Ephraim Mogale Local Municipality

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

Published 31 August 2024

General Information

Legal form of entity	South African Category C Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)
Nature of business and principal activities	Provision of basic services in terms of Local Municipality function as defined by the Municipal Structures Act. (Act no 117 of 1998) "
Council	
Mayor	Cllr Moimana GMH
Speaker	Cllr Lentsoane R
Chief Whip	Cllr Magane L
Traditional Leaders	Kgoshi-Lehwelele-Matlala M
	Kgoshi Matlala RD
	Kgoshi Rahlagane MP
	Kgoshi Kekana MF
Councillors	Cllr Moimana GMH(Mayor)
	Cllr Lentsoane R(Speaker)
	Cllr Magane L(Chief Whip)
	Cllr Ramphela RM(Exco member)
	Cllr Jacobs PR(Exco member)
	Cllr Sedibane FS(Exco member)
	Cllr Mashiane SM
	Cllr Tshiguvho EM(Exco member)
	Cllr Aphane KM
	Cllr Mello MF-(deceased)
	Cllr Thobejane PM
	Cllr Kutu TC
	Cllr Sebothoma KW
	Cllr Lekoatsipa LR
	Cllr Magatla NL
	Cllr Seloma RM
	Cllr Mahubane SE
	Cllr Maphopha MM
	Cllr Nkoana TP
	Cllr Phahlamohlaka T
	Cllr Mokwana BZ
	Cllr Mmamahlako K
	Cllr Mogale T
	Cllr Letsela NS
	Cllr Dries P
	Cllr Makola ML
	Cllr Modipa SR
	Cllr Mmeshi SJ
	Cllr Maelane KM
	Cllr Mmanaswe TM (Exco member)
	Cllr Mabaso T
	Cllr Moela JM(Deceased)
	Cllr Rabalao S
	Cllr Lekgoathi L
Grading of local authority	Grade 2
Capacity of local authority	Low Capacity

General Information

Municipal demarcation code	LIM 471
Accounting Officer	Mr M Moropa
Chief Finance Officer (CFO)	Mr TT Modisane
Registered office	No. 13 Ficus street Civic centre Marble Hall Limpopo 0450
Business address	No. 13 Ficus street Civic centre Marble Hall Limpopo 0450
Postal address	P.O Box 111 Marble Hall Limpopo 0450
Bankers	First National Bank (Primary bank account)
Auditors	Auditor General South Africa (AGSA), Limpopo Business Unit. Enquiries:Gerhard Ordendaal . Email:godendaal@agsa.co.za
Attorneys	Popela Maake Inc Attorneys Khumalo Masondo Attoneys Inc Mphoke PK Magane Inc Verveen Attorneys NJ Morero Inc TJ Machete Attorneys Rachoene Attorneys Kgolishi A Mamabolo Attorneys Dabishi Nthambeleni Inc KNT Attorneys Machaka NC Inc Mmakola Matsimela Inc

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The reports and statements set out below comprise the Annual Financial Statements presented to the provincial legislature:

Abbreviations

GRAP	Generally Recognised Accounting Practice
WCA	Workmen's Compensation Act
MPAC	Municipal Public Accounts Committee
SCM	Supply Chain Management
SALGA	South African Local Government Association
UIF	Unemployment Insurance Fund
WCA	Workers Compensation Assistance
VAT	Value Added Tax
AGSA	Auditor General of South Africa
PAYE	Pay as you earn
MFMA	Municipal Finance Management Act
MSCOA	Municipal Standard Chart of Accounts
EPWP	Expanded Public works programme
PPE	Property Plant and Equipment
SDL	Skills Development Levy

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The external auditors are responsible for auditing and reporting on the Municipality's Annual Financial Statements. The Annual Financial Statements have been examined by the Municipality's external auditors and their report is presented as part of these financial statements.

It is certified in the accounting officer's report that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in notes to these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The Annual Financial Statements set out on pages 9 to 102 which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2024 and were signed by:

Moropa M E
Accounting Officer

Saturday, 31 August 2024

Audit Committee Report

REPORT OF THE AUDIT AND PERFORTMANCE COMMITTEE FOR THE YEAR ENDED 30 JUNE 2024

The report herein provides the year-end report for the Audit and Performance Committee (herein referred as “the Audit Committee”) as of 30 June 2024.

BACKGROUND AND STATUTORY REQUIREMENTS

The purpose of this report is to communicate to the council the audit committee’s progress in carrying out its oversight responsibilities in terms of section 166 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003, as amended) (MFMA), read with circular 65 published by the National Treasury for the year ended 30 June 2024.

The audit committee was established in terms of section 166 of the MFMA which requires every municipality to establish an independent audit committee, which must advise the municipal council, political office bearers, accounting officer and management staff of the municipality as well as the accounting officer and the management staff of the municipal entity, on matters relating to internal financial controls and internal audits, risk management, accounting policies, the adequacy, reliability and accuracy of financial reporting and information, performance management, effective governance, compliance with the MFMA, the annual Division of Revenue Act (DoRA) and any other applicable legislation, and any other issues referred to it by the municipality.

The audit committee has adopted its terms of reference (Audit and Performance Committee Charter) which is regularly reviewed and approved by the council. The audit committee is pleased to present its report for the financial year ended 30 June 2024

AUDIT AND PERFORMANCE COMMITTEE MEMBERS AND ATTENDANCE

The audit committee comprises of five members, including the chairperson, Mr. LM Malapela. In terms of section 166(4)(b) of the MFMA, the audit committee must meet at least four times a year. During the financial year ended 30 June 2024, the audit committee met eleven (11) times. The table below shows the attendance of these meetings.

NAME OF THE MEMBER	POSITON	DATE OF APPOINTMENT	QUALIFICATIONS	ORDINARY MEETINGS	SPECIAL MEETINGS
Mr. LM Malapela	Chairperson	01 November 2020	CFE-Certified Fraud Examiner CIA-Certified Internal Auditor CCSA-Certification in Control Self Assessment Master of Philosophy (MPhil: Internal Auditing) Post Graduate Diploma: Internal Auditing BTech-Internal Auditing National Diploma Internal Auditing	4	7

Audit Committee Report

NAME OF THE MEMBER	POSITON	DATE OF APPOINTMENT	QUALIFICATIONS	ORDINARY MEETINGS	SPECIAL MEETINGS
Adv. GT Moeng	Member	01 November 2020	Master of Business Leadership Post Graduate Programme in Executive Development Advance Management Development Programme L.L.B Degree B. Juris Degree	4	7
Mr. ML Mokwena	Member	01 November 2020	Certificate in Municipal Finance Certificate in Real Estate Articles of Training BCom Accounting	4	7
Mr. VK Chuene	Member	01 November 2020	Municipal Financial Development Managing Integrated Development for Service Delivery B-tech in Internal Auditing National Diploma in Internal Auditing	2	3
Mr. MA Mmapheto	Member	01 November 2020	National Diploma in : Internal Auditing B Tech: Internal Audit, Post Graduate Diploma: Internal Audit	4	7

