actuarial assumptions: Mortality

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

Actuarial assumptions: Discount rate

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

Actuarial assumptions: Salaries, benefits and medical costs

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

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

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

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

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

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

1.22 Councillor and Employee benefits (continued)

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

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

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

Past service cost and gains and losses on settlement

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

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

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

Past service cost

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

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

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

Gains and losses on settlement

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

1.23 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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.

1.24 Investment income

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

1.25 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).

Significant Accounting Policies

1.25 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.

1.26 Unauthorised expenditure

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

Expenditure from which unauthorised expenditure arise is either recognised as an expense in the statement of financial performance or capitalized to an asset in the statement of financial position in the year that the expenditure was incurred.

1.26 Unauthorised expenditure (continued)

Where a council resolution to recover the unauthorised expenditure is adopted, the municipality considers whether the definition and recognition criteria of an asset and/or revenue in accordance with the applicable standards of GRAP have been met and satisfied and recognise the asset or revenue accordingly.

Where a council adopts a council committee recommendation to write-off the unauthorised expenditure, the municipality expenses the unauthorised expenditure in surplus/deficit.

1.27 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that 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.

Expenditure from which fruitless and wasteful expenditure arise is either recognised as an expense in the statement of financial performance or capitalized to an asset in the statement of financial position in the year that the expenditure was incurred.

Fruitless and wasteful expenditure is recorded in the register on the date it is first identified and disclosed in the notes to inclusive of VAT as required in section 125 (d) of the MFMA.

Where a council resolution to recover the fruitless and wasteful expenditure is adopted, the municipality considers whether the definition and recognition criteria of an asset and/or revenue in accordance with the applicable standards of GRAP have been met and satisfied and recognise the asset or revenue accordingly.

Where a council adopts a council committee recommendation to write-off the fruitless and wasteful expenditure, the municipality expenses the fruitless and wasteful expenditure in surplus/deficit.

1.28 Irregular expenditure

Irregular expenditure, in relation to a municipality or municipal entity, means:

- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of MFMA, and which has not been condoned in terms of section 170 of MFMA,
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act,
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998, or
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or any of the municipality's by laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

Expenditure from which irregular expenditure arise is either recognised as an expense in the statement of financial performance or capitalized to an asset in the statement of financial position in the year that the expenditure was incurred.

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.

Significant Accounting Policies

1.28 Irregular expenditure (continued)

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

Irregular expenditure is recorded in the register on the date it is first identified and disclosed in the notes to inclusive of VAT as required in section 125 (d) of the MFMA.

Where a council resolution to recover the irregular expenditure is adopted, the municipality considers whether the definition and recognition criteria of an asset and/or revenue in accordance with the applicable standards of GRAP have been met and satisfied and recognise the asset or revenue accordingly.

Where a council adopts a council committee recommendation to write-off the irregular expenditure, the municipality expenses the irregular expenditure in surplus/deficit.

1.29 Segment information

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

The mandate of the municipality is to provide basic services to the community over which it governs. In order to properly execute its mandate and achieve its strategic goals, internal management reporting is based on each service objective. The components described below have been identified as individually significant segments for purposes of reporting in terms of GRAP 18 (Segment Reporting).

The following Votes are considered significant to the municipality and are accordingly managed separately
- Social and Community Services
- Planning and Economic Development
- Technical Services

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

Measurement

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

1.30 Budget information

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

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

Significant Accounting Policies

1.30 Budget information (continued)

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 7/1/2023 to 6/30/2024.

The audited 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 audited annual financial statements as the recommended disclosure when the audited annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

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

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

1.31 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.

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 audited annual financial statements.

1.32 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:

1.32 Events after reporting date (continued)

- 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.

1.33 Change in accounting policies, estimates and errors

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

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

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

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

1.34 Consumer deposits

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

Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

1.35 Accumulated surplus

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

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

1.36 Deviations

In terms of section 36 of the municipal SCM regulations, any deviation from SCM policy needs to be approved by the Accounting Officer and noted by Council.

The Deviations are disclosed on the as note to the annual financial statements and the amount are VAT inclusive.

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

Notes to the Audited Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Fact Sheet 1 - Definition of a financial instrument	To be determined by the Minister of Finance	Unlikely there will be a material impact
• Fact Sheet 2 - Bank accounts	To be determined by the Minister of Finance	Unlikely there will be a material impact
• Fact Sheet 3 - Receivables	To be determined by the Minister of Finance	Unlikely there will be a material impact
• Fact Sheet 4 - Payables	To be determined by the Minister of Finance	Unlikely there will be a material impact
• Fact Sheet 5 - Concessionary loans payable	To be determined by the Minister of Finance	Unlikely there will be a material impact
• Fact Sheet 6 - Concessionary loans receivable	To be determined by the Minister of Finance	Unlikely there will be a material impact
• Fact Sheet 7 - Financial guarantee contracts	To be determined by the Minister of Finance	Unlikely there will be a material impact
• Fact Sheet 8 - Loan commitments	To be determined by the Minister of Finance	Unlikely there will be a material impact
• Fact Sheet 9 - Investments in residual interests	To be determined by the Minister of Finance	Unlikely there will be a material impact
• Fact Sheet 10 - Investments and loans receivable	To be determined by the Minister of Finance	Unlikely there will be a material impact
• Fact Sheet 12 (1 of 2) - Disclosures Financial Position and Performance	To be determined by the Minister of Finance	Unlikely there will be a material impact
• Fact Sheet 12 (2 of 2) - Disclosures Nature and Extent of Risks	To be determined by the Minister of Finance	Unlikely there will be a material impact
• Fact sheet Assessing going concern	To be determined by the Minister of Finance	Unlikely there will be a material impact
• Fact sheet on GRAP 24	To be determined by the Minister of Finance	Unlikely there will be a material impact
• Guideline on The Application of Materiality to Financial Statements 2024	To be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 107 Mergers	To be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 106 Transfer of Functions Between Entities Not Under Common Control	To be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 105 Transfer of Functions Between Entities Under Common Control	To be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 2023 Improvements to the Standards of GRAP 2023	To be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	To be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	To be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	April 1, 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	To be determined by the Minister of Finance	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	To be determined by the Minister of Finance	Unlikely there will be a material impact

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

3. Inventories

Water	480,908	361,755

Carrying value of inventories carried at fair value less costs to sell	480,908	361,755
Inventories recognised as an expense during the year	26,393,163	22,923,146

Below are the costs related relating to water inventory consumed:

Employee related cost for the year under review R9 463 985 (2023: R9 498 397). Ref note 31

Bulk purchase for the year under review R466 692 (2023: R314 779). Ref note 37

General expense for the year under review R15 744 850 (2023: R12 261 334). Ref note 39

Contracted services for the year under review R717 636 (2023: R848 637). Ref note 38

Inventory pledged as security

No inventory was pledged as security during the year under review.

4. Receivables from exchange transactions

Long term agreements	140,580	140,580
Short Term agreements	134,368	684,799
Agency services	1,229,081	1,406,010
Other receivables from exchange	15,282,864	9,935,180
Consumer debtors - Electricity	12,548,245	7,536,306
Consumer debtors - Water	17,180,815	20,220,021
Consumer debtors - Sewerage	4,443,584	4,196,842
Consumer debtors - Refuse	2,054,461	2,140,870
Consumer debtors - Fees	2,554,504	3,089,757
Consumer debtors - Merchandising and jobbing	13,875,579	11,355,962
	69,444,081	**60,706,327**

Non-current assets	140,580	140,580
Current assets	69,303,501	60,565,747
	69,444,081	**60,706,327**

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

Financial asset receivables included in receivables from exchange transactions above	**69,444,081**	**60,706,327**
Total receivables from exchange transactions	69,444,081	60,706,327

No Trade and other receivables was pledged as security during the year under review

Figures in Rand	2024	2023

5. Consumer debtors disclosure

Gross balances		
Consumer debtors - Rates	194,777,015	190,437,247
Consumer debtors - Electricity	23,543,481	15,933,740
Consumer debtors - Water	78,447,606	67,046,808
Consumer debtors - Sewerage	45,366,823	36,523,264
Consumer debtors - Refuse	17,417,620	14,406,117
Consumer debtors - Fees	4,872,608	3,267,092
Consumer debtors - Merchandising and jobbing	20,811,801	17,822,490
Consumer debtors - Availibility charge	10,037,229	6,232,034
	395,274,183	**351,668,792**
Less: Allowance for impairment		
Consumer debtors - Rates	(146,556,302)	(138,833,727)
Consumer debtors - Electricity	(10,995,236)	(8,397,434)
Consumer debtors - Water	(61,266,791)	(46,826,787)
Consumer debtors - Sewerage	(40,923,239)	(32,326,422)
Consumer debtors - Refuse	(15,363,159)	(12,265,247)
Consumer debtors - Fees	(2,318,104)	(177,335)
Consumer debtors - Merchandising and jobbing	(6,936,222)	(6,466,528)
Consumer debtors - Availibility charge	(90,181)	-
	(284,449,234)	**(245,293,480)**
Net balance		
Consumer debtors - Rates	48,220,713	51,603,520
Consumer debtors - Electricity	12,548,245	7,536,306
Consumer debtors - Water	17,180,815	20,220,021
Consumer debtors - Sewerage	4,443,584	4,196,842
Consumer debtors - Refuse	2,054,461	2,140,870
Consumer debtors - Fees	2,554,504	3,089,757
Consumer debtors - Merchandising and jobbing	13,875,579	11,355,962
Consumer debtors - Availibility charge	9,947,048	6,232,034
	110,824,949	**106,375,312**
Statutory receivables included in consumer debtors above are as follows:		
Consumer debtors - Rates	48,220,713	51,603,520
Financial asset receivables included in consumer debtors above	62,604,236	54,771,792
Total consumer debtors	110,824,949	106,375,312
Rates		
Current (0 -30 days)	11,239,848	11,645,721
31 - 60 days	5,306,093	6,181,697
61 - 90 days	4,745,238	5,936,351
91 - 120 days	4,568,289	5,820,972
121 - 365 days	33,479,275	36,772,794
> 365 days	135,438,272	124,079,712
Impairment	(146,556,302)	(138,833,727)
	48,220,713	**51,603,520**

Figures in Rand	2024	2023

5. Consumer debtors disclosure (continued)

Electricity		
Current (0 -30 days)	8,035,969	4,479,441
31 - 60 days	809,373	771,739
61 - 90 days	490,080	469,891
91 - 120 days	388,061	608,280
121 - 365 days	3,059,116	1,629,706
> 365 days	10,760,882	7,974,683
Impairment	(10,995,236)	(8,397,434)
	12,548,245	**7,536,306**

Water		
Current (0 -30 days)	4,930,276	10,386,830
31 - 60 days	2,757,682	2,025,631
61 - 90 days	2,212,865	1,930,321
91 - 120 days	2,182,000	1,864,708
121 - 365 days	13,598,661	8,808,572
> 365 days	52,766,122	42,030,746
Impairment	(61,266,791)	(46,826,787)
	17,180,815	**20,220,021**

Sewerage		
Current (0 -30 days)	2,406,176	2,330,888
31 - 60 days	1,500,410	1,205,026
61 - 90 days	1,329,019	1,007,971
91 - 120 days	1,232,411	947,610
121 - 365 days	7,942,664	6,130,843
> 365 days	30,956,143	24,900,926
Impairment	(40,923,239)	(32,326,422)
	4,443,584	**4,196,842**

Refuse		
Current (0 -30 days)	1,119,683	1,371,044
31 - 60 days	613,388	493,604
61 - 90 days	524,518	392,668
91 - 120 days	471,655	368,015
121 - 365 days	2,999,929	2,347,032
> 365 days	11,688,447	9,433,754
Impairment	(15,363,159)	(12,265,247)
	2,054,461	**2,140,870**

Fees		
Current (0 -30 days)	75,868	7,086
31 - 60 days	1,948	307
61 - 90 days	24,632	46,655
91 - 120 days	597,171	158,578
121 - 365 days	1,606,787	2,904,061
> 365 days	2,566,202	150,405
Impairment	(2,318,104)	(177,335)
	2,554,504	**3,089,757**

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

5. Consumer debtors disclosure (continued)

Merchandising and jobbing		
Current (0 -30 days)	302,155	24,023
31 - 60 days	220,620	645,365
61 - 90 days	230,000	240,927
91 - 120 days	199,968	963,983
121 - 365 days	1,953,367	1,529,552
> 365 days	17,905,691	14,418,640
Impairment	(6,936,222)	(6,466,528)
	13,875,579	**11,355,962**

Receivables from Traffic fine (Non - consumer debtors)		
Current (0 -30 days)	7,102,300	286,500
31 - 60 days	3,988,902	501,000
61 - 90 days	5,982,202	4,415,220
91 - 120 days	7,648,161	4,638,940
121 - 365 days	6,417,100	21,740,230
> 365 days	65,978,936	37,639,560
Impairment	(86,861,838)	(61,945,899)
	10,255,763	**7,275,551**

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

5. Consumer debtors disclosure (continued)

Summary of debtors by customer classification

	2024	2023
Consumers		
Current (0 -30 days)	15,152,239	20,072,830
31 - 60 days	8,150,617	7,489,475
61 - 90 days	6,879,378	7,288,523
91 - 120 days	7,133,916	7,197,545
121 - 365 days	54,966,181	38,380,720
> 365 days	178,077,220	148,162,738
	270,359,551	228,591,831
Less: Allowance for impairment	(201,184,616)	(170,562,658)
	69,174,935	**58,029,173**

	2024	2023
Industrial/ commercial		
Current (0 -30 days)	9,855,530	8,520,567
31 - 60 days	2,252,680	1,841,022
61 - 90 days	1,540,236	1,856,895
91 - 120 days	1,376,193	1,306,214
121 - 365 days	10,695,466	9,347,865
> 365 days	56,824,261	54,499,349
	82,544,366	77,371,912
Less: Allowance for impairment	(53,451,370)	(48,057,039)
	29,092,996	**29,314,873**

	2024	2023
National and provincial government		
Current (0 -30 days)	3,353,589	2,246,542
31 - 60 days	1,159,227	1,615,436
61 - 90 days	1,136,735	1,602,423
91 - 120 days	1,130,447	1,481,876
121 - 365 days	8,295,564	6,945,678
> 365 days	27,296,144	25,581,060
	42,371,706	39,473,015
Less: Allowance for impairment	(29,813,248)	(26,673,782)
	12,558,458	**12,799,233**

	2024	2023
Total		
Current (0 -30 days)	28,361,359	30,839,941
31 - 60 days	11,562,075	10,918,934
61 - 90 days	9,556,350	10,747,842
91 - 120 days	9,639,557	9,985,635
121 - 365 days	73,957,212	54,674,263
> 365 days	262,197,626	228,270,143
	395,274,179	345,436,758
Less: Allowance for impairment	(284,449,236)	(245,293,481)
	110,824,943	**100,143,277**

	2024	2023
Reconciliation of allowance for impairment		
Balance at beginning of the year	307,239,379	247,787,703
Contributions to allowance (expense)	78,440,588	38,930,513
Debt impairment written off against allowance	(17,325,230)	(12,999,855)
Contributions to allowance (VAT)	2,956,337	(714,066)
Correction of error	-	34,235,084
	371,311,074	**307,239,379**

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

6. Receivables from non-exchange transactions

Fines	10,255,763	7,275,551
Other receivables from non-exchange revenue	15,067	-
Property rates	48,220,713	51,603,520
Availibility charges	9,947,048	6,232,034
	68,438,591	**65,111,105**

Non-current assets	-	-
Current assets	68,438,591	65,111,105
	68,438,591	**65,111,105**

Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Fines	10,255,763	7,275,551
Consumer debtors - Rates	48,220,713	51,603,520
	58,476,476	**58,879,071**
Financial asset receivables included in receivables from non-exchange transactions above	**9,962,115**	**6,232,034**
Total receivables from non-exchange transactions	68,438,591	65,111,105

Statutory receivables general information

Transaction(s) arising from statute

Receivables from non-exchange transactions pledged as security

No receivables from non-exchange transactions were pledged as security during the year under review.