Members of the audit committee held meetings with the municipal manager as the accounting officer, senior management of the municipality, the internal audit function, and the external auditors, collectively, on matters related to governance, internal control, and risk in the municipality, throughout the reporting period. The committee also held a meeting with the honourable mayor and reported to council on governance, internal control, risk, performance and financial information and other relevant matters concerning the municipality. The Chief Audit Executive has unrestricted access to the chairperson of the audit committee

DISCHARGE OF THE AUDIT COMMITTEE RESPONSIBILITIES

REVIEW AND EVALUATION OF THE ANNUAL FINANCIAL STATEMENTS

One of the primary responsibilities of the Audit Committee is the review and evaluation of the Annual Financial Statements. The committee reviewed the 2023/24 Annual Financial Statements prior to submission to the Auditor General South Africa on 31 August 2024.

Audit Committee Report

These Annual Financial Statements are prepared by management in accordance with the South African Standards of Generally Recognized Accounting Practice (SA Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2009 (Act No 12 of 2009) (DORA).

The committee reviewed the quarterly financial reports issued to council during the financial year and continues to provide oversight over the financial controls in preparation of the annual financial statements. Management is responsible for the preparation of the annual financial statement and should continue to strengthen the controls to ensure that they are prepared in accordance with the applicable accounting frameworks and are free from misstatements and errors

INTERNAL AUDIT

The Accounting Officer is obliged, in terms of section 165 of the MFMA, to ensure that the municipality has a system of internal audit under the control and direction of the audit committee. The Internal Audit function of Ephraim Local Municipality is established in the Office of the Municipal Manager, and it discharges its mandate in terms of the approved Internal Audit Charter.

During the year, the Audit Committee reviewed and approved the internal audit charter, risk based internal audit plan, internal audit methodology, project audit reports and the quarterly internal audit reports to the audit committee.

Internal Audit implemented all the planned assurance engagements for the 2023/24 financial year. The internal audit function found that the control environment was effective; however, some specific control weaknesses we identified on audit of performance information,supply chain management and project management, for which recommendations were made for improvement.

The Audit Committee is satisfied that the internal audit function has properly discharged its functions and responsibilities during the year under review. The audit committee is however concerned with the external quality assurance review that was not performed, the external assessment is required to be performed at least every five years by an independent reviewer or review team to maintain conformance with the International Standards for the Professional Practice of Internal Auditing.

EFFECTIVENESS OF INTERNAL CONTROLS

In line with section 62 (c) (ii) of the MFMA, Internal Audit provides the Audit Committee and Management with reasonable assurance that the internal controls are adequate and effective. This is achieved by an approved risk-based internal audit plan, Internal Audit assessing the adequacy of controls mitigating the risks and the Audit Committee monitoring implementation of corrective actions.

The Audit Committee has considered the work performed by Internal Audit on a quarterly basis and has reviewed the findings by the Auditor-General South Africa on internal controls for the year ended 30 June 2024.

RISK MANAGEMENT

The audit committee is responsible for the oversight of the risk management function. The risk management committee is established and reports to the audit committee on its activities in assisting the municipality with risk management. A member of the audit committee currently serves in the risk management committee as the independent chairperson and is appointed in writing by the accounting officer.

The Municipality has an effective Risk Management Function that is headed by Risk Officer who reports to the Municipal Manager and the Risk Management Committee. The Audit Committee has reviewed the risk register and the quarterly reports from the Risk Management Committee

PERFORMANCE MANAGEMENT

The audit committee has reviewed and considered the in-year performance reports and performance results reported by management in the quarterly and mid-term performance reports. Considerable improvements were noted in the effectiveness of the processes and the quality of information reported; however, challenges are still experienced with the reliability of information reported and the lack of portfolio of evidence to substantiate the reported performance.

The Audit Committee is pleased that the internal audit function reviewed the quality of the performance targets and indicators and reviewed the alignment of the IDP, Budget and the SDBIP before final submission to council and continues to assist in verifying the reported performance against the supporting evidence. The Audit Committee continues to monitor the implementation of the municipal planned activities through the review of the quarterly performance reports and budget implementation reports.

Audit Committee Report

CONCLUSION

The audit committee acknowledged the co-operation and assistance by the Ephraim Mogale Local Municipality for coordinating the activities of the Committee. We also acknowledge the commitment of the Municipal Manager and Management of Ephraim Mogale Local Municipality in strengthening corporate governance and in maintaining the unqualified audit opinion.

The Audit Committee further acknowledged the commitment of good governance led by the Honourable Mayor and the Council and further express gratitude to the Chief Audit Executive and for the support and commitment to the work of the audit committee.

Mr. LM Malapela
Chairperson of Audit and Performance Committee

Saturday, 31 August 2024

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The operating results and state of affairs of the municipality are fully set out in the attached Annual Financial Statements and do not in our opinion require any further comment.

Net surplus of the municipality was R 40 466 454 (2023: surplus R 71 666 122) as restated. The municipality is engaged in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and delivery of municipal services to the community.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and fully elaborated in the Statement of Comparison of Budget and Actual Amounts. The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going concern

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

The ability of the municipality to continue as a going concern is certain for the foreseeable medium-term revenue and expenditure framework and medium-term budget periods as submitted to National Treasury. The ability of the municipality to continue as a going concern is certain for the foresseeable medium-term revenue and expenditure framework and medium-term budget periods as submitted to the National Treasury.

3. Subsequent events

The accounting officer has not identified events after reporting date as in GRAP 14 guidelines.

4. Accounting policies

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

5. Accounting Officer

The Accounting Officer of the Municipality during the year and to the date of this report is as follows:

Name	Nationality	Changes
Moropa ME	South African	Appointed Tuesday, 02 May 2023, to date

6. Council , Mayor and Internal Audit

Councillors

The councillors retain full control over the municipality, its plans and strategy;

Acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

- is of a unitary structure comprising;

- Mayor

- Speaker

Accounting Officer's Report

- Executive committee councillors, and

- Councillors.

Mayor

The roles of the Mayor and Accounting Officer are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion. The Council and Mayor performs their oversight role and duties in terms of the prescribed legislation and delegated authorities

Internal Audit

The municipality had a Chief Audit Executive and a full time Internal Auditor for the year under review. The internal audit operates under section 165 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA).