7. VAT receivable

VAT	5,155,579	7,789,978

Statutory receivable from SARS R163,966 (2023: R0)

VAT Receivables (Accrual) R 4,991,613 (2023: R7,789,978)

The municipality is on cash basis for VAT.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	23,846,711	7,504,339
Short-term deposits	1,423,619	3,756,904
	25,270,330	**11,261,243**

Cash and cash equivalents pledged as collateral

Limited cession of ABSA fixed deposit account number 206-670-1092. The cession of R500 000 - Guarantee for Raad Van Magalies Water and R300 000 - INCA Infrastructure Finance Corp Limited.	800,000	800,000
Guarantee for Raad Van Magalies Water. Account number 690-020-9994	500,000	500,000

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2024	June 30, 2023	June 30, 2022
ABSA BANK - Account Type (Primary account)- 133-000-0062	23,654,045	6,029,206	7,780,316	23,846,711	6,287,581	12,369,507
ABSA BANK - Call Account - 407-836-0937	31,506	3,697,332	1,633,225	52,574	3,705,560	513,922
ABSA BANK - Call Account - 929-574-5884	192,615	178,346	168,157	192,615	178,346	168,157
ABSA BANK - Fixed Account - 206-670-1092	1,178,430	1,089,757	1,022,957	1,178,430	1,089,757	1,022,957
Total	**25,056,596**	**10,994,641**	**10,604,655**	**25,270,330**	**11,261,244**	**14,074,543**

9. Investment property

	Cost / Valuation	Carrying value	Cost / Valuation	Carrying value
Investment property	67,457,882	67,457,882	60,717,194	60,717,194

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property	60,717,194	6,740,688	67,457,882

Reconciliation of investment property - 2023

	Opening balance	Correction error	Fair value adjustments	Total
Investment property	279,274,316	(224,255,133)	5,698,011	60,717,194

Fair value of investment properties	6,740,688	5,698,011

Pledged as security

No carrying value of investment properties were pledged as security during the year under review.

Details of property

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 Audited Annual Financial Statements

Figures in Rand	2024	2023

9. Investment property (continued)

Details of valuation

The effective date of the valuations was Sunday, June 30, 2024. Valuations were performed by an independent valuer, Mr P Mabelane. Mr P Mabelane is not connected to the municipality and have recent experience in location and category of the investment property being valued.

The value indicated is established by comparing the subject property with similar properties, called comparable sales. Comparable sales are recent property transactions of property that were sold in accordance with the definition of market value. These comparable sales are judged as being the most comparable to the subject property to indicate a range of value in which the subject property's value could be determined. The subject property is then measured against the comparable sales, in various elements of comparison that might influence and ultimately determine the value of the subject property.

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During the financial year, the municipality identified an error in the recognition of investment property. The error resulted in the recognition of assets registered in the name of the Bela Bela Local Municipality where the municipality has lost control. As a result of this, the municipality no longer recognises these properties on its balance sheet, as it has lost control and these properties no longer meet the definition of an asset under GRAP. Specifically, the properties do not provide the municipality with future economic benefits, nor does the municipality have control over them. Total number of derecognised assets is 857, broken down as follows:

- 62 Properties where public service institutions have been constructed such as schools and clinics.
- 684 Properties where RDP houses have been constructed.
- 111 Properties where formal dwellings have been constructed and the municipality is charging for services been provided.

These properties do not form part of the disclosed investment property but have been disclosed in the substance over form register of the municipality for completeness purposes.

Maintenance of investment property

There were no repairs and maintenance incurred during the year under review.

10. Property, plant and equipment

	2024			2023		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	106,174,102	(24,873,160)	81,300,942	106,174,102	(24,873,160)	81,300,942
Machinery and equipment	3,642,094	(2,797,566)	844,528	3,293,086	(2,506,892)	786,194
Furniture and office equipment	7,406,450	(6,145,563)	1,260,887	7,084,658	(5,671,605)	1,413,053
Transport assets	42,744,127	(25,783,700)	16,960,427	42,744,127	(23,359,129)	19,384,998
Computer equipment	10,864,903	(9,610,449)	1,254,454	9,946,940	(9,233,309)	713,631
Infrastructure	1,330,474,275	(696,113,633)	634,360,642	1,236,398,656	(672,500,225)	563,898,431
Community assets	133,933,894	(66,946,020)	66,987,874	133,933,894	(62,605,339)	71,328,555
Buildings	67,868,477	(49,734,449)	18,134,028	67,868,477	(48,606,911)	19,261,566
Work-in-progress	94,132,941	-	94,132,941	97,193,913	-	97,193,913
Leased assets	8,616,595	(2,383,937)	6,232,658	1,608,823	(443,612)	1,165,211
Total	**1,805,857,858**	**(884,388,477)**	**921,469,381**	**1,706,246,676**	**(849,800,182)**	**856,446,494**

Notes to the Audited Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposal cost	Landfill Site Change	Transfers	Disposal (Accumulated depreciation)	Depreciation	Impairment loss	Total
Land	81,300,942	-	-	-	-	-	-	-	81,300,942
Machinery and equipment	786,194	349,007	-	-	-	-	(290,673)	-	844,528
Furniture and office equipment	1,413,053	321,791	-	-	-	-	(473,957)	-	1,260,887
Transport assets	19,384,998	-	-	-	-	-	(2,424,571)	-	16,960,427
Computer equipment	713,631	917,963	-	-	-	-	(377,140)	-	1,254,454
Infrastructure	563,898,431	24,049,513	(9,977,880)	(667,998)	80,671,986	6,971,783	(30,398,754)	(186,439)	634,360,642
Community	71,328,555	-	-	-	-	-	(3,605,932)	(734,749)	66,987,874
Buildings	19,261,566	-	-	-	-	-	(1,127,538)	-	18,134,028
Work-in-progress	97,193,913	77,611,011	-	-	(80,671,986)	-	-	-	94,132,941
Leased Assets	1,165,211	7,007,771	-	-	-	-	(1,940,324)	-	6,232,658
	856,446,494	**110,257,056**	**(9,977,880)**	**(667,998)**	**-**	**6,971,783**	**(40,638,889)**	**(921,188)**	**921,469,381**

Notes to the Audited Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Correction of error	Disposal cost	Landfill Site Change	Transfers	Disposal (Accumulated depreciation and impairment)	Depreciation	Impairment loss	Total
Land	86,689,342	-	(5,388,400)	-	-	-	-	-	-	81,300,942
Machinery and equipment	1,093,386	205,491	(3,128)	(504,877)	-	-	504,728	(458,126)	(51,280)	786,194
Furniture and office equipment	1,412,914	577,983	118,465	(499,688)	-	-	491,617	(679,263)	(8,975)	1,413,053
Transport assets	23,659,954	-	353,332	(2,567,555)	-	-	1,741,711	(3,068,573)	(733,871)	19,384,998
Computer equipment	1,403,332	414,335	14,062	(530,797)	-	-	530,797	(1,111,304)	(6,794)	713,631
Infrastructure	547,417,133	2,328,139	(9,597,427)	(8,116,485)	(2,759,830)	57,204,026	6,896,763	(28,138,632)	(1,335,256)	563,898,431
Community	75,600,803	-	121,964	-	-	-	-	(3,795,107)	(599,105)	71,328,555
Buildings	20,508,129	-	551	-	-	-	-	(1,245,815)	(1,299)	19,261,566
Work-in-progress	70,904,885	73,033,596	10,459,458	-	-	(57,204,026)	-	-	-	97,193,913
Leased Assets	-	1,608,823	-	-	-	-	-	(443,612)	-	1,165,211
	828,689,878	**78,168,367**	**(3,921,123)**	**(12,219,402)**	**(2,759,830)**	**-**	**10,165,616**	**(38,940,432)**	**(2,736,580)**	**856,446,494**

Pledged as security

Leased printers	628,695	1,164,849
Leased vehicles	5,604,664	-

No Property Plant Equipment were pledged during the during the year except for municipality's obligation under the finance leases which are secured by the lessors charge over the assets.

Figures in Rand	2024	2023

10. Property, plant and equipment (continued)

Other information

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
MV Substations: Construction of 20 MVA Substation. The none completion of this project was due to the underperformance of the appointed service providers, hence the termination was realised.	45,941,300	45,941,300

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Total
Opening balance	97,193,913	97,193,913
Additions/capital expenditure	77,611,011	77,611,011
Transferred to completed items	(80,671,983)	(80,671,983)
	94,132,941	**94,132,941**

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Total
Opening balance	70,904,855	70,904,855
Additions/capital expenditure	73,033,596	73,033,596
Prior Year Adjustment	10,459,488	10,459,488
Transferred to completed items	(57,204,026)	(57,204,026)
	97,193,913	**97,193,913**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Property, Plant and Equipment	10,746,498	7,401,308

Heritage assets

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 Audited 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, other	3,059,412	(1,843,289)	1,216,123	2,506,689	(1,556,453)	950,236
Servitudes	645,664	-	645,664	645,664	-	645,664
Total	**3,705,076**	**(1,843,289)**	**1,861,787**	**3,152,353**	**(1,556,453)**	**1,595,900**

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software, other	950,236	552,723	(286,836)	1,216,123
Servitudes	645,664	-	-	645,664
	1,595,900	**552,723**	**(286,836)**	**1,861,787**

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	982,978	(32,742)	950,236
Servitudes	645,664	-	645,664
	1,628,642	**(32,742)**	**1,595,900**

Pledged as security

No intangible assets were pledged during the year.

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

11. Intangible assets (continued)

Other information

Intangible assets with an indefinite useful life	645,664	645,664

The servitudes recognised in the asset register represent a right of way to land in order to service and maintain municipal infrastructure, such as under ground water networks, and since land is considered to have an indefinite lifespan, the servitude embeds the same lifespan properties.

Notes to the Audited 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
Heritage assets	538,950	-	538,950	538,950	-	538,950

Reconciliation of heritage assets 2024

	Opening balance	Total
Heritage assets	538,950	538,950

Reconciliation of heritage assets 2023

	Opening balance	Total
Heritage assets	538,950	538,950

Pledged as security

No Heritage assets were pledged during the year.

Expenditure incurred to repair and maintain heritage assets

No expenditure incurred in maintaining heritage assets.

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

13. Payables from exchange transactions

Trade payables (current liabilities)	57,287,987	95,144,724
Income received in advanced	17,562,178	17,216,591
Retentions	14,055,971	10,537,822
Accrued leave pay	11,331,386	10,395,110
Accrued bonus	2,908,948	3,226,805
Deposits on sale of land	2,359	-
Unkwown (unallocated) deposits	2,910,041	4,965,946
Accrued payroll expenditure	-	4,780,195
	106,058,870	**146,267,193**

14. Consumer deposits

Electricity	5,343,307	5,318,437
Water	1,474,056	1,241,654
Refuse	2,034	2,034
Sewerage	400,072	383,436
Housing rental	16,948	9,502
	7,236,417	**6,955,063**

The sewerage services were incorrectly reported as regional services levies. This was renamed to align with services provided by the municipality.

15. Employee benefit obligations

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

Carrying value		
Opening balance of the Post-Employment Medical aid benefit	(46,441,000)	(48,638,000)
Movement in the Post - Employment Medical aid benefit	(7,548,000)	2,197,000
Opening balance long service awards	(7,324,000)	(7,305,000)
Movement in Long service awards	(569,000)	(19,000)
	(61,882,000)	**(53,765,000)**

Non-current liabilities	(58,439,000)	(51,534,000)
Current liabilities	(3,443,000)	(2,231,000)
	(61,882,000)	**(53,765,000)**

Changes in the present value of the long service awards are as follows:

Opening balance	(7,324,000)	(7,305,000)
Service cost	(601,000)	(648,000)
Interest expense	(806,000)	(876,000)
Benefits Paid	833,000	358,000
Actuarial Loss/(Gain)	5,000	1,147,000
	(7,893,000)	**(7,324,000)**

Changes in the present value of the post-employment medical aid liabilities are as follows:

Opening balance	(46,441,000)	(48,638,000)
Service cost	(2,412,000)	(3,133,000)
Interest cost	(6,653,000)	(5,861,000)
Benefits Paid	1,459,000	1,378,854
Actuarial Loss/(Gain)	58,000	9,812,146
	(53,989,000)	**(46,441,000)**

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

15. Employee benefit obligations (continued)

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

- Current service cost - Long Service Awards	601,000	648,000
- Current service cost - Post-employment Medical Aid	2,412,000	3,133,000
- Interest expense - Long Service Awards	806,000	876,000
- Interest expense - Post-employment Medical Aid	6,653,000	5,861,000
- Actuarial gains and losses arising from - Long Service Awards	(5,000)	(1,147,000)
- Actuarial gains and losses arising from - Post-employment Medical Aid	(58,000)	(9,812,146)
- Benefits Paid - Long Service Awards	(833,000)	(358,000)
- Benefits Paid - Post-employment Medical Aid	(1,459,000)	(1,378,854)
	8,117,000	**(2,178,000)**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Post-employment medical aid benefit	(58,000)	(9,812,146)
Actuarial (gains) losses – Long service awards	(5,000)	(1,147,000)
	(63,000)	**(10,959,146)**

15. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Post-employment Medical Aid Liabilities

The expected value of each employee and their spouse’s future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation (calculation). We also allowed for mortality, retirements and withdrawals from service as set out below. The accrued liability is determined on the basis that each employee’s medical aid benefit accrues uniformly over the working life of an employee up until retirement. Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. We assumed that 100% of all active members on medical aid will remain on medical aid once they retire. We also assumed that all active members will remain on the same medical aid option at retirement.

Valuation of Assets - As at the valuation date, the medical aid liability of the Municipality was unfunded, i.e., no dedicated assets have been set aside to meet this liability. We therefore did not consider any assets as part of our valuation.

Valuation Assumptions

- In estimating the liability for post-employment medical aid benefits a number of assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary.

- APN 301 states that the assumptions should be realistic and mutually compatible. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next. The most relevant actuarial assumptions used in this valuation are discussed below.

- **Financial Variables** - The two most important financial variables used in our valuation are the discount- and medical aid inflation rates. We have assumed the following values for these variables:

Financial Variable	**Assumed Value 30-06-2024 (Current Valuation)**	**Assumed Value at 30-06-2023 (Preceding Valuation)**
Discount Rate	Yield Curve	Yield Curve
CPI (Consumer Price Inflation)	Difference between nominal and real yield curve	Difference between nominal and real yield curve
Normal Salary Increase Rate	Equal to CPI+1%	Equal to CPI+1%
Net Effective Discount Rate	Yield Curve Based	Yield Curve Based

- Discount Rate - GRAP 25 defines the determination of the Discount rate assumption to be used as follows: *“The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.*” We use the nominal and zero curves as at 28 June 2024 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

- The following table compares the average values of the financial variables assumed for the subsequent valuations. This is to be used for comparison purposes only and does not reflect the actual rates used as per the explanation above.

Financial Variable	**Assumed Value 30-06-2024 (Current Valuation)**	**Assumed Value at 30-06-2023 (Preceding Valuation)**
Discount Rate	13,69%	14,17%
CPI (Consumer Price Inflation)	8,08%	8,61%
Normal Salary Increase Rate	9,08%	9,61%

15. Employee benefit obligations (continued)

Net Effective Discount Rate	4,23%	4,15%

- **Medical Aid Inflation** - The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period. South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out strip general inflation by 1% per annum over the foreseeable future.

- **Normal Retirement Age** - The normal retirement age (NRA) for all active employees was assumed to be 65 years.

- **Average Retirement Age** - The average retirement age for all active employees was assumed to be 62 years. This assumption implicitly allows for ill-health and early retirements.

- **Mortality Rates** - Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS. Previously mortality before retirement was based on the SA 85-90 mortality tables whilst post employment was based on PA (90) rated down one year.

- **Spouses and Dependants** - We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

- **Spouses and Dependants** - We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

Benefit Structure

- **Medical Aid Scheme Arrangements** - The Municipality offers employees and continuation members (pensioners) the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical aid scheme. Upon a member’s death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical aid scheme.

- **Contribution Rate Structure** - Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income. The contribution rate tables used are contained in Appendix of the report.

- **Subsidy Arrangements** - The Municipality has agreed to subsidise the medical aid contributions of retired members in the following way: Eligible employees will receive a post-employment subsidy of 70% of the contribution payable should they be a member of a medical scheme at retirement; All continuation members and their eligible dependants receive a 70% subsidy; Widow(er)s and orphans of eligible in-service members are not entitled to receive this same subsidy on and after the death in-service of an employee; Upon a member’s death-in-retirement, the surviving dependants will continue to receive the same 70% subsidy.

On the basis of the information supplied and the actuarial assumptions used, the value of the Municipality’s liability for future subsidies of medical aid contributions has been calculated as at the valuation date and is summarised below.

- **Accrued Liability** - The accrued liability is given below and is split between the current employees and continuation members (pensioners).

15. Employee benefit obligations (continued)

- **Interest Cost** - The Interest Cost represents the accrual of interest on the Accrued Liability, allowing for benefit payments, over the corresponding year. This arises because the post-employment medical aid scheme contributions are one year closer to payment. This item should be accounted for in the Statement of profit or loss and other comprehensive income (herein after referred to as the “income statement”) according to GRAP 25.

- **Current Service Cost** - The Current Service Cost reflects the additional liability that is expected to accrue in respect of in service members’ service over the corresponding year. This item should be accounted for in the income statement according to GRAP 25.

Membership Changes - Changes to current (in service) membership as at the valuation dates:

	30-06-2024 Valuation	30-06-2023 Valuation	% Change
Number of active employees	226	227	-0,4%
Subsidy weighted average age	47,8	47,3	1,0%
Subsidy weighted average past service	14,82	14,48	2,3%

Changes to continuation membership (pensioners’ membership) as at the valuation dates:

	30-06-2024 Valuation	30-06-2023 Valuation	% Change
Number of principal members	20	21	-4,8%
Subsidy weighted average age	76,18	77,42	-1,6%
Subsidy weighted average past service	R 6 080	R 4 920	23,6%

The main reasons for the actuarial gain can be attributed to the following factors:

- **Changes in economic variables** – Since the previous valuation, there have been changes in the discount rates and inflation rates, resulting in an increase in the net effective discount rates. This resulted in an overall decrease in the liability of around R 1,063,000.

- **Changes in membership and other experience items** – There were various changes in the membership data between the two valuation dates. There was a decrease in the number of in service members and in the continuation members. However, the average years of past service increased, the martial status of members changed and there were changes in the medical schemes held by members, which resulted in the average subsidy increasing more than expected.The average subsidy increased by 6.9% amongst the in-service members and 23.6% amongst the continuation members. The net effect of this, along with some other smaller factors, resulted in an increase in the liability of around R 1 005 000.

Sensitivity Analysis

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

- 20% increase/decrease in the assumed level of mortality;

- 1% increase/decrease in the Medical Aid inflation.

Mortality rate - Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the Municipality. If the actual rate of mortality turns out higher than the rates assumed in the valuation basis, the cost to the Municipality in the form of subsidies will reduce and vice versa. We have illustrated the effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20%. The effect is as follows:

	-20% Mortality rate	Valuation Assumption	+20% Mortality rate
Total Accrued Liability	R 58 303 000	R 53 989 000	R 50 411 000
Interest Cost	R 8 046 000	R 7 442 000	R 6 940 000
Service Cost	R 2 696 000	R 2 491 000	R 2 319 000

15. Employee benefit obligations (continued)

Medical aid inflation - The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees. We have tested the effect of a 1% p.a. change in the medical aid inflation assumption. The effect is as follows:

	-1% Medical aid inflation	Valuation Assumption	+1% Medical aid inflation
Total Accrued Liability	R 47 399 000	R 53 989 000	R 61 939 000
Interest Cost	R 6 513 000	R 7 442 000	R 8 564 000
Service Cost	R 2 097 000	R 2 491 000	R 2 981 000

Long Service Awards Liabilities

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. We have converted the awarded leave days to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth. The table below contains a summary of the benefit policy:

Completed Years of Service	Total Long Service Benefit Award (% of Annual Salary)	Formula used to calculate Total Long Service Benefit Award
10	4%	(10/250)*Annual Salary
15	8%	(20/250)*Annual Salary
20, 25, 30, 35, 40, and 45	12%	(30/250)*Annual Salary

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation. We also allowed for mortality, retirements and withdrawals from service as set out in the next section of this report.

The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. Further it is assumed that the current policy for awarding long service awards remains unchanged in the future.

Valuation of Assets - As at the valuation date, the long service leave award liability of the Municipality was unfunded, i.e., no dedicated assets have been set aside to meet this liability. We therefore did not value any assets as part of our valuation.

Valuation Assumptions

- In estimating the liability for long service leave benefits a number of assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary.

- **The assumptions should be realistic and mutually compatible**. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next. The most relevant actuarial assumptions used in this valuation are discussed below.

- **Discount Rate** - GRAP 25 defines the determination of the Discount rate assumption to be used as follows: *"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."* We use the nominal and zero curves as at 28 June 2024 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

- **Financial Variables** - The two most important financial variables used in our valuation are the discount rate and salary inflation. We have assumed the following values for these variables:

Financial Variable	Assumed Value 30-06-2024 (Current Valuation)	Assumed Value at 30-06-2023 (Preceding Valuation)
Discount Rate	Yield Curve	Yield Curve

15. Employee benefit obligations (continued)

CPI (Consumer Price Inflation)	Difference between nominal and real yield curve	Difference between nominal and real yield curve
Normal Salary Increase Rate	Equal to CPI+1%	Equal to CPI+1%
Net Effective Discount Rate	Yield Curve Based	Yield Curve Based

- The following table compares the average values of the financial variables assumed for the subsequent valuations. This is to be used for comparison purposes only and does not reflect the actual rates used as per the explanation above.

Financial Variable	**Assumed Value 30-06-2024 (Current Valuation)**	**Assumed Value at 30-06-2023 (Preceding Valuation)**
Discount Rate	10,58%	10,82%
CPI (Consumer Price Inflation)	5,46%	5,92%
Normal Salary Increase Rate	6,46%	6,92%
Net Effective Discount Rate	3,87%	3,65%

- **Average Retirement Age** - The average retirement age for all active employees was assumed to be 62 years. This assumption implicitly allows for ill-health and early retirements.

- **Normal Retirement Age** - The normal retirement age (NRA) for all active employees was assumed to be 65 years.

- **Mortality Rates** - Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

- **Interest Cost** - The Interest Cost represents the accrual of interest on the Accrued Defined Benefit Obligation, allowing for benefit payments, over the corresponding year. This arises because the long service benefits are one year closer to payment. This item should be accounted for in the Statement of profit or loss and other comprehensive income (herein after referred to as the “income statement”) according to GRAP 25.

- **Current Service Cost** - The Current Service Cost reflects the additional liability that is expected to accrue in respect of in service members’ service over the corresponding year. This item should be accounted for in the income statement according to GRAP 25.

The main reasons for the actuarial gain can be attributed to the following factors:

- **Changes in economic variables** – We used the nominal and real zero curves as at 28 June 2024 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. As a result, the interest rates, bond yields and inflation figures changed significantly. This resulted in a higher net effective discount rate and hence an overall decrease in the liability of around R 97 000

- **Membership Changes and other smaller factors** - Over the past year, there have been various changes in membership data, which includes the number of total eligible employees increasingfrom 308 to 310. This, along with so me other smaller factors, resulted in an increase in liability of around R 92 000.

Sensitivity Analysis

the valuation is only an estimate of the cost of providing Long service leave award benefits. The actual cost to the Municipality will be dependent on actual future levels of assumed variables and the demographic profile of the membership.

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

- 20% increase/decrease in the assumed level of withdrawal rates;

- 1% increase/decrease in the Normal Salary cost inflation

Withdrawal rate

15. Employee benefit obligations (continued)

Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the Municipality. If the actual rate of withdrawal turns out to be higher than the rates assumed in the valuation basis, then the cost to the Municipality in the form of benefits will reduce and vice versa.

Illustrated below is the effect of higher and lower withdrawal rates by increasing and decreasing the withdrawal rates by 20%. The effect is as follows:

	-20% Withdrawal rate	**Valuation Assumption**	**+20% Withdrawal rate**
Total Accrued Liability	R 8 173 000	R 7 893 000	R 7 631 000
Current Service Cost	R 675 000	R 644 000	R 615 000
Interest Cost	R 856 000	R 825 000	R 796 000

Normal salary inflation

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future employees.

We have tested the effect of a 1% p.a. change in the Normal Salary inflation assumption. The effect is as follows:

	-1% Normal salary inflation	**Valuation Assumption**	**+1% Normal salary inflation**
Total Accrued Liability	R 7 477 000	R 7 893 000	R 8 346 000
Current Service Cost	R 604 000	R 644 000	R 689 000
Interest Cost	R 779 000	R 825 000	R 876 000

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2024	2023
Unspent conditional grants and receipts		
Water Services Infrastructure Grant (WISG)	49,662	7,287,698
Integrated National Electrification Programme Grant (INEP)	-	153,464
	49,662	**7,441,162**

Movement during the year

	2024	2023
Balance at the beginning of the year	7,441,162	214,343
Additions during the year	217,428,166	213,235,267
Revenue recognition during the year	(224,819,666)	(206,008,448)
	49,662	**7,441,162**

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

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

See note 29 for reconciliation of grants from National/Provincial Government.

17. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions	Interest charges	Change in landfill closure provision	Total
Rehabilitation of landfil site	62,789,813	-	6,700,678	(3,715,531)	65,774,960
Performance bonus	269,531	320,515	-	-	590,046
	63,059,344	**320,515**	**6,700,678**	**(3,715,531)**	**66,365,006**

Reconciliation of provisions - 2023

	Opening Balance	Correction of error	Additions	Interest charges	Change in landfill closure provision	Total
Rehabilitation of landfil site	75,793,017	(15,852,873)	-	5,609,499	(2,759,830)	62,789,813
Performance bonus	637,823	-	(368,292)	-	-	269,531
	76,430,840	**(15,852,873)**	**(368,292)**	**5,609,499**	**(2,759,830)**	**63,059,344**

	2024	2023
Non-current liabilities	60,859,937	62,789,813
Current liabilities	5,505,069	269,531
	66,365,006	**63,059,344**

The provision for the rehabilitation of the landfill site relates to the legal obligation to rehabilitate landfill sites used for waste disposal. The valuation of the landfill site was performed as at 30 June 2024 by Environmental and Sustainibility Solutions CC (ESS).

The basis for this assessment is limited to information that was available at the time of completion of the report. Where information is not available, the worst case as far as the cost determination is concerned, is assumed.

Local of Landfill - The Warmbad landfill is situated on Portion of the farm Het Bad 465 KR, Bela Bela, Bela Bela Local Municipality, approximately 2 km Southeast of Bela Bela.

Permit or license for the Landfill - A permit referenced B33/2/123/3/P184 for the landfill was issued by the national Department of Water Affairs and Forestry on 06 June 1995. The permit has an unlimited period of validity.

Classification of landfill

- Waste types allowed - Household waste, garden waste and construction waste (soil and building rubble) only.
- Size class - The size class of the landfill is specified as Medium
- Climatic water balance - The landfill is classified as B-

Size of the landfill

- The calculation of the present liability must be based on the area that was used in the past as well as the area that is currently being used for disposing of waste, irrespective of the potential final size of the landfill. This is in line with the accounting concept of present obligation.
- The total area of the landfill is 163,510 m2.
- The area of the landfill that has already been used for dumping of waste is estimated at 108,471 m2.

Expected remaining life of the landfill

17. Provisions (continued)

- The expected remaining life of the landfill is critically important for determining for how long the landfill can still be used and for planning the replacement of the landfill. The expected remaining life of the landfill is used in the discounting calculations of the provision for closure.

- The current expected remaining life of the landfill is estimated at 1 year. This is based on an assessment by an expert

Determination of closure cost provision

- **General landfill closure costing model** - ESS has developed a General Landfill Closure Costing Model (GLCCM) to estimate the final rehabilitation and closure costs for general landfills. The GLCCM is being updated in cooperation with Jones and Wagener Consulting Civil Engineers (Pty) Ltd, a company that is actively involved in rehabilitation and closure of landfill sites. The GLCCM standardises the determination of landfill closure costs between different landfills and for the same landfill over time. The GLCCM is based on the Minimum Requirements for Waste Disposal by Landfill of the Department of Water Affairs (1998), as amended by more recent regulations. The GLCCM provides a reliable best possible estimate of closure costs in terms of paragraph .49 of GRAP 19 or paragraph 36 of IAS 37.

Key assumptions:

- **Unit costs** - Unit costs for each of the cost elements are obtained annually by means of a commercial quotation. Details of this are provided separately.

- **Consumer Price Index (CPI)** - The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date. The average of the CPI for the last three months amounted to 5.1704%.

- **Discount rate** -GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (municipality). Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used. The rate most consistent with the remaining life of the landfill published at the end of the quarter that includes the financial year-end date was used. For this landfill the rate associated with the maximum period of 3 years was used, i.e. 5% above CPI.

Key financial assumptions used

Assumption	**2023-2024**	**2022-2023**
CPI	5.1704%	
Discount rate	10.1704%	9.27%
Net effective discount rate	5%	

Discounting of closure costs

- In the previous AFS a landfill closure provision was disclosed for this landfill but a methodology different from the methodology used in the GLCCM was used. Bela Bela Local Municipality has requested that the provision for the previous year be recalculated using this year’s information and be restated. The difference between the current year’s provision and the provision recalculated for last year is due to unwinding of the provision.

- The landfill closure provision is calculated as the net present value of future cash flows.

- The interest charge is calculated as the product of the provision calculated in the previous year and the discount rate used in the previous year for this landfill.

17. Provisions (continued)

Summary of discounted landfill closure provision

Description	**2023-2024 (R)**	**2022-2023 (R)**
Landfill closure provision	65,774,959	62,789,812 (1)
Interest charge	6,700,678	5,609,498 (2)

Note1: Recalculated based on this year's information, and restated

Note 2 Recalculated based on this year's information, and restated

The interest charge is calculated as the product of the provision calculated in the previous year and the discount rate used in the previous year for this landfill.

Performance bonus

The provision for the performance bonus has been calculated at 14% of the relevant Section 56 Manager's package as per the Department of Provincial and Local Government guidelines on Performance Management and based on the past experience of Section 56 Managers paid out bonuses. In accordance with regulation 32, a performance bonus, based on affordability, may be paid to the employee after:

- the annual report for the financial year under review has been tabled and adopted by municipal council.
- the evaluation of performance in accordance with the provisions of regulation 23; and
- approval of such evaluation by the municipal council as a rewards for outstanding performance.