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	10	36 694 142	36 704 040
Receivables from non-exchange transactions	4&5	4 089 586	1 457 457
VAT receivable	8&9	380 943	1 938 255
Consumer debtors from exchange transactions	6	31 916 802	27 817 979
Consumer debtors from non exchange transactions	6	56 544 405	45 722 509
Cash and cash equivalents	3	359 462 684	318 629 848
		489 088 562	**432 270 088**
Non-Current Assets			
Investment property	11	74 377 561	72 292 561
Property, plant and equipment	12	876 397 101	870 311 883
Heritage assets	13	191 160	170 430
Eskom Deposits	7	1 861 591	12 950 925
		952 827 413	**955 725 799**
Total Assets		**1 441 915 975**	**1 387 995 887**
Liabilities			
Current Liabilities			
Finance lease obligation	54	8 649 743	7 619 435
Payables from exchange transactions	15	61 881 885	62 664 955
Consumer deposits	16	1 293 811	1 342 905
Employee benefit obligation	19	999 950	573 893
Provisions	18	2 977 664	-
		75 803 053	**72 201 188**
Non-Current Liabilities			
Finance lease obligation	54	8 952 691	17 602 435
Employee benefit obligation	19	25 196 946	18 864 640
Provisions	18	41 346 666	29 177 473
		75 496 303	**65 644 548**
Total Liabilities		**151 299 356**	**137 845 736**
Net Assets		**1 290 616 619**	**1 250 150 151**
Reserves			
Revaluation reserve		149 510	149 510
Accumulated surplus		1 290 467 106	1 250 000 652
Total Net Assets		**1 290 616 616**	**1 250 150 162**

* See Note 55 & 47

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods		96 500	113 901
Service charges	20	77 946 160	71 016 163
Rental of facilities and equipment		67 643	218 431
Agency fees	55	5 594 755	5 687 860
Other income	21	851 845	2 922 443
Interest received	22	27 144 082	15 950 165
Total revenue from exchange transactions		**111 700 985**	**95 908 963**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	55 328 009	40 126 248
Basic Electricity levy		11 692 930	10 309 528
Interest on outstanding receivable balances	22	11 156 236	8 649 757
Transfer revenue and other receipts			
Government grants & subsidies	24	242 769 959	240 057 025
Fines, Penalties and Forfeits		453 296	531 277
Total revenue from non-exchange transactions		**321 400 430**	**299 673 835**
Total revenue		**433 101 415**	**395 582 798**
Expenditure			
Employee related costs	25	(108 962 225)	(103 711 615)
Remuneration of councillors	26	(15 050 571)	(13 928 800)
Repairs and Maintenance		(19 173 047)	(14 966 807)
Depreciation and amortisation	27	(62 410 051)	(57 352 099)
Finance costs	28	(8 652 108)	(6 369 225)
Operating Lease Expense	49	(1 626 783)	(1 387 365)
Debt Impairment	29	(10 153 760)	(8 788 372)
Impairment of assets	12	(1 620 606)	(4 925 871)
Bulk purchases	30	(56 886 156)	(46 859 516)
Contracted services	31	(35 234 590)	(28 634 619)
Grants and Subsidies	50	(12 870 282)	(1 659 823)
General Expenses	32	(57 025 397)	(50 392 541)
Total expenditure		**(389 665 576)**	**(338 976 653)**
Operating surplus		**43 435 839**	**56 606 145**
Profit / (Loss) on disposal of fixed assets	12	(1 126 039)	277 893
Fair value adjustments	33	2 105 730	5 546 420
Actuarial Gain / (Loss)	19	(3 949 076)	9 478 103
Inventories losses/write-downs	10	-	(242 439)
		(2 969 385)	**15 059 977**
Surplus for the year		**40 466 454**	**71 666 122**

* See Note 55 & 47

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2022	**149 510**	**1 178 334 530**	**1 178 484 040**
Changes in net assets			
Surplus for the year	-	71 666 122	71 666 122
Total changes	-	71 666 122	71 666 122
Restated* Balance at 01 July 2023	**149 510**	**1 250 000 652**	**1 250 150 162**
Changes in net assets			
Surplus for the year	-	40 466 454	40 466 454
Total changes	-	40 466 454	40 466 454
Balance at 30 June 2024	**149 510**	**1 290 467 106**	**1 290 616 616**

Note(s)

* See Note 55 & 47

Cash flow statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		136 040 639	121 571 255
Government grants and subsidies		242 769 959	240 054 000
Interest income		27 144 082	15 950 165
Other receipts		948 345	3 036 344
		406 903 025	380 611 764
Payments			
Employee costs		(121 537 647)	(132 247 050)
Suppliers		(185 753 885)	(121 818 352)
Finance costs		(2 780 721)	(274 277)
		(310 072 253)	(254 339 679)
Net cash flows from operating activities	35	**96 830 772**	**126 272 085**
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(59 467 855)	(70 704 360)
Deposit (Security held in advance) movement		11 089 334	(677 072)
Net cash flows from investing activities		**(48 378 521)**	**(71 381 432)**
Cash flows from financing activities			
Finance lease payments		(7 619 436)	-
Net increase/(decrease) in cash and cash equivalents		**40 832 815**	**54 890 653**
Cash and cash equivalents at the beginning of the year		318 629 848	263 739 154
Cash and cash equivalents at the end of the year	3	**359 462 663**	**318 629 807**