18. Finance lease obligation

	2024	2023
Minimum lease payments due		
- within one year	4,109,034	1,097,512
- in second to fifth year inclusive	5,083,334	2,054,416
	9,192,368	3,151,928
less: future finance charges	(1,006,416)	(1,348,706)
Present value of minimum lease payments	**8,185,952**	**1,803,222**
Present value of minimum lease payments due		
- within one year	4,171,101	1,097,512
- in second to fifth year inclusive	4,014,851	705,710
	8,185,952	**1,803,222**
Non-current liabilities	4,014,851	705,710
Current liabilities	4,171,101	1,097,512
	8,185,952	**1,803,222**

The average lease term was three years and the average effective implicit rate in the leases was 35% (2023: 54%).

Motor vehicle lease - Interest rates are fixed at the contract date. All leases escalate at determined percentage an per annum and no arrangements have been entered into for contingent rent.

Printers lease- Interest rates are fixed at the contract date. All leases escalate at determined percentage an per annum and no arrangements have been entered into for contingent rent.

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

Figures in Rand	2024	2023

19. Service charges

Sale of electricity	148,368,763	117,902,927
Sale of water	39,528,931	43,437,951
Solid waste	10,596,349	9,523,872
Sewerage and sanitation charges	22,157,556	19,025,310
	220,651,599	**189,890,060**

20. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	1,192,390	1,477,412

21. Agency services

Vehicle registration	4,601,547	4,883,306

The agency fee is a revenue generated from the department of transport. The municipality earned 20% and 3% commission of the cash collected for undertaking these activities for the provincial department of transport and ARRTO respectively.

22. Sale of goods and rendering of services

Application fees for land usage	169,274	120,462
Cleaning and removal	-	39,005
Occupation certificates	9,848	12,478
Removal of restriction	20,935	19,680
Clearance certificate	211,291	252,288
Building plan approval	437,905	494,879
Cemetery and burial	433,783	439,458
Fire services	1,150	790
Sale of goods	134,174	380,740
	1,418,360	**1,759,780**

23. Other income

Administrative handling fees	132,462	184,917
Collection charges	2,445,792	253,972
Discounts and Early Settlements	-	685,224
Incidental Cash	2,101,481	2,231,347
Printing and duplicates	4,311	5,063
Insurance refunds	-	46,780
Staff and Councillors recoveries	127,132	9,562
	4,811,178	**3,416,865**

24. Interest income from exchange

Interest from the Bank	2,752,331	1,432,309
Interest charged on trade and other receivables	12,651,848	9,045,874
	15,404,179	**10,478,183**

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

25. Fair value adjustments

Fair value adjustment Investment properties	6,740,688	5,698,010
Acturial gain	63,000	10,959,146
	6,803,688	**16,657,156**

26. Property rates revenue

Residential properties	41,770,522	45,498,993
Business, Industrail and Commercial properties	23,070,140	21,059,733
Public benefits activities Properties	372,848	341,725
Agricultural properties	12,022,401	11,142,385
State owned properties	15,678,078	15,166,696
Vacant land properties	2,692,100	15,730,953
	95,606,089	108,940,485
Property rates - interest income	13,329,795	14,038,449
	108,935,884	**122,978,934**

Valuations

Business, Industrail and Commercial properties	1,448,731,000	1,757,834,000
Agricultural properties	4,745,153,000	4,180,117,595
Residential properties	5,469,925,324	5,247,798,018
Municiplal properties	595,552,250	570,516,250
Vacant land	907,240,893	1,239,588,746
Public benefit activities properties	104,778,000	100,648,000
State owned property	288,363,000	284,563,000
	13,559,743,467	**13,381,065,609**

Property rates revenue and valuation of properties have been realligned to ensure coherant comparatives on the the annual financial statements..

Valuations on land and buildings are performed every five (5) years. The general valuation came into effect on 1 July 2022. Valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The rate ranges are as follows:

- Business, Industrail & Commercial properties R 0.0180 (2023: R0.0176)
- Agricultural properties R 0.0035 (2023: R 0.0034)
- State owned properties R 0.0180 (2023: R 0.0176)
- Residential properties R 0.0144 (2023: R 0.0140)
- Vacant land properties R 0.0133 - R 0.0180 (2023: R 0.0130 - R 0.0176)
- Municipal properties R 0.0180 (2023: R 0.0176)
- Public Benefit Activities properties R 0.0035 (2023: R 0.0034)

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

27. Licences and permits (non-exchange)

Trading	3,298	6,179
Road and Transport	2,196,350	2,153,363
	2,199,648	**2,159,542**

28. Availability charges

Availability charges - Electricity	13,342	10,956
Availability charges - Solid waste	1,041,844	1,023,740
Availability charges - Sewerage and sanitation charges	1,869,690	1,729,104
Availability charges - Water	653,434	604,907
	3,578,310	**3,368,707**

Availability Charges classified as non-exchange transactions. There is no direct exchange of approximately equal value, and they are levied/ charged in terms of municipal tariffs policy . The transactions relate to Vacant land, in proclaimed or developed areas and covers all trading services.

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

29. Government grants & subsidies

Operating grants

Equitable share	129,614,000	117,909,343
Local Government Financial Management Grant (FMG)	1,700,000	1,650,000
Expanded Public Works Programme Integrated Grant (EPWP)	1,302,000	1,502,000
Local Government Sector Education and Training Authority Grant (LGSETAG)	805,468	248,267
	133,421,468	**121,309,610**

Capital grants

Integrated National Electrification Programme Grant (INEP)	153,463	846,537
Municipal Infrastructure Grant (MIG)	28,257,000	29,130,000
Water Services Infrastructure Grant (WISG)	62,988,036	54,722,302
	91,398,499	**84,698,839**

Conditional and Unconditional

Included in above are the following grants and subsidies earned:

Conditional grants earned	95,205,966	88,101,856
Unconditional grants earned	129,614,000	117,909,343
	224,819,966	**206,011,199**

Equitable Share

The Equitable Share is the unconditional share of the revenue raised nationally and is allocated in terms of S214 of the Constitution (Act 108 of 1996) to the to the municipality by the National Treasury. In terms of the constitution, this grant is used to subsidise the provision of basic services to indigent community members.In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Local Government Financial Management Grant (FMG)

Current-year receipts	1,700,000	1,650,000
Conditions met - transferred to revenue	(1,700,000)	(1,650,000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

The purpose of the FMG Grant is to promote and support municipal financial management reforms and assist municipalities with the implementation of the MFMA.

Water Services Infrastructure Grant (WISG)

Balance unspent at beginning of year	7,287,698	111,827
Current-year receipts	55,750,000	62,010,000
Conditions met - transferred to revenue	(62,988,036)	(54,834,129)
	49,662	**7,287,698**

Conditions still to be met - remain liabilities (see note 16).

The purpose of this grant is to ensure that the country's water resources are protected, used, developed, conserved, managed and controlled in a sustainable manner for the benefit of all people and environment, through effective policies, integrated planning, strategies, knowledge based and procedures.

Expanded Public Works Programme Integrated Grant (EPWP)

29. Government grants & subsidies (continued)

	2024	2023
Current-year receipts	1,302,000	1,502,000
Conditions met - transferred to revenue	(1,302,000)	(1,502,000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

The grant is to incentivise municipalities to increase labour intensive employment through infrastructure programmes that maximise job creation and skills development in line with the EPWP guidelines.

Energy efficiency and Demand Side Management Grant (EEDSMG)

	2024	2023
Balance unspent at beginning of year	-	93,460
Disallowed Roll-over	-	(93,460)
	-	-

Conditions still to be met - remain liabilities (see note 16).

The objective of Energy efficiency and Demand Side Management Grant is to assist municipalities in saving cost of procuring energy, increases the resilience and reliability of the electric grid, and provides environmental, community, and health benefits.

Municipal Infrastructure Grant (MIG)

	2024	2023
Balance unspent at beginning of year	-	9,056
Current-year receipts	28,257,000	29,130,000
Conditions met - transferred to revenue	(28,257,000)	(29,130,000)
Disallowed roll-over	-	(9,056)
	-	-

Conditions still to be met - remain liabilities (see note 16).

The municipal infrastructure grants complement the equitable share grants for local government; however, it is provided conditionally to municipalities.

The key principles underpinning the design of the MIG are outlined below:

The MIG programme is aimed at providing only basic infrastructure.

Local Government Sector Education and Training Authority Grant (LGSETAG)

	2024	2023
Current-year receipts	805,468	625,678
Conditions met - transferred to revenue	(805,468)	(625,678)
	-	-

Conditions still to be met - remain liabilities (see note 16).

The Local Government Sector Education and Training Authority (LGSETA) plays a vital role in promoting and coordinating skills development initiatives in the local government sector. Their focus includes conducting skills planning, developing quality learning programs, monitoring training performance, and communicating career advancement opportunities. With the aim of enhancing efficiency and effectiveness, the LGSETA works towards improving the skills and qualifications within the local government sector.

Integrated National Electrification Programme Grant (INEP)

	2024	2023
Balance unspent at beginning of year	153,464	-
Current-year receipts	-	1,000,000
Conditions met - transferred to revenue	(153,464)	(846,536)

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

29. Government grants & subsidies (continued)

	-	**153,464**

Conditions still to be met - remain liabilities (see note 16).

This grant is used for electrification projects as part of upgrading of informal settlement areas.

30. Fines, Penalties and Forfeits

Building Fines	144,566	729,600
Illegal Connections Fines	115,884	126,748
Municipal Traffic Fines	31,400,125	32,868,295
	31,660,575	**33,724,643**

Figures in Rand	2024	2023

31. Employee related costs

Basic salary	81,051,538	76,675,586
Standby allowance	2,285,693	2,549,410
Bonus	6,120,006	5,582,615
Medical aid - company contributions	7,741,901	7,362,626
Unemployment Insurance Fund	687,468	667,651
Leave pay provision charge	2,262,995	2,573,742
Post employment benefit (continous members)	1,733,994	3,423,000
Overtime payments	12,210,472	11,826,378
Long-service awards	1,101,061	463,180
Acting allowances	3,371,654	3,685,869
Car allowance	10,429,675	10,826,301
Housing benefits and allowances	456,425	432,025
Bargaining Council	43,313	41,571
Cellphone allowance	1,723,490	1,692,673
Pension fund contribution	16,461,906	15,818,538
	147,681,591	**143,621,165**

Remuneration of Municipal Manager - T.G. Ramagaga

Annual Remuneration	1,005,950	575,400
Car Allowance	334,616	224,748
Contributions to UIF, Medical and Pension Funds	180,145	103,575
Cellphone allowance	42,000	35,000
	1,562,711	**938,723**

The Municipal Manager was appointed effectively from the 1st September 2022 on a fixed term basis.

Remuneration of Chief Financial Officer: R.M Marutha

Annual Remuneration	872,319	434,593
Car Allowance	238,978	168,826
Contributions to UIF, Medical and Pension Funds	152,897	94,324
Cellphone allowance	36,000	27,000
Leave pay	-	174,310
	1,300,194	**899,053**

The fixed contract of the Chief Financial Officer ended in March 2023. The incumbant was subsequntly reappointed on a permanent basis effectively from the 1st of July 2023.

Remuneration of Technical Services Senior Manager: H.B. Maswanganyi

Annual Remuneration	482,876	619,991
Car Allowance	147,140	257,792
Contributions to UIF, Medical and Pension Funds	115,308	179,014
Cellphone allowance	21,000	36,000
Leave pay	205,188	23,983
	971,512	**1,116,780**

The fixed contract of the senior manager technical ended in August 2023. The incumbant was subsequntly reappointed on a permanent basis effectively from the 1st of Februrary 2024.

Remuneration of Planning and Economic Development Senior Manager: N.R Siliga

Annual Remuneration	727,793	-
Car Allowance	219,500	-

Figures in Rand	2024	2023

31. Employee related costs (continued)

Contributions to UIF, Medical and Pension Funds	178,369	-
Cellphone allowance	33,000	-
	1,158,662	**-**

The planning and economic development senior manager was appointed on a permanent basis effectively from the 1st of August 2023.

Remuneration of Manager Strategic Support: T.J. Mothapo

Annual Remuneration	204,240	337,661
Car Allowance	66,105	127,726
Contributions to UIF, Medical and Pension Funds	54,584	97,102
Acting allowance for position of Corporate Services Senior Manager	33,366	67,343
Cellphone allowance	9,000	18,000
Leave pay	24,495	42,460
	391,790	**690,292**

The council appointed Manager Strategic Support Services (Mr TJ Mothapo) to act in capacity of corporate services senior manager from 01 July to 30 September 2023, due to the vacant position.

Remuneration of the Divisional Manager Sports Arts and Culture- D.T. Raborolo

Annual Remuneration	655,432	207,284
Car Allowance	219,096	69,290
Bonuses	54,619	17,274
Housing benefits and allowance	12,797	4,047
Contributions to UIF, Medical and Pension Funds	159,203	74,207
Acting allowance	322,327	95,337
Cellphone allowance	36,476	11,536
Leave pay	-	24,874
	1,459,950	**503,849**

The council appointed divisional manager of sports arts and culture (Mr D.T Raborolo) to act in capacity of senior manager of social and community services effectively from the 1st of March 2023 to date, due to the vacant position.

Remuneration of Intergrated Development and Planning Divisional Manager - L.C. Tshikovhi

Annual Remuneration	54,619	414,568
Car Allowance	19,139	145,264
Bonuses	4,552	34,547
Housing benefits and allowance	1,066	-
Contributions to UIF, Medical and Pension Funds	13,907	78,533
Acting Allowance	44,261	190,675
Cellphone allowance	3,040	23,071
Leave pay	-	24,874
	140,584	**911,532**

The council appointed divisional manager of Intergrated Development and Planning (Mr L.C. Tshikovhi) to act in capacity of Planning and Economic Development Senior Manager effectively from 01 July 2023 to 31 July 2023 due to the vacant position.

Remuneration of the Divisional Manager Human Resource - NM Ramolobeng

Annual Remuneration	436,955	-
Car Allowance	153,108	-
Bonuses	36,413	-
Contributions to UIF, Medical and Pension Funds	155,645	-

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

31. Employee related costs (continued)

Housing benefits and allowance	8,531	-
Acting allowance for position of Corporate Services Senior Manager	275,503	-
Cellphone allowance	24,317	-
	1,090,472	**-**

The council appointed divisional manager of Human Resource (Mrs N.M Ramolobeng) to act in capacity of Corporate services Senior manager effectively from 01 of November 2023 to 30 June 2024, due to the vacant position

Remuneration of Divisional Manager Electrical Services

Annual Remuneration	273,097	-
Car Allowance	91,290	-
Bonuses	22,758	-
Contributions to UIF, Medical and Pension Funds	85,882	-
Acting allowance	172,189	-
Cellphone allowance	15,198	-
	660,414	**-**

The council appointed divisional manager of electrical services (Mr TJ Kotsokoane) to act in capacity of Technical Services Senior manager from 01st of Septermber to 31 January 2024, due to the vacant position

Remuneration of Corporate Services Senior Manager: J.B. Selapyane

Annual Remuneration	-	475,490
Car Allowance	-	192,944
Other	-	8,718
	-	**677,152**

Remuneration of Planning and Economic Development Senior Manager: T.B. Mnisi

Annual Remuneration	-	224,572
Car Allowance	-	74,537
Contributions to UIF, Medical and Pension Funds	-	38,331
Cellphone allowance	-	12,000
Leave pay	-	171,734
Other	-	4,474
	-	**525,648**

Remuneration of Senior Manager for Social Services: M.A. Serote

Annual Remuneration	-	420,487
Car Allowance	-	155,843
Contributions to UIF, Medical and Pension Funds	-	73,620
Leave pay	-	194,474
Cellphone allowance	-	24,000
Other	-	7,390
	-	**875,814**

Employee related cost - inventory consumed of water

Annual Remuneration	9,463,985	9,498,397

Employee related cost used in consumption of water during the year under review

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

32. Remuneration of councillors

Honorable Mayor	1,003,680	951,429
Speaker	812,869	801,177
Chief Whip	585,865	341,991
Executive Committee Members	1,443,388	1,305,571
Other Councillors	4,964,591	4,435,053
	8,810,393	**7,835,221**

In-kind benefits

The Honorable Mayor, Speaker, Chief whip, Executive Members and MPAC Chairperson are full-time councillors. Each is provided with an office. The Honorable Mayor and the Speaker are provided with the secretarial support at the cost of the Council. The Honorable Mayor is also provided with the vehicle and driver at the cost of the Council.