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						
Sale of goods	684 000	(365 000)	**319 000**	96 500	**(222 500)**	1
Service charges	92 148 000	(6 367 000)	**85 781 000**	77 946 160	**(7 834 840)**	2
Rental of facilities and equipment	188 000	(97 000)	**91 000**	67 643	**(23 357)**	3
Agency fees	5 828 000	7 000	**5 835 000**	5 594 755	**(240 245)**	4
Other income	460 000	(6 000)	**454 000**	851 845	**397 845**	5
Interest received	15 000 000	8 000 000	**23 000 000**	27 144 082	**4 144 082**	6
Total revenue from exchange transactions	**114 308 000**	**1 172 000**	**115 480 000**	**111 700 985**	**(3 779 015)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	50 000 000	(585 000)	**49 415 000**	55 328 009	**5 913 009**	7
Basic Electricity Levy	-	-	**-**	11 692 930	**11 692 930**	2
Interest on outstanding receivable balances	8 862 000	6 162 000	**15 024 000**	11 156 236	**(3 867 764)**	8
Transfer revenue						
Government grants & subsidies	202 450 000	343 000	**202 793 000**	242 769 959	**39 976 959**	9
Fines, Penalties and Forfeits	207 000	(87 000)	**120 000**	453 296	**333 296**	10
Total revenue from non-exchange transactions	**261 519 000**	**5 833 000**	**267 352 000**	**321 400 430**	**54 048 430**	
Total revenue	**375 827 000**	**7 005 000**	**382 832 000**	**433 101 415**	**50 269 415**	
Expenditure						
Employee related costs	(113 248 000)	2 572 000	**(110 676 000)**	(108 962 225)	**1 713 775**	11
Remuneration of councillors	(16 874 000)	1 894 000	**(14 980 000)**	(15 050 571)	**(70 571)**	12
Repairs and Maintenance	(23 569 000)	(3 137 000)	**(26 706 000)**	(19 173 047)	**7 532 953**	13
Depreciation and amortisation	(50 128 000)	(13 412 000)	**(63 540 000)**	(62 410 051)	**1 129 949**	14
Finance costs	(2 094 000)	(706 000)	**(2 800 000)**	(8 652 108)	**(5 852 108)**	15
Operating Lease Expense	(1 819 568)	-	**(1 819 568)**	(1 626 783)	**192 785**	16
Debt Impairment	(12 339 000)	(3 682 000)	**(16 021 000)**	(10 153 760)	**5 867 240**	17
Impairment of Assets	-	-	**-**	(1 620 606)	**(1 620 606)**	14
Bulk purchases	(50 000 000)	-	**(50 000 000)**	(56 886 156)	**(6 886 156)**	18
Contracted Services	(43 961 000)	1 819 000	**(42 142 000)**	(35 234 590)	**6 907 410**	19
Grants and Subsidies	(2 989 490)	-	**(2 989 490)**	(12 870 282)	**(9 880 792)**	20
General Expenses	(58 643 942)	(7 413 000)	**(66 056 942)**	(57 025 397)	**9 031 545**	21
Total expenditure	**(375 666 000)**	**(22 065 000)**	**(397 731 000)**	**(389 665 576)**	**8 065 424**	
Operating surplus	**161 000**	**(15 060 000)**	**(14 899 000)**	**43 435 839**	**58 334 839**	
Profit / (Loss) on disposal of fixed assets	-	-	**-**	(1 126 039)	**(1 126 039)**	22
Fair value adjustments	-	-	**-**	2 105 730	**2 105 730**	23
Actuarial gains/losses	-	-	**-**	(3 949 076)	**(3 949 076)**	23.1
	-	**-**	**-**	**(2 969 385)**	**(2 969 385)**	

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
Surplus / (Deficit)	**161 000**	**(15 060 000)**	**(14 899 000)**	**40 466 454**	**55 365 454**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**161 000**	**(15 060 000)**	**(14 899 000)**	**40 466 454**	**55 365 454**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	38 962 000	(171 000)	**38 791 000**	36 694 142	**(2 096 858)**	24
Receivables from exchange transactions	23 732 000	(1 368 000)	**22 364 000**	4	**(22 363 996)**	25
Receivables from non-exchange transactions	61 241 000	379 000	**61 620 000**	4 089 586	**(57 530 414)**	26
VAT receivable	89 359 000	-	**89 359 000**	380 943	**(88 978 057)**	27
Consumer debtors	20 504 000	-	**20 504 000**	88 461 207	**67 957 207**	28
Cash and cash equivalents	240 147 000	3 007 000	**243 154 000**	359 462 684	**116 308 684**	29
	473 945 000	**1 847 000**	**475 792 000**	**489 088 566**	**13 296 566**	
Non-Current Assets						
Investment property	139 618 000	-	**139 618 000**	74 377 561	**(65 240 439)**	30
Property, plant and equipment	963 563 000	(19 457 000)	**944 106 000**	876 397 101	**(67 708 899)**	31
Intangible assets	23 000	-	**23 000**	-	**(23 000)**	32
Heritage assets	157 000	-	**157 000**	191 160	**34 160**	33
Eskom Deposits	-	-	**-**	1 861 591	**1 861 591**	34
	-	-	**-**			
	1 103 361 000	**(19 457 000)**	**1 083 904 000**	**952 827 415**	**(131 076 585)**	
Total Assets	**1 577 306 000**	**(17 610 000)**	**1 559 696 000**	**1 441 915 981**	**(117 780 019)**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	**-**	8 649 743	**8 649 743**	35
Payables from exchange transactions	55 057 000	85 000	**55 142 000**	61 881 885	**6 739 885**	35
Trade and other Payables from non-exchange Transactions	6 000	-	**6 000**	-	**(6 000)**	
VAT payable	86 998 000	-	**86 998 000**	-	**(86 998 000)**	27
Consumer deposits	1 739 000	-	**1 739 000**	1 293 811	**(445 189)**	37
Employee benefit obligation	3 538 000	-	**3 538 000**	999 950	**(2 538 050)**	38
Provisions	17 865 000	-	**17 865 000**	2 977 664	**(14 887 336)**	39
	165 203 000	**85 000**	**165 288 000**	**75 803 053**	**(89 484 947)**	
Non-Current Liabilities						
Finance lease obligation	-	-	**-**	8 952 691	**8 952 691**	40
Employee benefit obligation	16 873 000	-	**16 873 000**	25 196 946	**8 323 946**	41
Provisions	18 067 000	-	**18 067 000**	41 346 666	**23 279 666**	42
	34 940 000	**-**	**34 940 000**	**75 496 303**	**40 556 303**	
Total Liabilities	**200 143 000**	**85 000**	**200 228 000**	**151 299 356**	**(48 928 644)**	
Net Assets	**1 377 163 000**	**(17 695 000)**	**1 359 468 000**	**1 290 616 625**	**(68 851 375)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Reserves						
Revaluation reserve	157 000	-	**157 000**	149 510	**(7 490)**	43
Accumulated surplus	1 377 006 000	(17 695 000)	**1 359 311 000**	1 290 467 115	**(68 843 885)**	44
Total Net Assets	**1 377 163 000**	**(17 695 000)**	**1 359 468 000**	**1 290 616 625**	**(68 851 375)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	164 838 000	(2 059 000)	**162 779 000**	136 040 639	**(26 738 361)**	45
Government grants and subsidies	241 839 000	(2 291 000)	**239 548 000**	242 769 959	**3 221 959**	45
Interest income	15 000 000	8 000 000	**23 000 000**	27 144 082	**4 144 082**	45
Other receipts	7 299 000	(456 000)	**6 843 000**	948 345	**(5 894 655)**	45
	428 976 000	**3 194 000**	**432 170 000**	**406 903 025**	**(25 266 975)**	
Payments						
Employee Cost and Suppliers	(311 304 000)	(4 716 000)	**(316 020 000)**	(307 199 517)	**8 820 483**	46
Finance costs	(2 099 000)	-	**(2 099 000)**	(2 780 721)	**(681 721)**	46
	(313 403 000)	**(4 716 000)**	**(318 119 000)**	**(309 980 238)**	**8 138 762**	
Net cash flows from operating activities	**115 573 000**	**(1 522 000)**	**114 051 000**	**96 922 787**	**(17 128 213)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash flows from investing activities						
Purchase of property, plant and equipment	(79 359 000)	6 045 000	**(73 314 000)**	(59 467 855)	**13 846 145**	47
Purchase of eskom deposits	-	-	**-**	11 089 334	**11 089 334**	47
Net cash flows from investing activities	**(79 359 000)**	**6 045 000**	**(73 314 000)**	**(48 378 521)**	**24 935 479**	
Net increase/(decrease) in cash and cash equivalents	36 214 000	4 523 000	**40 737 000**	48 544 266	**7 807 266**	
Cash and cash equivalents at the beginning of the year	241 645 000	-	**241 645 000**	318 629 848	**76 984 848**	48
Cash and cash equivalents at the end of the year	**277 859 000**	**4 523 000**	**282 382 000**	**367 174 114**	**84 792 114**	

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

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

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These Annual Financial Statements have been prepared based on the expectation that the Municipality will continue to operate as a going concern for at least the next 12 months

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1.2 Significant judgements and sources of estimation uncertainty

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

Receivables

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

The impairment for receivables is calculated on a portfolio basis. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Allowance for slow moving, damaged and obsolete inventory

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

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

Value in use of non-cash generating assets

The municipality reviews and tests the carrying value of non-cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Goodwill is tested on an annual basis for impairment.

Provisions

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

Residual values ,useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives, residual values and related depreciation charges for the property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

Post retirement benefits and other long-term benefits

The present value of the post retirement and long-term benefit obligations depend 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 and long-term benefit obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement and long-term benefit obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds 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 or other long-term liability. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality 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.

Other key assumptions for post retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in Note 19.

Effective interest rate

The municipality uses the government bond rate to discount future cash flows.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Allowance for impairment of financial assets

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

Budget Information

A difference of 10% or more between budget and actual amounts is regarded as material. All material differences are explained in the notes to the annual financial statements

Material Losses

Material losses are losses that occur due to factors other than normal production and utilisation and are regarded as material if their omission or misstatement will affect the decisions made by users of the information. The losses disclosed include that of technical losses and non-technical losses related to water. Losses that occur due to normal production and utilisation are classified as production costs and factored into the municipality 's tariffs. They, therefore, do not constitute material losses. If actual production and utilisation losses exceed the normal budgeted production and utilisation losses factored into the tariff, this difference is considered material losses

Service Charges

Waste removal is based on the size of the bin and the number of times it is collected. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Estimates of consumption are made monthly when meter readings have not been performed. The estimates of consumption are recognised as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. Waste removal services are billed on a monthly basis..

Going Concern

Management considers key financial metrics and approved medium-term budgets, together with the municipality’s dependency on the grants from national and provincial government, to conclude that the going concern assumptions used in the compilation of its annual financial statements, is appropriate

Residual value of property, plant and equipment

Management has determined that none of its infrastructure assets have an active market value, and the value of the amount at the end of their useful lives would therefore be insignificant

Useful lives of property, plant and equipment and investment property held at cost

The useful lives of assets are based on management’s estimates. Management considers the impact of technology, service requirements and required return on assets to determine the optimum useful-life expectation, where appropriate. The estimated residual values of assets are also based on management judgements on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time

Operating lease commitment.

Leases where risks and rewards of ownership are not transferred to the lessee are classified as operating leases. Payments received or paid under operating leases are recognised in statement of financial performance on a straight-line basis over the period of the lease

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

1.3 Investment property (continued)

- use in the production or supply of goods or services, or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

Fair value

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

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

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

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

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

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- Managements' intended usage of the property; and
- the extent to which it is owner occupied.

1.4 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

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

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

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

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

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

Property, plant and equipment is depreciated over the expected useful lives to the estimated residual value. The depreciation charge for each period is recognised in surplus or deficit. Small assets with cost or deemed cost of less than R1000 will not be subject to perpetual restatement of useful life. Management indicated that due to the nature of these items like chairs and dustbins, once the initial depreciation period has passed it will be deemed to be fully used and any further use to be incidental by nature and that asset values should not be attached to these high risk incidental benefits.

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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

Item - Average useful life	Depreciation method	Average Useful Life
Buildings	Straight line	10-30 years
Community assets	Straight line	5-25 years
Infrastructure assets	Straight line	2-100 years
IT equipment	Straight line	5 -15 years
Land	Straight line	Indefinite
Motor vehicle	Straight line	7-15 years
Office equipment	Straight line	5-15 years
Plant and machinery	Straight line	2-15 years
Leased assets	Straight line	3-10 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 in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

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

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements refer note 13.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore certain items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, rehabilitation and similar liabilities. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The related asset is measured using the cost model:

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

1.6 Heritage assets

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

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

When the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information of such heritage asset is disclosed in note 13 - Heritage assets.

1.6 Heritage assets (continued)

Heritage assets are initially measured at cost.

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

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

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

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

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

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

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

The municipality derecognised heritage assets on disposal, or when no future economic benefits or service potential are expected from its used or disposal.

The gain or loss arising from the derecognition of a heritage asset is the difference between the net disposal proceeds and the carrying amount and is included in surplus or deficit when the item is derecognised.

1.7 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.

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non exchange transactions	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Eskom deposits	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Finance Lease Liability	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

1.7 Financial instruments (continued)

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

The entity recognises financial assets using trade date accounting.

1.7 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

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

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 entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants will consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectability of financial assets

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

The provision for bad debt amount will be an accumulative expression of a percentage of the amount of the debt occurrence at a certain ageing category and an amount that represents an accumulation of individual debt amounts.

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 impairment for the receivables is calculated based on historical collection rate ratios.

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

1.7 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognised financial assets using trade date accounting.

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

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

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

Financial liabilities

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

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

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

1.8 Statutory receivables

Identification

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

Recognition

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

1.8 Statutory receivables (continued)

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 these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- significant financial difficulty of the receivable, which may be evidenced by an application for debt counselling, business rescue or an equivalent;
- it is probable that the receivable 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); and
- 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, through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

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 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 derecognised a statutory receivable, or a part thereof, when:
- the rights to the cash flows from the receivable are settled, expire or are waived;

Accounting Policies

1.8 Statutory receivables (continued)

- 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 municipality:
  - derecognised the receivable; and
  - recognises separately any rights and obligations created or retained in the transfer.

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

1.9 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

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

Inventory - unsold property held for sale

Unsold properties that was approved for sale by the Council is held as inventory. The properties previously held as investment property at market value is transferred in terms of GRAP 16 and GRAP 12 at market value as the deemed cost of the individual properties. The market value is then considered to be the deemed cost are then considered as the carrying value of the item from the date transferred to unsold properties held for sale. When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

Accounting Policies

1.9 (continued)

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

1.10 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the VAT Act No.89 of 1991.