33. Related parties

Relationships	
Members of key management	Refer to note 31
Members of council	Refer to note 32

Remuneration of councilors

Reconciliation of remuneration of Councilors

2024

Name	Basic salary	Cellphone allowance	Car allowance	Contribution to medical and pension fund	Total
Honourable Mayor - GM Seleka	808,747	46,353	-	148,580	1,003,680
Speaker - T.N. Zikhali	448,744	46,353	182,394	135,378	812,869
Chief Whip - K. Seporu	417,370	46,353	87,790	34,352	585,865
Executive committee member - M.J Ngobeni	428,823	46,353	170,128	122,231	767,535
Executive committee member - AF Van Der Heyden	414,574	42,653	157,137	61,489	675,853
MPAC Chairperson Councillor - J.M Mabua	453,700	46,353	170,157	86,819	757,029
Section 79 Member - Councillor M.F. Koover	223,580	46,353	92,589	74,554	437,076
Section 79 Member - Councillor - P.V Mashaba	342,419	46,353	-	48,309	437,081
Section 79 Member - Councillor - F.S Hlongwane	223,529	46,353	92,589	74,546	437,017
Section 79 Member - Councilor K.S. Rachidumela	261,908	46,353	92,589	36,232	437,082
Councillor - M.D Senosha	194,854	46,353	72,150	28,233	341,590
Councilor -M.J. Makhubela	240,450	46,353	-	64,701	351,504
Councillor - M.N Mpunwana	244,120	46,353	-	55,785	346,258
Councillor - M.O Tlaka	267,540	46,353	-	37,643	351,536
Councillor - S.D. Seale	212,226	46,353	-	92,958	351,537
Councillor - JD Cloete	267,540	46,353	-	37,643	351,536
Councillor - M.H Ledwaba	218,609	46,353	72,150	28,233	365,345
	5,668,733	**784,301**	**1,189,673**	**1,167,686**	**8,810,393**

2023

Name	Basic salary	Cellphone allowance	Car allowance	Contribution to medical and pension fund	Total
Honourable Mayor : G.M Seleka	761,674	47,400	-	142,355	951,429
Speaker: T.N Zikhali	418,969	47,400	198,774	127,949	793,092
Chief Whip: K Sepuru	193,858	47,400	72,676	28,057	341,991
Executive committee member: M.J Ngobeni	405,569	47,400	165,442	115,793	734,204
Executive committee member: J.H.T Mills (Ended - 2023/05/27)	254,879	43,700	79,982	30,089	408,650
Executive committee member: M.N Ras (Ended 2022/08/31)	113,315	10,400	-	14,035	137,750
MPAC Chairperson Councillor: J.M Mabua	336,718	47,400	148,346	68,341	600,805
Section 79 Member - Councillor: K.S Rachidumela	224,165	47,400	107,343	35,056	413,964
Section 79 Member - Councillor - F.S Hlongwane	210,057	47,400	94,867	70,314	422,638

Figures in Rand				2024	2023

33. Related parties (continued)

Section 79 Member - Councillor - P.V Mashaba	320,361	47,400	-	46,743	414,504
Section 79 Member - Councillor -M.F. Koover	207,357	47,400	92,797	70,318	417,872
Councillor: Moeletsi RZ	6,887	1,200	-	-	8,087
Councillor: M.H Ledwaba	188,923	47,400	69,892	27,317	333,532
Councillor: S.D Seale	201,691	47,400	-	87,317	336,408
Councillor: M.J Makhubela	227,645	47,400	-	61,269	336,314
Councillor - H.J Kruger	148,432	36,300	40,922	21,243	246,897
Councillor -B. Maname	2,724	1,200	-	-	3,924
Councillor - M.O Tlaka	249,633	47,400	-	36,423	333,456
Councillor - JD Cloete	249,633	47,400	-	36,423	333,456
Councillor - M.D Senosha	45,750	11,100	17,538	6,862	81,250
Councillor - S.E. Maluleka	6,456	1,200	-	-	7,656
Councillor - M.N Mpunwana	129,670	22,200	-	25,472	177,342
	4,904,366	**790,900**	**1,088,579**	**1,051,376**	**7,835,221**

34. Depreciation and amortisation

Property, plant and equipment	40,638,889	38,940,432
Intangible assets	286,836	32,742
	40,925,725	**38,973,174**

35. Impairments of assets

Impairments		
Property, plant and equipment	921,188	2,736,580

36. Finance costs

Landfill site	6,700,678	5,609,498
Overdue accounts	211,355	4,470,751
Post Employee benefits	7,459,000	6,737,000
Finance leases	980,333	684,751
	15,351,366	**17,502,000**

37. Bulk purchases

Electricity - Eskom	136,245,642	111,941,973

Electricity used in production of water during the year under review was R466 692 (2023: 314 778)

37. Bulk purchases (continued)

Electricity losses

	Number 2024 (KVA)	Number 2023 (KVA)		
Units purchased	76,560,440	72,654,346	156,677,557	142,278,014
Units sold	(59,553,939)	(56,640,790)	(121,151,825)	(111,400,094)
Total loss	**17,006,501**	**16,013,556**	**35,525,732**	**30,877,920**
Comprising of:				
Technical losses	7,656,044	8,734,667	15,993,094	14,035,418
Non-technical losses	9,350,457	7,278,889	19,532,638	16,842,502
Total	**17,006,501**	**16,013,556**	**35,525,732**	**30,877,920**
Percentage Loss:				
Technical losses	10 %	10 %	10 %	10 %
Non-technical losses	12 %	12 %	12 %	12 %
Total	**22 %**	**22 %**	**22 %**	**22 %**

Electricity Losses: Technical losses occur when power dissipates in the transmission lines and transformers due to electrical resistance. Contributing factors to these losses are: system failures, unbalanced loading, overloading, low voltage, load shedding and deteriorating infrastructure. Non-technical losses are due to consumers or personnel actions. Contributing factors are: power theft, meter tampering, meter bypass, illegal connections, unpaid bills, consumer non payment and faulty meters

Water losses

	Number 2024 (KL)	Number 2023 (KL)		
Units purchased	2,435,739	2,494,121	34,879,780	35,727,967
Units sold	(1,843,098)	(1,800,880)	(26,393,163)	(25,797,373)
Total	**592,641**	**693,241**	**8,486,617**	**9,930,594**
Comprising of:				
Technical losses	246,934	247,587	3,536,090	3,546,640
Non-technical losses	345,707	445,654	4,950,527	6,383,953
Total	**592,641**	**693,241**	**8,486,617**	**9,930,593**
Percentage Loss:				
Technical losses	10 %	10 %	10 %	10 %
Non-technical losses	14 %	18 %	14 %	18 %
Total	**24 %**	**28 %**	**24 %**	**28 %**

Water Losses: Technical losses occur when water is lost in the reticulation lines and in treatment plants due to backwash. Contributing factors to these losses are :system failures, unbalanced networks, high pressure, pipe bursts and deteriorating infrastructure. Non-technical losses on water are due to consumers or personnel actions. Contributing factors are: water theft, meter tampering ,meter bypass, illegal connections, no billing, unpaid bills, consumer non-payment and faulty meters and the delay by operators to repair reported leakages.

During the previous year, water losses was incorrectly apportioned to technical and non-technical

Figures in Rand	2024	2023

38. Contracted services

Outsourced Services		
Business and Advisory	839,824	3,891,281
Lease rentals on operating lease	-	413,764
Connection/Dis-connection	533,789	323,032
Security Services	15,333,663	14,461,689
Traffic Fines Management	548,794	1,889,508
Consultants and Professional Services		
Business and Advisory	7,836,219	3,092,324
Infrastructure and Planning	858,696	2,418,363
Laboratory Services	184,684	-
Legal Cost	10,214,671	6,115,086
Contractors		
Catering Services	131,660	18,900
Electrical	989,407	162,493
Event Promoters	367,012	160,173
Graphic Designers	46,913	-
Repairs and maintenance	10,746,498	7,401,308
Medical Services	26,000	-
Pest Control and Fumigation	31,000	-
Transportation	5,900	-
Sewerage Services	379,285	635,610
Presented previously	-	-
Outsourced Services	17,256,070	20,979,274
Consultants and Professional Services	19,094,270	11,625,773
Contractors	12,723,675	8,378,484
	49,074,015	**40,983,531**

Included in the outsourced service: business and advisory is the water inventory consumed amounting to R404 686 (2023: R138 386)

Included in the contracted service: repairs and maintence is the water inventory consumed amounting to R312 950 (2023: R710 251)

Maintenance of equipment was reclassified to repairs and maintenance line item

Maintenance of assets was reclassified to repairs and maintenance line item

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

39. General expenses

Advertising	336,868	302,820
Auditors remuneration	7,161,712	7,789,404
Bank charges	1,408,344	979,611
Commission paid	3,339,981	2,871,579
Delivery expenses	-	12,735
Hire	1,766,867	1,284,669
Insurance	1,279,799	2,677,706
IT expenses	6,458,327	5,602,194
Skills levy	1,271,724	2,523,235
Fuel and oil	4,506,762	4,492,279
Consumables expenses	25,206,255	26,561,425
Protective clothing	2,595,612	1,507,933
Ward committee members	1,032,000	1,079,160
Telephone and fax	1,274,099	1,413,433
Travel - local	2,484,741	267,185
Tools and kits	474,031	230,808
Utilities - Other	1,924,182	1,644,301
Other expenses	4,351,856	2,096,729
	66,873,160	**63,337,206**

Included in the inventory consumed is water inventory consumed amounting to R15 744 850 (2023: R12 261 334)

Reclassification of ward committee member from other expense

Reclassification of inventory consumed to consumable expense

40. Cash generated from operations

Surplus	106,230,893	129,004,589
Adjustments for:		
Depreciation and amortisation	40,925,725	38,973,174
Loss on disposal of property plant and equipment	3,006,097	1,937,085
Fair value adjustments	(6,803,688)	(16,657,156)
Change in landfill provision income	(3,020,493)	-
Impairment loss	921,188	2,736,580
Debt impairment	78,440,588	38,930,513
Public contributions and donations	(16,744,000)	-
Movement on provision for leave	2,262,995	2,573,743
Movements in Employee Benefit	8,180,000	8,781,146
Finance cost - Landfill site	6,700,678	5,609,498
Movement in bonus provision	320,515	-
Finance cost - Finance leases	980,333	684,751
Discounts and early settlements	-	(685,224)
Debt forgiveness	(7,718,840)	-
Changes in working capital:		
Inventories	(119,153)	(30,392)
Receivables from exchange transactions	(40,170,933)	(39,695,839)
Receivables from non-exchange transactions	(50,334,894)	(84,461,825)
Income received in advance	347,946	-
Unkown (Unallocated) deposit	(2,055,905)	-
Accrued employees cost	(3,225,500)	-
Payables from exchange transactions	(14,500,854)	(24,790,265)
Stautory receivable (VAT)	2,634,399	13,458,788
Unspent conditional grants and receipts	(7,391,499)	7,226,818
Consumer deposits	281,354	219,377
	99,146,952	**83,815,361**

Figures in Rand	2024	2023

41. Service in-kind

Road Agency Limpopo

A formal agreement was entered into between Bela Bela Local Municipality and Road Agency Limpopo to refurbish streets within the boundries around Bela Bela.

Road Agency Limpopo will, on behalf of the Bela-Bela Local Municipality, which falls within the Waterberg District Municipality, implement construction and/or maintenance and/or rehabilitation of road infrastructure projects relating to deteriorated and hazardous roads falling within the ambit of the municipality, as may be identified to from time to time between the parties.

The following streets were refurbished in the current financial year at no costs to the municipality and resulting in a service in kind:

Luna Street

Grobler Ave

Van der Merwe Street

Pretoria Street

Mentz Street

Moffat Street

Sutter RD

Reitz Street

The infrastructure refurbished, meet the definition of an asset and satisfy the criteria for recognition and as a result the transaction meet the definition of a service in kind.

The service in kind was recognised as non exchange revenue and the corresponding recognition of infrastructure asses the at fair value of the improvements done.

	2024	2023
Services in-kind that are significant to the entities operations and/or service delivery objectives		
Roads infrastructure	16,744,000	-
Public contributions and donations recognised under revenue from non-exchange transactions		
	16,744,000	**-**

42. Commitments

Authorised capital expenditure

	2024	2023
Already contracted for but not provided for		
• Property, plant and equipment	39,402,860	39,312,284
Total capital commitments		
Already contracted for but not provided for	39,402,860	39,312,284

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, exiting cash resources, funds internally generated, grants from National Treasury.

This committed register is regularly maintained.