1.11 Employee benefits

Short-term employee benefits

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

Short-term employee benefits include:

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

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

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

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

The municipality 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.

1.11 Employee benefits (continued)

Post-employment benefits

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, 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 contribution in the cost of an asset.

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

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- actuarial gains and losses;
- past service cost.

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

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

1.11 Employee benefits (continued)

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other long-term employee benefits

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

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method to determine is the present value of the obligations.

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

The entity recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- actuarial gains and losses, which shall all be recognised immediately.

Accounting Policies

1.11 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit 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 benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

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 deficits.

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.

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

1.12 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

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

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

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

1.13 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited / debited against accumulated surplus / deficit. Prior year adjustments, relating to income and expenditure, are credited / debited against accumulated surplus when retrospective adjustments are made.

1.14 Accounting by principals and agents

Identification

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

Identifying whether an entity is a principal or an agent

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

Binding arrangement

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

Where the terms of a binding arrangement are modified, the municipality re-assesses whether it act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

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 judgements in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

1.14 Accounting by principals and agents (continued)

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.

1.15 Revenue from exchange transactions

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.

Unclaimed Deposits

The following procedure will be followed prior to write off of unclaimed deposits

Should unclaimed monies not be claimed within a period of Three (3) years the monies will be written off from the register to accumulated surplus.

The following process must be followed before any monies are receipted in accumulated surplus:

The register will be advertised in the media in terms of section 21A of the Systems Act, Act 32 of 2000 that it will lie open for public inspection.

Such register must lie open for a period of a months

The register will be made available for inspection at the main municipal buildings.

The prescribed form must be completed with documentary proof should any monies be claimed by a customer or creditor.

After a 54 month period a report will be submitted to Council on the unclaimed monies to be written off from the register and be transfered to accumulated surplus

Measurement

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

Sale of goods

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

1.15 Revenue from exchange transactions (continued)

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest and dividends

Revenue arising from the use by others of municipal assets yielding interest and dividends or similar distributions is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- the amount of the revenue can be measured reliably.

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

1.16 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the 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.

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.

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

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.

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Property rates

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

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

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

Basic Electricity Levy

Basic electricity charges are levied on all conventional meters based on the customer account category and the type of electrical load (either single-phase or three-phase). These levies are included in the annual tariffs approved by the council. Additionally, a basic vacant levy is charged on all unoccupied residential properties

Basic electricity levies are billed monthly and are not dependent on consumption..

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

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

Transfers

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

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

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

1.16 Revenue from non-exchange transactions (continued)

Debt forgiveness and assumption of liabilities

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

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

Fines

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

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

Government grants

Government grants are recognised as revenue when:

-it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
-the amount of the revenue can be measured reliably; and
-to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised on receipt when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period., such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier. When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

Gifts and donations, including goods in-kind

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

Services in-kind

Except for financial guarantee contracts, the municipality recognises 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.

Concessionary loans received

A concessionary loan is a loan granted to or received by the property, plant and equipment on terms that are not market related.

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

The portion of the loan that is repayable, along with any interest payments, are exchange transactions and are accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

1.17 Investment income

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

1.18 Borrowing costs

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

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

1.19 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 - 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 municipality's incremental borrowing rate.

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 on the remaining balance of the liability.

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

Operating leases - lessor

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

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.

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

Accounting Policies

1.19 Leases (continued)

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.

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

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

1.20 Grant in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase of sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving raise to the transfer occurred.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 49.

1.22 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 municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.23 Unauthorised expenditure

Unauthorised expenditure in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3),of the MFMA and include –

a) Overspending of the total amount appropriated in the municipality’s approved budget;

b) Overspending of the total amount appropriated for a vote in the approved budget;

c) Expenditure form a vote unrelated to the department or functional area covered by the vote;

d) Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;

e) Spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of allocation” otherwise than in accordance with any conditions of the allocation; or

f) A grant by the municipality otherwise than in accordance with this Act.

1.23 Unauthorised expenditure (continued)

All expenditure relating to operational unauthorised expenditure is initially recognised as an expense in the statement of financial performance in the 10 months that the expenditure was incurred. The expenditure relating to capital expenditure is initially recognised as an asset in the statement of financial position in the year the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense or asset, and where council resolves on recovery, it is subsequently accounted for as revenue in the statement of financial performance and debtors in the statement of financial position. When the payment is subsequently received, the payment is receipted against the debtor.

For operational expenditure and capital assets the amounts are recognised excluding VAT.

The unauthorised expenditure note to the financial statements is disclosed excluding VAT.

1.24 Fruitless and wasteful expenditure

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

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

1.25 Irregular expenditure

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

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore must be provided in the notes.

1.26 Segment information

A segment is an activity of an entity:

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

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

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.

Accounting Policies

1.27 Budget information

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

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

The budget for the economic entity includes all the entities approved budgets under its control.

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

1.28 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.

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 considered to be those family members who may be expected to influence, or be influenced by management in their dealings with the municipality.

1.29 Events after reporting date

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

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

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

The municipality discloses 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.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised): Employee Benefits	01 April 2023	The impact of the is not material.
• GRAP 2020: Improvements to the Standards of GRAP 2020	01 April 2023	The impact of the is not material.

2.2 Standards and Interpretations early adopted

The municipality did not early adopt any standards and interpretations:

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 2023 Improvements to the Standards of GRAP 2023	01 April 2099	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2099	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	01 April 2099	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	336 619 388	318 629 848
Short-term deposits	22 843 296	-
	359 462 684	**318 629 848**

The short term deposit of R22 843 296 is inclusive of R13 582 000 which is a guarantee for the Marble Hall town bulk upgrade at the Eskom substation

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

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

During the 2018 financial year VBS Mutual bank experienced financial difficulties which led to breach of contracts when some of the matured investments and deposits could not be honoured. The reserve bank then placed VBS Mutual bank under curatorship in 2018. The Municipality had a short-term deposit of R 83 658 548. The Municipality accounts for short term deposits as financial assets carried at amortised cost. The curator and National Treasury only guaranteed retail depositors up to R100 000 per depositor, corporate and Municipalities deposits were not guaranteed. The Municipality then impaired the total investment of R 83 658 548 since there was no future cash flow expected from the VBS Mutual bank. The letter issued by the curator on the 11th March 2018 stated that the bank will cease to accrue further interest as at the date it has been placed under curatorship. As such the R83 658 548 has been determined using a straight line method to accrue interest since end of February and 11 March 2018.The municipality did not receive any confirmation from the curator, and it was confirmed that the investment should be fully Impaired or written off for the financial year ending 30 June 2020.No additional information was received from the Provincial Government and the curator of the VBS Mutual Bank until during 2022 financial year when part of the investment was recovered. Management assessed the impairment and concluded that the full balance of the impairment is still valid and applicable for the 2022/2023 and 2023/2024 financial years

The VBS curator transferred an amount of R6 112 400.00, into the municipality's account on the 4th of February 2022 .