43. Contingencies

Litigants	Bried description		
Nakevi Abel Makgatho - DAMAGES CLAIM Case Number - 258/2020	The Plaintiff issued summons in the local magistrate court claiming payment in the sum of R52 683.50. He alleges that he collided with a pothole that was situated at or near R101 Business Park, Potgieter Road. Matter is defended on the basis of lack of Jurisdiction. The road in question belongs to SANRAL and a Special Plea has been raised and filed to this effect. Matter was set for Trial on 16 and 17 November 2022. Matter removed from the roll by the Plaintiff and the Municipality's Attorneys have requested reasons and wasted costs for the removal. The municipality have received a notice of withdrawal of action from the plaintiff dated 21 February 2024	**R0**	**R52,639**
Masale Marium Morudu-CONTEMPT OF COURT Case Number - 1743/2014	The Applicant brought an application in the Polokwane High Court on 19 January 2021 to declare *inter alia*, that the Municipality had failed to comply with the court order of 9 December 2014 under Case Number: 1743/2014. The order referred to the failure by the Municipality to register and transfer portion 16 and 17 of Erf 2689 Bela-Bela into the Applicant's name as per the signed agreement of sale. There are no reasons advanced or canvassed as to why the Municipality has to date failed to comply with the order. Our attorneys upon receiving instructions attempted to negotiate with the applicant's attorneys with a view of resolving the matter amicably, however all the Municipality's attempts were in vain. The matter will now be opposed by the Municipality, whilst simultaneously ensuring that there is compliance with the Court Order. We record that the process of transfer and registration of the property is currently underway. The Municipality's attorneys have also been requested to oppose the matter and to interrogate/study the contract which led to the dispute in the first place to prevent a further repetition in the future. The matter has been set down for trial on 17 October 2024 in the Polokwane High Court. There is no monetary cost implication to the municipality.	**R0**	**R0**
Maximum Profit Recovery (Pty) Ltd- REVIEW APPLICATION & DECLARATION ON INVALIDITY Case Number - 8965/2022	The Municipality was served with an urgent Application by the sheriff on 22 August 2022 for the High Court in Polokwane to review a decision by the Municipality to award tender 9/3/1/334 for a duration of 36 months and to declare the decision constitutionally invalid and set aside The Municipality's position is that there was no irregular or unlawfulness in handling the tender. Therefore, our attorneys have filed opposing papers and in return served with a replying affidavit from the opponents. The parties drafted Heads of Argument and the matter is set down to be heard in Polokwane High Court on 22 November 2022 at 10:00. On the 11 April 2023 the Polokwane High Court granted an order against the Municipality. We received court fees analysis documents with legal settlement.	**R0**	**R250,000**

Figures in Rand		2024	2023

43. Contingencies (continued)

George Aschendorf PATRIMONIAL LOSS Case number - 384/2022	George Aschendorf served the Municipality with a letter of demand for payment of the sum of R15 894.00 resulting from damage to his household appliances. Aschendorf alleges negligence on the part of the Municipality for failing to properly maintain the electricity infrastructure with the result that there was a power surge that damaged the appliances. The Municipality denies liability A letter denying liability was sent to Aschendorf's attorneys. The letter further explained that the fault was caused by a failed piercing clamp which was subsequently replaced. Notice of Exception by the Municipality served and filed on 10 November 2022 in the local Magistrate Court. On the 05 July 2023 the court dismissed the case with cost in Municipal favour.	**R0**	**R15,894**
Ludgijo Holdings (Pty) Ltd) and another DAMAGES CLAIM Case number - 11013/2022	The Plaintiffs are suing for damages from an alleged wrongful disqualification and irregular appointment of other contractors/ suppliers to the disadvantage of their company. The Municipality's attorneys have entered a notice of intention to defend and will arrange for consultations with the Municipal officials in order to prepare and to subsequently file pleadings. In addition, the Plaintiffs' claim has prescribed and was not launched in compliance with the provisions of Section 3 of the Institution of Legal Proceedings Against Certain Organs of State's Act, No 40 of 2002. Further to the above, the Municipality has filed an exception to the plea as it is vague and embarrassing. We are awaiting the Plaintiff's response.	**R9,481,670**	**R9,481,670**
BAROKA FUNERALS SERVICES (PTY) LTD – DAMAGES CLAIM Case number 47/2023	The Plaintiff issued civil claim against the Municipality alleging that damage amounting to R54 138.25 occurred to the Plaintiff's vehicle due to the Plaintiff's vehicle colliding with a large pothole that was situated in the road that falls under the Municipalities area of jurisdiction and maintenance. The Municipality is defending the matter based on lack of jurisdiction. A Special Plea has been raised and filed on the 29 March 2023 by the Municipality. The Plaintiff served their discovery affidavit on 14 June 2023. The municipality is waiting for the court to allocate a trial date.	**R54,138**	**R54,138**

Figures in Rand		2024	2023

43. Contingencies (continued)

HOSEA THIPE DLAMINI – DAMAGES CLAIM Case number - 54/2023	The Plaintiff issued summons against the Municipality alleging that Plaintiff suffered damages in the sum of R48 284.75 when his vehicle was involved in a collision with the Municipality’s vehicle on 31 July 2022. The Plaintiff is claiming vicarious liability against the Municipality. The Municipality filed a Special Plea of misjoinder on 29 March 2023 in that the wrong parties to the proceeding were cited (this is based on the discrepancy between the letter of demand and summons). A pre-trial date has been set for 21 July 2023. The municiplaity received a notice of withdrawal of action dated 31 August 2023.	**R0**	**R48,285**
MOTALANE MATHOPA ERENS // BBLM – REVIEW APPLICATION Case number - J222/23	The Municipality received a Labour Court Review Application from Mr E Motalane alleging constructive dismissal by the Municipality. The matter is opposed by the Municipality on the basis that Mr E Motalane resigned voluntarily. We have served and file a Notice to Oppose and Responding affidavits. Parties held a pre-trial conference and currently waiting for the trial date. On the 23 February 2024 the applicant application was dismissed. Matter finalised.	**R0**	**R250,000**
CHOEU FARMING//BBLM – DAMAGES CLAIM Case number - 4115/2023	The Plaintiff issued summons against the Municipality for payment of R1,9 Million Rands in the Polokwane High Court for damages caused by fire. The Plaintiff alleges that the fire was caused by the Municipality’s employees. The Municipality is defending the matter and a notice of intention to defend was filed on the 15 June 2023. The process of serving and filing of pleadings is in motion whereafter, a trial date will be allocated.. The municipality filed its discovery affidavit.	**R1,900,000**	**R1,900,000**

43. Contingencies (continued)

		2024	2023
BBLM//DIKALA PLANT HIRE Case number - 031630/2023	The Municipality issued an application to set aside the warrant of execution under Case Number: 95187/2015 in terms of which the Sheriff was directed to attach and take into execution the sum of R 82 795 796,84 plus interest at the rate of 9% from 18 July 2019 until date of final payment. Further prayers by the Municipality included the setting aside of the Notice of Attachment in Execution dated 09 November 2022, of movable and immovable properties of the Applicant pursuant to the warrant of execution under Case Number 95187/2015, in favour of the First Respondent. The Application was issued on the Department of Justice’s case online system and a Case Number: 31630/2023 was allocated. The matter was also allocated a trial date of 14 September 2023 for hearing. On 24 May 2023, a notice to oppose was received by our attorneys from Dikala’s legal representatives. On 14 June 2023, our attorneys received an undertaking in a form of a letter from Dikala’s legal representatives confirming that they will not proceed with any further attachments pending the finalization of the review application. In addition, Dikala’s attorneys indicated that they were of the view that it would be in both parties’ interest to settle the matter. The municiplaity received a settlement offer of R 324,412,00 (three hundred and twenty-four thousand four hundred and twelve rands). The Municipality is proceeding with the application to set aside the warrant of execution. The matter has been set down for hearing in the Pretoria High Court for the 18 November 2024 at 09H00.	**R59,795,796**	**R59,795,796**
EARLE//BELA-BELA LOCAL MUNICIPALITY	The Plaintiff instituted legal action in the Bela-Bela Magistrate Court as he alleges that he was involved in an accident after he hit a pothole near Settlers/Bela-Bela offramp and is now claiming damages against the Municipality alongside RAF, SANRAL and MEC of Community Safety. The Plaintiff claims damages of R140 000.00 from all Defendants, jointly and severally, one paying for the other to be absolved. The application to compel discovery was finalized on the 25th of March 2024. The matter is yet to be enrolled for hearing. The matter is dismissed on the 02 August 2024.	**R140,000**	**R0**
ZUTARI SOUTH AFRICA (PTY)LTD (FORMERLY KNOWN AS AURECON SOUTH AFRICA PTY(LTD) - DAMAGES CLAIM Case Number - 4930/202 // BELA BELA LOCAL MUNICIPALITY	The Plaintiff claims an amount of R509 126.01 which is in relation to the appointment of the Plaintiff to render certain professional consultancy engineering services on the project known as Bela-Bela Pave Bus Route Rapotokwane (MIG/LP/2126/R, ST/16/18). To claim refund, the Municipal paid as security for a burrowed pit utilized for the same project from the Department of Minerals and Energy (DME) Proceedings stayed to pursue possible settlement. The Plaintiff has made an undertaking to courier the signed bank confirmation letter with will in turn be delivered to the municipality’s for further processing.	**R509,126**	**R509 126**

Figures in Rand		2024	2023

43. Contingencies (continued)

LEBELO//MAKWAKWA-EVICTION	This is an eviction matter in the Magistrate Court of Bela-Bela and relates to a dispute over the ownership (s) of Erfs (1185 & 1186). The Municipality made an error in allocating the stands by swopping the properties during the transfer process. Initially, the matter was set down for 10 June 2020, but postponed *sine dies* (indefinitely) pending the outcome of the High Court's decision in the same matter. The matter was launched in the Polokwane High Court, subsequent to an application for an interdict against the Bela-Bela Municipality to halt the Rectification process over Erf (1185 & 1186). The matter was heard on 12 June 2022 for the revival of the rule nisi order which was granted. The matter was set down for Part B of the Application, which is the main interdict, for 6 March 2023. On 6 March 2023, the matter was removed from the roll and re-enrolled for hearing on 26 February 2024. On the 26 February 2024 the matter was removed from the roll after argument and re-enrolled for 20 March 2025. There is no monetary cost implication to the municipality.	**R0**	**R0**
PAUL AND PARTNERS	On the 09 February 2024 the Pretoria High Court granted a default order against the Municipality for payment of R631 801. On the 04 March 2024 the Municipality became aware of the default order and immediately instituted a rescission application. We are in a process of settlement negotiations; however, we have filed pleadings for the rescission of judgment. Should we not succeed in settling the matter we will proceed to rescind the judgment.	**R631,801**	**R0**

44. Accounting by principals and agents

Description of Principle and Agent Arrangement

-Detailed description of Principle and Agent Arrangement

The municipality is a party to a principal-agent arrangement.

1. The municipality is the agent to the provincial department of transport (Principal of an the municipality)

a) The provincial government, through the respective provincial department of transport, is mandated to collect motor vehicle licenses on an annual basis. The provincial department of transport determines the fee that is payable annually by motor vehicle owners, which varies depending on the type of motor vehicle owned.

b) To make the payment of the motor vehicle licenses easier, the provincial department entered into a contractual arrangement with the Bela-Bela local municipality to undertake this activity on their behalf.in terms of the arrangement:

- The provincial department of transport issues the motor vehicle license renewal form to the respective owners of the motor vehicle, indicating the amount due for the year.
- The municipality provides facilities for owners of motor vehicles to pay their licenses.
- The provincial department of transport provides the municipality with access to its IT systems so that they can capture the amounts received and issue the motor vehicles licenses on their behalf. The system automatically generates the motor vehicle license upon capturing the payment of the fee due.
- The municipality collect the fees due from motor vehicles owners and simultaneously issue the new licenses on behalf of the provincial government.
- The municipalities is required to pay over any revenue (cash) collected to the provincial department in respect of motor vehicles licenses.
- The municipalities is entitled to retain 20% of the cash collected for undertaking this activity of the provincial department of Transport.
- No significant risks exist other than risks associated with cash management. The application controls designed withing the IT system are adequate to correctly account for such revenues.

2. The municipality is the principal to the Landis+Gyr (Agent of the municipality)

a) The Service which Landis+Gyr shall provide for the Client shall be the granting of remote access to the System ,to the Client or Managing Agent, to obtain Tokens for Consumers; and to Consumers, to purchase Tokens for themselves.

b) Landis+Gyr shall keep full and proper accounts and records showing clearly all transactions in relation to the Services, which accounts and records shall be separate from those relating to other clients of Landis+Gyr.

c) Landis+Gyr shall provide to the Client such number of Reports as the Client may from time to time require, up to a maximum of four Reports per month at no additional charge to the Client, and any further Reports per month at a fair and reasonable charge payable by the Client, on the value of Tokens issued by or for Consumers

d) Landis+Gyr shall remit to the Client, by the fifth Business Day in each month, all Token payments received by Landis+Gyr during the preceding month, less such amount as Landis+Gyr is permitted to deduct in accordance with clause 13 .

e) The Landis+Gyr are entitled to retain 4% of the cash collected for undertaking this activity of the municipality.

f) The Landis+Gyr therefore permits the Municipality to utilise its software for undertaking this activity, to issue Tokens for Consumers after purchase and access to reports (monitoring and evaluation) through the SUPRIMA system.

g) No significant risks exist other than risks associated with cash management.

Figures in Rand	2024	2023

44. Accounting by principals and agents (continued)

Additional information

Reconciliation of the statement of financial performance

Reconciliation of the statement of financial performance: Municipality acting as the Agent - Provincial department of transport		
Agency services: Revenue commission/agency recognized as compensation for the transactions carried out on behalf of the Principal	4,601,547	4,883,306

Reconciliation of the statement of financial performance : Municipality acting as the principal - Landis+Gyr		
Expense recognised as compensation for the transactions carried out on behalf of the Principal	3,339,981	3,787,775

There are no receivables held on behalf of the principal (i.e. municipality)

The commission expense of Landis+Gyr was reported under general expense.

Resources (including assets and liabilities) of the entity under the custodianship of the agent

Fee paid

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	-	1,513,869
Current year subscription / fee	1,886,527	-
Amount paid - current year	(1,886,527)	(1,513,869)
	-	**-**

Skills Development Levy (SDL)

Opening balance as previously reported	97,222	98,568
Add: current period	1,271,724	1,225,973
Less: Amounts paid	(1,368,946)	(1,227,319)
	-	**97,222**

Audit fees

Opening balance	170,817	4,538,566
Current year subscription / fee	8,235,969	9,160,265
Amount paid - current year	(6,755,340)	(12,778,932)
Interest written-off	(1,648,643)	(749,082)
	2,803	**170,817**

Pay As You Earn (PAYE) and Unemployment Insurance Fund (UIF)

Opening balance	1,684,215	1,710,227
Current year subscription / fee	23,359,501	22,270,348
Amount paid - current year	(25,043,716)	(22,296,360)
	-	**1,684,215**

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

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

Pension and Medical Aid Deductions

	2024	2023
Opening balance	3,052,436	-
Current year subscription / fee	36,691,106	36,832,112
Amount paid - current year	(39,743,542)	(33,779,676)
	-	**3,052,436**

Councillors' arrear consumer accounts

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

June 30, 2024	Outstanding less than 90 days (excluding current account)	Outstanding more than 90 days	Total
Senosha MD	427	-	427

June 30, 2023	Outstanding less than 90 days (excluding current account)	Outstanding more than 90 days	Total
Senosha MD	809	86	895
Tlaka MO	-	307	307
Mpunwana MN	3,278	3,637	6,915
	4,087	**4,030**	**8,117**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

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.

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Deviation below is in relation to emergency procurement as stipulated in section 36 of the Municipal Supply Chain Management Regulations - Emergency request to procure services and materials to restore power at Noodhulp/Roodepoort. Supply, delivery and installation of 2-3MVA 11Kv/22Kv step up transformer

Incident	2024	2023
Emergency procurement	1,369,248	-

46. Financial instruments disclosure

Categories of financial instruments

46. Financial instruments disclosure (continued)

2024

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	69,444,081	69,444,081
Other receivables from non-exchange transactions	9,962,115	9,962,115
Cash and cash equivalents	25,270,330	25,270,330
	104,676,526	**104,676,526**

Financial liabilities

	At amortised cost	Total
Municipal Debt Relief financial liabilities	18,860,806	18,860,806
Trade and other payables from exchange transactions	106,058,870	106,058,870
Consumer deposits	7,236,417	7,236,417
Finance lease obligation	8,185,952	8,185,952
	140,342,045	**140,342,045**

2023

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	60,706,327	60,706,327
Other receivables from non-exchange transactions	6,232,034	6,232,034
Cash and cash equivalents	11,261,243	11,261,243
	78,199,604	**78,199,604**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	146,267,193	146,267,193
Consumer deposits	6,955,063	6,955,063
Finance lease obligation	1,803,222	1,803,222
	155,025,478	**155,025,478**

47. Going concern

We draw attention to the fact that at June 30, 2024, the municipality had an accumulated surplus of R 891,478,775 and that the municipality's total assets exceed its liabilities by R 891,478,775.

The audited 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.

There are factors that cast doubt on the municipality’s ability to continue as a going concern, however the municipality has measures in place to address these factors.