Credit rating

AAA	336 619 388	318 629 848

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
FNB Cheque A/C	332 165 217	318 615 064	263 734 318	336 619 388	318 629 848	263 739 091
FNB Call Account	22 843 296	-	-	22 843 296	-	-
Total	**355 008 513**	**318 615 064**	**263 734 318**	**359 462 684**	**318 629 848**	**263 739 091**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

4. Receivables

Gross balances		
Receivables- other	660 368	660 368
Fines	7 734 566	7 377 566
	8 394 934	**8 037 934**

Less: Allowance for impairment		
Receivables- other	(660 368)	(660 368)
Fines	(7 296 744)	(6 835 300)
	(7 957 112)	**(7 495 668)**

Net balance		
Fines	437 822	542 266

Traffic Fines		
31 - 60 days	58 000	50 700
61 - 90 days	40 750	72 750
91 - 120 days	24 250	86 750
121 - 365 days	7 611 566	7 167 365
Impairment	(7 296 744)	(6 835 299)
	437 822	**542 266**

Operational Debtors		
> 365 days	660 370	660 368

Reconciliation of allowance for impairment		
Balance at beginning of the year	(7 495 666)	(6 896 128)
Contributions to allowance	(461 446)	(599 538)
	(7 957 112)	**(7 495 666)**

5. Receivables from non-exchange transactions

Unauthorised debit orders	29 826	410 065
Staff Debtors	399 979	399 979
Department of transport(Licensing)	-	105 147
Government grant and subsidies	3 221 959	-
Fines	437 822	542 266
	4 089 586	**1 457 457**

Receivables from non-exchange transactions pledged as security

None of the receivables were pledged as security.

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

Traffic fines	437 822	542 266

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

6. Consumer debtors

Gross balances		
Rates	119 716 479	103 763 521
Electricity	5 513 974	8 843 759
Refuse	11 057 892	9 370 782
Basic electricity - Non Exchange	10 831 534	9 540 872
Other	55 939 230	48 923 432
	203 059 109	**180 442 366**
Less: Allowance for impairment		
Rates	(68 194 078)	(62 281 176)
Electricity	(353 280)	(3 472 217)
Refuse	(7 387 851)	(6 353 628)
Basic electricity - Non Exchange	(5 809 530)	(5 300 708)
Other	(32 853 163)	(29 494 149)
	(114 597 902)	**(106 901 878)**
Net balance		
Rates	51 522 401	41 482 345
Electricity	5 160 694	5 371 542
Refuse	3 670 041	3 017 154
Basic electricity - Non Exchange	5 022 004	4 240 164
Other	23 086 067	19 429 283
	88 461 207	**73 540 488**
Included in above is receivables from exchange transactions		
Electricity	5 160 694	5 371 542
Refuse	3 670 041	3 017 154
Other	23 086 067	19 429 283
	31 916 802	**27 817 979**
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	51 522 401	41 482 345
Basic electricity - non exchange	5 022 004	4 240 164
	56 544 405	**45 722 509**
Net balance	**88 461 207**	**73 540 488**
Rates		
Current (0 -30 days)	7 708 640	3 002 183
31 - 60 days	2 464 517	1 699 077
61 - 90 days	2 258 772	1 648 781
91 - 365 days	107 284 549	97 413 479
Impairment	(68 194 077)	(62 281 175)
	51 522 401	**41 482 345**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

6. Consumer debtors (continued)

Electricity		
Current (0 -30 days)	4 623 683	3 160 952
31 - 60 days	134 920	177 985
61 - 90 days	59 518	134 343
91 - 365 days	695 853	5 370 478
Impairment	(353 280)	(3 472 216)
	5 160 694	**5 371 542**

Refuse		
Current (0 -30 days)	484 174	372 238
31 - 60 days	183 116	172 602
61 - 90 days	159 535	153 303
91 - 365days	10 231 059	8 672 360
Impairment	(7 387 843)	(6 353 349)
	3 670 041	**3 017 154**

Basic Electricity -non exchange		
Current (0 -30 days)	1 089 006	701 905
31 - 60 days	257 619	231 593
61 - 90 days	222 421	220 772
91 - 365 days	9 262 489	8 386 601
Impairment	(5 809 531)	(5 300 707)
	5 022 004	**4 240 164**

Other		
Current (0 -30 days)	3 081 471	1 809 484
31 - 60 days	1 276 627	1 136 700
61 - 90 days	1 204 446	1 103 335
91 - 365 days	50 376 685	44 873 872
Impairment	(32 853 162)	(29 494 108)
	23 086 067	**19 429 283**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

6. Consumer debtors (continued)

Summary of debtors by customer classification

	2024	2023
Consumers		
Current (0 -30 days)	3 236 079	2 290 216
31 - 60 days	1 267 104	1 091 944
61 - 90 days	1 125 189	983 327
91 - 365 days	63 883 306	53 988 333
	69 511 678	58 353 820
Less: Allowance for impairment	(41 340 489)	(35 246 693)
	28 171 189	**23 107 127**
Industrial/ commercial		
Current (0 -30 days)	13 672 229	6 702 216
31 - 60 days	3 007 217	2 304 931
61 - 90 days	2 754 614	2 256 614
91 - 365 days	113 058 759	109 934 589
	132 492 819	121 198 350
Less: Allowance for impairment	(72 683 344)	(71 157 877)
	59 809 475	**50 040 473**
National and provincial government		
Current (0 -30 days)	76 718	54 523
31 - 60 days	42 479	21 081
61 - 90 days	24 890	20 593
91 - 365 days	908 399	793 868
	1 052 486	890 065
Less: Allowance for impairment	(574 059)	(497 295)
	478 427	**392 770**
Total		
Current (0 -30 days)	16 986 974	9 046 764
31 - 60 days	4 316 800	3 417 957
61 - 90 days	3 904 693	3 260 534
91 - 365 days	177 850 464	164 717 098
	203 058 931	180 442 353
Less: Allowance for impairment	(114 597 724)	(106 901 865)
	88 461 207	**73 540 488**
Less: Allowance for impairmen		
Less: Allowance for impairment	(114 597 902)	(106 901 878)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(106 901 878)	(102 990 857)
Contributions to allowance	(7 696 024)	(3 911 021)
	(114 597 902)	**(106 901 878)**

Figures in Rand	2024	2023

6. Consumer debtors (continued)

Statutory Receviables - Rates

Property rates is tax levied in terms of Local Government Property Rates Act, Act No. 6 of 2004. The Act empowers the municipality to adopt by-laws to give effect to the implementation of its rates policy i.e., levying of property rates on all rateable property in its area (except as provided otherwise within law).