Risk areas	**Future plans to mitigate risks identified**

47. Going concern (continued)

- The municipality is currently encountering a low collection rate
- The municipality developed budget funding and revenue enhancement plans to address municipal cash flow challenges.
- The municipality has pending litigations which upon success of the applicants may have a negative impact on the financial status of the municipalities.
- The municipality developed budget funding and revenue enhancement plans to address municipal cash flow challenges.
- The municipality entered into payment arrangements with key suppliers to suppress interest.
- The municipality intensified credit control measures to recover long outstanding amounts from consumers.
- The period for assessment is in line with medium term expenditure framework budget.
- There is alignment of procurement plan and cash flow projections to reduce payment rate ratio.
- During budgeting the strategy is to eliminate non-core expenditures.
- The municipality developed budget funding and revenue enhancement plans to address municipal cash flow challenges.
- Recruitment in the current financial year will be focused on critical post in Revenue and service delivery division.
- Favorable cost coverage ratio will assist in reducing current liabilities.
- Favorable cost coverage ratio will assist in reducing current liabilities.
- Going forward conditional grants to be ring fenced.

48. 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

2022

	Note	As previously reported	Correction of error	Restated
Receivables from exchange transactions	4&5	21,010,488	(278,527)	20,731,961
Receivables from non-exchange transactions	5&6	62,844,092	(34,280,163)	28,563,929
VAT receivable	7	112,490,009	4,075,868	116,565,877
Investment property	9	279,274,316	(224,255,133)	55,019,183
Property, plant and equipment	10	828,689,877	(3,921,691)	824,768,186
Payables from exchange transaction (short-term)	13	(171,057,458)	(5,985,916)	(177,043,374)
Provisions	17	(75,793,017)	15,852,873	(59,940,144)
Accumulated surplus	48	(905,026,060)	248,792,689	(656,233,371)
		152,432,247	**-**	**152,432,247**

48. Prior-year adjustments (continued)

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Receivables from exchange transactions	4&5	60,970,438	(444,295)	39,604	60,565,747
Receivables from non-exchange transactions	5&6	103,629,804	(38,479,095)	(39,604)	65,111,105
VAT Receivable	7	139,718,129	4,075,868	(136,004,020)	7,789,977
VAT Payable	7	(136,004,020)	-	136,004,020	-
Investment property	9	277,399,825	(216,682,631)	-	60,717,194
Property, plant and equipment	10	874,532,339	(18,085,845)	-	856,446,494
Payables from exchange transactions	13	(140,358,209)	(5,908,984)	-	(146,267,193)
Provisions	17	(104,706,003)	41,916,190	-	(62,789,813)
Unspent conditional grants and receipts	16	(7,438,411)	(2,750)	-	(7,441,161)
Finance lease obligation	18	-	(1,803,222)	-	(1,803,222)
Accumulated surplus	48	(1,020,652,726)	235,456,415	-	(785,196,311)
		47,091,166	**41,651**	**-**	**47,132,817**

Statement of financial performance

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges	19	190,055,828	(165,768)	-	189,890,060
Other income	23	4,405,957	(989,092)	-	3,416,865
Fair valaue adjustment	25	(1,874,491)	7,572,502	10,959,146	16,657,157
Acturial gains	25	10,959,146	-	(10,959,146)	-
Availibility charges	28	-	3,368,707	-	3,368,707
Government grants & subsidies	29	206,011,199	(2,750)	-	206,008,449
Fines, Penalties and Forfeits	30	35,781,697	(2,057,054)	-	33,724,643
Loss on disposal of assets	10	2,474,443	-	(537,358)	1,937,085
Employee related costs	31	(144,106,241)	437,677	47,399	(143,621,165)
Remuneration of councillors	32	(7,787,822)	-	(47,399)	(7,835,221)
Depreciation and amortisation	34	(45,398,952)	6,425,778	-	(38,973,174)
Finance costs	36	(21,335,505)	3,833,505	-	(17,502,000)
Debt impairment	10	(33,419,928)	(5,510,585)	-	(38,930,513)
Contracted services	38	(41,176,424)	466,375	(273,744)	(40,983,793)
General Expenses	39	(63,196,615)	(268,306)	-	(63,464,921)
Impairment of assets	35	1,925,478	-	811,102	2,736,580
Surplus for the year		**93,317,770**	**13,110,989**	**-**	**106,428,759**

Cash flow statement

48. Prior-year adjustments (continued)

2023

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Service charges		316,271,995	(119,856,286)	196,415,709
Property rates		-	36,856,359	36,856,359
Interest received - investment		10,478,183	(9,045,874)	1,432,309
Other receipts		47,230,501	(34,218,820)	13,011,681
Employee related costs		(152,446,221)	5,607,723	(146,838,498)
Suppliers		(290,231,089)	64,070,215	(226,160,874)
Finance Cost		(21,335,505)	16,864,754	(4,470,751)
		(90,032,136)	**(39,721,929)**	**(129,754,065)**
Cash flow from investing activities				
Purchase of property, plant and equipment		(125,271,581)	38,252,579	(87,019,002)
Purchase of intangible assets		(9,836,802)	9,836,802	-
Receivables from transactions - non current		83,710	(83,710)	-
		(135,024,673)	**48,005,671**	**(87,019,002)**
Cash flow from financing activities				
Finance lease payments		-	(731,675)	(731,675)

Errors and reclassfication narration

Statement of financial position

Receivables from exchange transactions

In the prior year consumer debtors were incorrectly billed. The correction resulted in a:

Decrease in Receivables from exchange transactions	(R444 295)
Decrease in Service charges	R165 768
Decrease in accumulated surplus	R278 527

In the prior year exchange debtors were incorrectly classified. The correction resulted in a:

Decrease in Receivables from exchange transactions	R39 604
Increase in Receivables from non-exchange transactions	(R39 604)

Receivables from non-exchange transactions

In the prior the methodology for calculating traffic fine impairment was incorrectly applied. The correction resulted in a:

Decrease in Receivables from non-exchange transaction	(R40 810 906)
Decrease in Debt impairment	R5 510 585
Decrease in accumulated surplus	R35 300 321

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48. Prior-year adjustments (continued)

In the prior the availiblity charges were not incorrectly captured. The correction resulted in a:

Increase in Receivables from non-exchange transaction	R6 232 034
Increase in Revenue from non-exchange transaction	(R3 368 707)
Decrease in VAT receivables	(R815 525)
Increase in Accumulated surplus	(R2 047 802)

Property, plant and equipment

In the prior year various errors were noted on property, plant and equipment which were incorrect classification of assets, incorrect valuation of land and landfil asset, and incorrect impairment of work-in-progress. The correction resulted in:

Decrease in Property plant and equipment	(R18 085 845)
Decrease in depreciation	(R6 425 778)
Increase in Repairs and Maintenance	R654 261
Decrease in accumulated surplus	R3 921 123
Decrease in landfil provision	R21 545 062
Increase in finance lease obligation	(R1 608 823)

Investment Properties

In the prior year properties not under the control of the municipality were incorrectly recorded under investment properties. The correction resulted in a:

Decrease in Investment Property	(R216 682 631)
Increase in Fair Value adjustment	(R7 572 501)
Decrease in accumulated surplus	R224 255 132

Provisions

In the prior year the Landfill site provision was incorrectly calculated. The correction resulted in a:

Decrease in Provisions	R41 916190
Decrease in Finance cost	(R4 518 256)
Decrease in Property, Plant and Equipment	(R21 545 062)
Increase in accumulated surplus	(R15 852 872)

Finance lease obligation

In the prior year the finance lease was incorrectly classified as an operating lease. The correction resulted in a:

Increase in Finance lease obligation	(R1 803 222)
Increase in Finance cost	R684 751
Increase in Property plant and equipment	R1 608 823

Unspent conditional grants and receipts

In the prior year the conditional grants met and recognised was understated. The correction resulted in a:

Decrease in Unspent conditional grant	(R2 750)
Increase in Government grant and subsidies	R2 750

48. Prior-year adjustments (continued)

VAT receivables
In the prior year the VAT was incorrectly recorded. The correction resulted in a:
Decrease in VAT receivables by
Decrease in Accumulated surplus

In the prior year the VAT was incorrectly classified by sperating VAT receivables and payables . The correction resulted in a

Decrease in VAT payables by	(R136 004 020)
Decrease in VAT receivables by	R136 004 020

Payables from exchange transactions
In the prior year the payables was overstated due to retention not retention not supported. The correction resulted in a:

Decrease in Trade payables by	(R9 632 996)
Decrease in Accumulated surplus VAT receivables by	R9 632 996

In the prior year the payables was overstated due to the accrual leave not corrected recorded. The correction resulted in a:

Decrease in Trade payables by	(R437 674)
Decrease in Accumulated surplus VAT receivables by	R437 674

In the prior year the payables was overstated due to the payment received in advanced incorrected reported. The correction resulted in a:

Decrease in Trade payables by	(990 230)
Decrease in Other income	R990 230

In the prior year the payables was overstated due to the deposit on sale of land which was incorrected reported. The correction resulted in a:

Decrease in Trade payables by	(R417 559)
Decrease in Accumulated surplus	R417 559

In the prior year the payables was incorrectly classified within the same various payables category of the trade payables. The correction resulted in a:

Increase in Other Trade payables by	R8 927 200
Decrease in Other deposits	(R8 640 854)
Decrease in accrued payroll expenditure	(R286 346)

In the prior year the payables was understated due to the other trade payables was incorrected reported due to ommission of previous invoices. The correction resulted in a:

Decrease in Trade payables by	(R17 387 443)
Decrease in Accumulated surplus	R17 387 443

Statement of financial performance

Other income - Ref. to narration provided on trade payables

Availability charges - Ref. to narration provided on receivable from non-exchnage

Fines, Penalties and Forfeits

In the prior traffic fine tickets were recorded not in accordance with IGRAP 1.

Decrease in Fines, Penalties and Forfeits	(R2 057 054)
Increase in Receivables from non-exchange	R2 057 054

Employee related cost

In the prior year the remuneration of the councillor was incorrectly included as an employee related cost. The correction resulted in a:

48. Prior-year adjustments (continued)

Decrease in employee related cost	R47 399
Increase in remuneration cost	(R47 399)

In the prior year the leave provision was incorrectly calculated. The correct calculation resulted in a:

Decrease in employee related cost	R437 674
Increase in leave provision	(R437 674)

Depreciation and amortisation - Ref. to narration provided on Property, plant and equipment.

Impairment of assets - Ref. to narration on loss on disposal of assets.

Debt Impairment - Ref. to narration provided on receivables from non-exchange.

Contracted services - Ref. to narration provided on Property, plant and equipment and general expenses.

Loss on disposal of assets
In prior year loss on disposal was incorrectly classified and also loss on the damaged assets were classified as repairs and maintenance. The correction resulted in a:

Decrease in repairs and maintenance	(R273 744)
Increase in impairment loss of assets	R811 102
Decrease in loss on disposal of assets	(R537 358)

General Expenses

In the prior year printer consumables expenses were incorrectly recorded in the operating lease account. The correction resulted in a:

Decrease in contracted services	(R184 133)
Increase in general expense	R184 133

Cashflow statement

Cashflow statement

In the prior year cashflow statement was incorrectly calculated. The correction resulted in a:

Decrease in Net cash flows from operating activities	(R39 387 770)
Decrease in Net cash flows from investing activities	R48 005 671
Increase in Net cash flows from financing activities	R731 675

49. Events after the reporting date

No events known by management that warrant a disclosure of an event after reporting date.

50. 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. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality’s operating units. The accounting officer provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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.

Credit risk

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

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

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

Financial instrument	2024	2023
Cash and cash equivalents	25,270,330	11,261,243
Trade and other receivables from exchange transactions	69,444,081	60,706,327
Other receivables from non-exchange transactions	9,962,115	6,232,034
Trade and other payables from exchange transactions	(106,058,870)	(146,267,193)
Consumer deposits	(7,236,417)	(6,955,063)
Finance lease obligation	(8,185,952)	(1,803,222)

Market risk

Interest rate risk

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

51. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: Planning and Economic Services, Social and Community Services and 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.

The reportable segments identified are those functional segments reported in the Government Municipal Vote (Departmental) format per the Monthly Section 71 management reports. The information that will be reported is aligned to the monthly section 71 reports which are reviewed by the executive management. The Municipal Vote (Departmental) format allows for universal comparability of segments. The main factors considered in selecting the segments were the level of comparability with other preparers and a level of aggregation that does not detract from presenting the separate revenue or service delivery components.

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

Aggregated segments

The municipality operates Limpopo Province in Waterberg District. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout the municipality were sufficiently similar to warrant aggregation.

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.

The Municipality uses the Municipal Vote (Departmental) as segment reporting levels. The assets and liabilities are not reviewed at all on a segregated basis.

Types of goods and/or services by segment

The following Municipal Vote (Departmental) are considered significant to the municipality and are accordingly managed separately because the general economic benefits and/or service potential:

Planning and Economic Services	Building control, trading/business licensing, issuing, human settlement and housing
Social and Community Services	Social and Community Services, Law enforcement management services, Driver and motor vehicle licensing, refuse/solid waste removal, sports and recreation, cemetery and burial services
Technical Services	Water, sanitation, electricity and road infrastructure

Notes to the Audited Annual Financial Statements

Figures in Rand

51. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Planning and Economic Services	Social and Community Services	Technical Services	Total
Revenue				
Service charges	-	10,596,348	210,055,250	220,651,598
Rental of facilities and equipment	-	62,323	-	62,323
Agency services	-	4,601,547	-	4,601,547
Sale of goods and rendering of services	637,963	434,932	-	1,072,895
Interest income	-	1,315,854	9,410,152	10,726,006
Public donation	-	-	16,744,000	16,744,000
Fair value adjustment	6,740,688	-	-	6,740,688
Change in landfill provision income	-	3,020,493	-	3,020,493
Licences and Permits (Non-exchange)	-	2,199,648	-	2,199,648
Availibility charges	-	1,041,844	2,536,465	3,578,309
Government grants & subsidies	-	1,302,000	91,958,209	93,260,209
Fines, Penalties and Forfeits	144,566	31,400,124	115,647	31,660,337
Total segment revenue	**7,523,217**	**55,975,113**	**330,819,723**	**394,318,053**
Total segment revenue				**394,318,053**
Expenditure				
Employee related costs	6,847,653	25,863,950	57,509,008	90,220,611
Depreciation and amortisation	3,610,864	5,360,966	31,565,367	40,537,197
Impairment of assets	-	734,749	186,438	921,187
Finance costs	-	6,700,678	-	6,700,678
Debt Impairment	-	28,929,202	39,171,362	68,100,564
Bulk purchases	-	-	136,245,642	136,245,642
Loss on disposal of assets	-	-	3,006,097	3,006,097
General Expenses	103,821	4,133,603	33,112,653	37,350,077
Total segment expenditure	**10,562,338**	**71,723,148**	**300,796,567**	**383,082,053**

Notes to the Audited Annual Financial Statements

Figures in Rand

	Planning and Economic Services	Social and Community Services	Technical Services	Total
51. Segment information (continued)				
Total segmental surplus/(deficit)	**(3,039,121)**	**(15,748,035)**	**30,023,156**	**11,236,000**
Assets				
Inventories	-	-	480,908	480,908
Receivables from exchange transactions (short term)	-	2,054,462	37,505,926	39,560,388
Receivables from non-exchange transactions	-	13,289,367	6,913,443	20,202,810
Investment property	67,457,882	-	-	67,457,882
Property, plant and equipment	81,300,942	120,705,648	710,714,790	912,721,380
Receivables from exchange transactions (long term)	-	-	140,580	140,580
Total segment assets	**148,758,824**	**136,049,477**	**755,755,647**	**1,040,563,948**
Liabilities				
Consumer deposits	-	2,034	7,217,426	7,219,460
Unspent conditional grants and receipts	-	-	49,662	49,662
Provisions (short term)	-	4,915,023	-	4,915,023
Provisions (Long term)	-	60,859,937	-	60,859,937
Total segment liabilities	**-**	**65,776,994**	**7,267,088**	**73,044,082**
Total segment net assets	**148,758,824**	**70,272,483**	**748,488,559**	**967,519,866**

The mandate of the municipality is to provide basic services to the community over which it governs. To properly execute its mandate and achieve its strategic goals, internal management reporting is based on each service objective. The components described below have been identified as individually significant segments for purposes of reporting in terms of GRAP 18 (Segment Reporting).

- Technical Services

- Social and Community Services

- Planning and Economic Development

51. Segment information (continued)

The following Municipal Vote (Departmental) not are considered reportable segments because they are administrative and/or supporting departments as a result they do not generate economic benefits and/or service potential, and they are unallocated:

- Municipal Manager

- Internal Audit

- Budget and Treasury

- Mayor and Council

- Corporate Services

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.

2023

	Planning and Economic Services	Social and Community Services	Technical Services	Total
Revenue				
Service charge	-	9,523,872	180,366,187	189,890,059
Rental of facilities and equipment	-	96,691	-	96,691
Agency services	-	4,883,306	-	4,883,306
Sale of goods and rendering of services	647,499	479,252	-	1,126,751

51. Segment information (continued)

Other income	-	685,224	-	685,224
Interest income from exchange	-	989,000	6,812,832	7,801,832
Fair value adjustment	5,698,010	-	-	5,698,010
Licences and permits (non-exchange)	-	2,159,542	-	2,159,542
Availibility charges	-	1,023,740	2,344,967	3,368,707
Government grants and subsidies	-	1,502,000	84,698,839	86,200,839
Fines, Penalities and forfeits	729,600	32,868,296	126,748	33,724,644
Total segment revenue	**7,075,109**	**54,210,923**	**274,349,573**	**335,635,605**
Total segment revenue				**335,635,605**
Expenditure				
Employee related costs	4,292,983	37,231,503	49,683,418	91,207,904
Depreciation and amortisation	3,699,654	5,052,034	30,071,685	38,823,373
Impairment of assets	-	486,409	2,234,536	2,720,945
Finance costs	-	5,609,498	-	5,609,498
Debt Impairment	-	3,504,317	12,465,113	15,969,430
Bulk purchases	-	-	111,941,973	111,941,973
Contracted services	-	-	26,000	26,000
Loss on disposal of assets	-	-	1,927,430	1,927,430
General Expenses	167,891	1,937,732	30,284,706	32,390,329
Total segment expenditure	**8,160,528**	**53,821,493**	**238,634,861**	**300,616,882**
Total segmental surplus/(deficit)	**(1,085,419)**	**389,430**	**35,714,712**	**35,018,723**
Assets				
Inventories	-	-	361,755	361,755
Receivables from exchange transactions (short term)	-	2,140,869	35,821,706	37,962,575
Receivables from non-exchange transactions	-	9,184,543	4,323,043	13,507,586
Investment property	60,717,194	-	-	60,717,194
Property, plant and equipment	81,300,942	111,019,871	660,833,785	853,154,598
Receivables from exchange transactions (Long-term)	-	-	140,580	140,580
Total segment assets	**142,018,136**	**122,345,283**	**701,480,869**	**965,844,288**

Liabilities

Notes to the Audited Annual Financial Statements

Figures in Rand

	Planning and Economic Services	Social and Community Services	Technical Services	Total
51. Segment information (continued)				
Consumer deposits	-	2,034	6,943,527	6,945,561
Unspent conditional grants and receipts	-	-	7,441,161	7,441,161
Provisions (Long term)	-	62,789,813	-	62,789,813
Total segment liabilities	**-**	**62,791,847**	**14,384,688**	**77,176,535**
Total segment net assets	**142,018,136**	**59,553,436**	**687,096,181**	**888,667,753**

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

52. Fruitless and wasteful expenditure

Opening balance as previously reported	4,470,743	12,141,816
Add: Fruitless and wasteful expenditure identified - current	211,355	4,470,743
Less: Amount written off - current period	(844,278)	-
Add: Amount written off - current period (Reversal**)	738,675	-
Less: Amount written off - prior period	(4,470,743)	(12,141,816)
Closing balance	**105,752**	**4,470,743**

Fruitless and wasteful expenditure is presented inclusive of VAT

The Fruitless and wasteful expenditure amounting to R 5 315 021 (2023: R 12 141 816) was referred to MPAC for investigation during the year under review

After MPAC investigations, council adopted the MPAC recommendation to write-off an amount of R 5 315 021 (2023: R 12 141 816) from the total fruitless and wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

The current year fruitless and wasteful expenditure consisted of interest on late payments invoices.

**The current year fruitless and wasteful expenditure was written-off by council on the 31st of March 2024 and subsequantly waived by the creditors.

The fruitless and wasteful expenditure was as a result of interest charged on late payments to suppliers, was then referred to MPAC by council for investigation. The fruitless and wasteful expenditure was certified as irrecoverable and written off by council in terms of MFMA Section 32(2)(b) and as guided by MFMA Circular 68.

Notes to the Audited Annual Financial Statements

Figures in Rand		2024	2023

52. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Legislation contravened	Interest Charges due to late payment - Contravention of MFMA section 65(2)(e)	211,355	4,470,743

Figures in Rand	2024	2023

53. Irregular expenditure

Opening balance as previously reported	66,421,187	123,366,567
Add: Irregular expenditure - current	28,748,752	34,565,590
Add: Irregular expenditure - prior period	412,315	32,891,220
Less: Amount written off - current	(12,828,633)	-
Less: Amount written off - prior period	(66,781,857)	(124,402,190)
Closing balance	**15,971,764**	**66,421,187**

Irregular Expenditure is presented inclusive of VAT.

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

Contract extended without following proper procedures	-	148,336
PPPFA Regulations, 2017 Local Content Production not included on the bid document and tender advert	302,490	15,343,275
Payments made exceeds contract or tendered price or purchase order value.	-	291,617
The functionality was not created in manner that it could be quantified.	1,909,006	3,210,877
Non Compliance with PPPFA MBD 6.2 - does not have Annexure C and E. No local content evaluation on BEC and BAC reports	16,980,395	34,565,590
Non Compliance with Supply Chain Management Regulations which includes amongst others awards made to suppliers without submission of MBD 4, CSD and tender splitting.	-	13,897,115
Reasons for deviation not justifiable	109,825	-
Non-Compliant with CIDB	912,814	-
Winning bidder's funtionality score incorrectly calculated	8,946,537	-
	29,161,067	**67,456,810**

Irregular Expenditure is presented inclusive of VAT.

Details of the Irregular Expenditure contain incidents/cases identified and referred to MPAC by council for investigation.

The irregular expenditure was as a result of non compliance with SCM legislation and other applicable laws, was then referred to MPAC by council for investigation. The irregular expenditure was certified as irrecoverable and written off by council in terms of MFMA Section 32(2)(b) and as guided by MFMA Circular 68.

Amount written-off

After the municipal public accounts committee investigations, council adopted the municipal public accounts committee recommendation to write-off an amount of 66,781,857 (2023: 124 402 190) from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

54. Unauthorised expenditure

Opening balance as previously reported	35,270,541	168,310,673
Add: Unauthorised expenditure - current	58,368,129	35,089,192
Less: Amount written - prior period	(35,270,541)	(168,129,324)
Closing balance	**58,368,129**	**35,270,541**

Amount written off

After the municipal public accounts committee investigations, council adopted the municipal public accounts committee recommendation to write-off an amount of R35 270 541 (2023: R168 129 324) from the total unathorised expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

Unauthorised expenditure: Budget overspending – per municipal department:

Chief Financial Officer	7,386,582	28,795,165
Internal Audit	109,354	6,050,300
Social and Community Services	28,463,214	243,727
Technical Services	22,341,616	-
Corporate services	67,363	-
	58,368,129	**35,089,192**

55. Budget differences

Material differences between budget and actual amounts

Statement of Financial Performance

Rental of facilities and equipment - The 19% negative variance of revenue from rental is based on the demand for use of the municipal facilities such as community halls etc. Fewer than anticipated bookings were received for the year.

Sale of goods and rendering of services - The 21% negative variance of revenue is dependent on the demand of the service by consumers for the year. Fewer than anticipated demand were transacted.

Other income - The 141% positive variance for other income includes administration handling fees, collection charges, staff and other councillors recoveries e.t.c which are dependent on consumption level which is unpredictable and difficult to estimate during budget preparation.

Interest income - The positive variance of 39% results from an increased receivable balance that is attributable to lower debtors collection.

Change in landfill provision income- 100% positive variance. There was no allocation for this item in the budget as this was not anticipated during budget preparation.

Debt forgiveness- There is no provision for this debt forgiveness income in the budget,hence the 100% positice variance.

Fair value adjustment- 100% positive variance. The fair value adjustment income was not anticipated/forecasted when the budget was prep101ared, hence no budget allocation was made.

Fines, penalties and forfeits- 17% negative variance. The previous service provider's contract ended during the year and there was a delay in finalizing the setup of the new provider's traffic fines system. As a result, fewer tickets were issued during the year than anticipated in the budget.

Property rates - The 31% variance is less than anticipated property rates revenue due to Section 78 and Supplementary Valuation Roll outcomes .

Licences and Permits (Non-exchange) - The 11% positive variance of revenue is dependent on the demand of the service by consumers for the year. Fewer than anticipated demand transacted.

55. Budget differences (continued)

Availability charges - 100% positive variance was due to seperate disclosure of the availability charges that was not being billed previously.

Public contributions and Donations - Variance of 100% resulted from the donation received from RAL for the maintenance roads owned by the municipality.

Employee related costs - 16% negative variance was due vacancy posts which were expected to be filled but not filled.

Debt Impairment - 460% positive variance was due to the increase in the volume of transactions.

Contracted services - 15% negative variance was due puting certain procurement on hold due to cost containment.

Impairment of assets - 100% positive variance. There was no budget provision for impairment loss as it was not anticipated during budget preparation. The impairment assessment was performed at year-end.

Loss on disposal of assets-100% positive variance. The loss was not anticipated during budget preparation, hence no budget allocation was made for it.

General Expenses -19% negative variance was due putting certain procurement on hold due to cost containment.

Statement of Financial Position

Current Assets

Inventories - A 95% negative variance was due to less the fact that the municipality anticipated that there would be a high water volume storage during the under review.

Receivables from exchange transactions - A 23% positive variance was due to a slight decline in collection during the year under review as compared to what was anticipated for collection.

VAT receivable-a positive variance of 412% was due to higher input than output VAT transactions.

Cash and cash equivalents - A 36% positive variance was due to the strict adherance to the cashflow management as well as cost containtment management.

Investment property - A 50% negative variance was due to the correction of error of investment property. The municipality budgetted for investment properties that do not GRAP 16 investment property defintion. This was noted subsequently to the approval of the adjustment budget.

Intangible assets - A 162% positive variance was due to procurement of intangible assets. This was due to the incorrect allocation when budget of assets.

Receivables from exchange transactions - 37% negative variance was due to increase collection rate due.

Current Liabilities

Employee benefit obligation - A 90% negative variance was due actual employee beenfit obligation being more than what was forseen during the budget.

Unspent conditional grants and receipts- A 90% negative variance was due improvement on the planning and execution of projects that are funded by conditional grants.

Finance lease obligation - A 100% negative variance was due to incorrect accounting of lease transactions that were previously accounted for as operational leases instead of finance lease. The misstatement was addressed after budget adjustment

55. Budget differences (continued)

Provisions - A 100 % negative due to due to incorrect accounting of landfill provision in the previous finanical year. The previous audited transactions were used as a basis to budget for current year landfill provision.

Payables from exchange trasnactions - a 23% positive variance was due to the incorrect accounting treatment of Municipal Debt Relief financial liabilities. The misstatement will be addressed in the budget adjustment by correctly accouting for Municipal Debt Relief financial liabilities from payables from exchange transactions.

Non-Current Liabilities

Employee benefit Obligation - A 654% negative variance was due actual employee benefit obligation being more than what was forseen during the budget.

Provisions - 20% variance negative due to due to incorrect accounting of landfill provision in the previous finanical year. The previous audited transactions were used as a basis to budget for current year landfill provision.

Municipal Debt Relief financial liabilities - A 100% negative variance was due incorrect accounting of lease transactions that were previously accounted for as operational leases instead of finance lease. The misstatement was addressed after budget adjustment.

Finance Lease Obligation - A 100% negative variance was due incorrect accounting of lease transactions that were previously accounted for as operational leases instead of finance lease. The misstatement was addressed after budget adjustment.

Payables from exchange trasnactions (Non-current liabilities) - a 100% negative variance was due to the incorrect accounting treatment of debt relief fund at the budgeting period. However, this was correctly disclosed by splitting as current and non-current liaiblities on the actuals.

Cashflow Statement

Cash flows from investing activities

Property rates - 14% negative variance. Less than anticipated property rates revenue was earned during the year due to Section 78 and Supplementary Valuation Roll outcomes.

Interest income - 45% negative variance. The municipality derives interest from positive bank accounts balances, more interest than anticipated was earned in the current year.

Other receipts - 75% negative variance. Other receipts are derived from goods and services that are demand based, the demand in the current year was lower than anticipated.

Suppliers and Employee costs - 24% negative variance. This was because of vacancy posts which were expected to be filled but not filled; and certain procurement was put on hold due to cost containment.

Finance costs - 99% variance. This is due to effective cash flow management and as a result creditors were paid within the prescribed period, hence remote interest was incurred.

Net cash flows from investing activities

Purchase of other intangible assets - 100% variance. This is due to the reclassification of intangible assets from operational expenditure, there was no budget allocation for the acquisition of intangible assets.

Cash flows from financing activities

Finance lease payments - 100% variance. This is as a result of reclassification of actual transactions from operational lease to finance lease. This transpired at year-end after adjustments budget, resulting to the lease transactions being treated as finance lease while it was an operational lease in the budget.

Differences between budget and actual amounts basis of preparation and presentation

Figures in Rand	2024	2023

55. Budget differences (continued)

The annual financial statements and the budget are prepared on the same basis of accounting (accrual basis) therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amount. The financial statements and budget are prepared for the period from 1 July 2023 to 30 June 2024. A reconciliation between the actual amounts on a comparable basis as presented in the statement of comparison of budget and actual amounts and the actual amounts

56. Municipal Debt Relief financial liabilities

	2024	2023
At amortised cost		
Municipal Debt Relief financial liabilities	18,860,806	-

Bela-Bela Local Muncipality received an approval of municipal debt relief with effect from first of November 2023 in line with MFMA circular 124 for consecutive period of 36 months. The amount approved by national treasury was R31 million. Prior to the approval of the debt relief but post application of the debt relief, the municiplaity had already paid R7 million in line with the previous payment arrangment. This therefore resulted into the debt balance of R23 million that is subject to the debt relief program.

In terms of the Municipal Debt Relief Supplementary Guide to MFMA Circular No. 124, Paragraph 2.2.1, Eskom will permanently suppress interest on the Municipal Relief Debt charged from 01 April 2023 up to and including the effective date. Eskom will do so within three months of the effective date. The effect of R4.4 million was due to the permanet write-off in line with modification of the contract as per GRAP 104 and MFMA Circular No. 124.

	2024	2023
Non-current liabilities		
At amortised cost	11,878,479	-
Current liabilities		
At amortised cost	6,982,327	-

57. Debt forgiveness

	2024	2023
Interest charges waived by creditors	3,223,762	-
Municipal Debt Relief	4,495,078	-
	7,718,840	**-**

Refer to note 56 for detailed description on the Municipal Debt Relief financial liability

58. Change in landfill provision

	2024	2023
Landfill provision	3,020,493	-

59. Public contributions and donations

	2024	2023
Road improvements by Road Agency Limpopo	16,744,000	-