The municipality recognise statutory receivables using GRAP 108 at their transaction amount per approved tariffs through billing.

The municipality measure 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:

(a) interest or other charges that may have accrued on the receivable;
(b) impairment losses; and
(c) any amounts derecognised

The municipality derecognise a statutory receivable, or a part thereof, when the rights to the cash flows from the receivable are settled, expire or are waived.

Statutory receivables - Property rates balances

Property rates receivables	55 328 008	41 482 345

Consumer debtors additional information

Consumer debtors accounts are required to be settled after 30 days, interest is charged after this date at a rate of prime plus 2%. The fair value of trade and other receivables approximates their carrying amounts.

7. Eskom Deposits

Eskom Deposit	1 861 591	12 950 925

A security deposit is held by Eskom who is the bulk electricity supplier to the municipality. Eskom pays interest annually on the security deposit held.

An amount of R11 493 554 previously held by Eskom as security deposit has been expensed for the purpose of electricity upgrades.

8. VAT - Basis

The Municipality is registered on the Cash basis for Value Added Tax.

9. VAT receivable

VAT receivables	**380 943**	**1 938 255**

-	2024 June	2023 June
VAT Accrual	-2 813 299,51	-3 656 114,27
VAT Cash basis	3 194 243,45	5 594 369,27
-	**380 943,94**	**1 938 255,00**

The municipality accounts for Value-Added Tax (VAT) on both an accrual and cash basis, as follows:

1. **VAT on Accrual Basis:**This represents VAT amounts that have not yet been claimed from or submitted to the South African Revenue Service (SARS). These amounts are recognized and will be submitted to SARS once the municipality receives the corresponding payments from customers.

2. **VAT on Cash Basis:**This includes VAT received or paid, net of cash receipts and payments, which has already been submitted to SARS. These balances represent amounts that the municipality expects SARS to refund.

3. **Net VAT Accounting:**VAT is accounted for on a net basis, reflecting the nature of VAT transactions as either receivables or payables with SARS. The municipality claims VAT refunds net of VAT payable and receivable amounts, ensuring alignment with SARS's submission requirements.

Presenting VAT as separate payable (liability) and receivable (asset) amounts may imply that these balances are mutually exclusive. However, they are interrelated and should be considered together. Therefore, the municipality discloses VAT on a net basis in the financial statements to provide a more accurate representation of its VAT position.This approach aligns with the guidance provided in the VAT 419 Guide for Municipalities, which emphasizes the importance of accurate VAT accounting and reporting.

VAT receivable is a statutory receivable per GRAP 108.

In terms of the VAT Act, 1991 (Act No. 89 of 1991) and its amendments, municipalities must be VAT registered and must declare Output tax on the taxable supply of goods and services and claim Input tax credits on expenses incurred in the course or furtherance of the enterprise (the taxable supplies).

The above VAT balance accumulates every time the municipality transacts in taxable supplies.

The transaction amount is determined by multiplying the standard-rated supplies by 15% and Zero-rated supplies by 0%.

statutory receivable are impaired only when SARS reduces an assessment, and the municipality objection is denied by SARS. There are no VAT balances that are past due as at year end.

The municipality is registered on the cash basis and the timing of payments to/from SARS is at the end of each month.

Due to the accrual basis of accounting applied the amount disclosed for VAT include the total movement of VAT accounts. The basis includes a set of accounts that indicate the amount accrued for VAT in debtors and creditors separate from the amount receivable or owed to SARS. The basis of accounting does not lend itself to the separate disclosure of vat movement items. In terms of the prescribed guidelines only the nett VAT receivable or payable are disclosed.

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means; and are settled in cash or another financial asset. Some examples of statutory receivables include those receivables related to property taxes, fines for breaches of legislation, levies. Statutory receivables are also known as compulsory transactions

10. Inventories

	2024	2023
Consumables	764 142	774 040
Unsold Properties Held for Resale	35 930 000	35 930 000
	36 694 142	**36 704 040**

Inventory classification - Consumables, are held in stock for use in the municipality's day to day operations. This is then drawn from the account on a needs basis. Unsold Properties - Held for Resale are unsold stands which are held in inventory as the Council resolved to sell the stands in Extension 6. These stands are available for sale and due processes are being put in place for the sale thereof. These stands were transferred from investment properties during the 2018/2019 financial year. No inventory was written down during the year under review

Valuation of Inventory

Inventory are valued on the principle of the Weighted Average Costing as stated in the inventory register, such cost to be determined with every receipt and issue of stock.

Municipality inventory is not pledged as security for any Liabilities.

Inventory movement for the year - consumables

	Note	2024	2023
Opening balance		774 040	1 214 321
Issues		(3 320 807)	(1 180 920)
Returns		14 700	17 629
Write off	30	-	(234 442)
Purchases		3 296 209	957 452
Closing balance		**764 142**	**774 040**

11. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property land	74 377 561	-	74 377 561	72 292 561	-	72 292 561

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property land	72 292 561	2 085 000	74 377 561

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property land	68 100 061	4 192 500	72 292 561

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

11. Investment property (continued)

Pledged as security

None of the investment property has been pledged as security.

There are no restrictions on the realisability of investment property or the remittance of the revenue and proceeds of disposal. The municipality does not have any contractual obligation to purchase, construct or develop investment property or for repair, maintenance or enhancement as at the end of the period under review. 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.

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.

Details of valuation

The effective date of the revaluations was 30 June 2024. Valuations were performed by an independent valuer, Montani Property Valuers, as registered professional valuer's, that are not connected to the municipality and have recent experience in location and category of the investment property being valued. Montani Property Valuers is registered as - Authorised Property valuer's as per Section 22 of the Property valuer's Profession Act 2000 (No 47 of 2000) Registered with the SA Council for the Property Valuation Profession (SACPVP).

Rental revenue from investment property	67 643	218 431

Notes to the Annual Financial Statements

Figures in Rand

12. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	5 975 219	-	5 975 219	5 975 219	-	5 975 219
Buildings	39 145 507	(18 498 318)	20 647 189	38 990 006	(17 203 349)	21 786 657
Plant and machinery	44 451 284	(30 375 415)	14 075 869	42 030 488	(27 915 403)	14 115 085
Motor vehicles	8 364 552	(6 271 580)	2 092 972	8 870 918	(6 002 052)	2 868 866
Office equipment	7 523 951	(5 627 306)	1 896 645	7 490 292	(5 176 285)	2 314 007
IT equipment	5 925 558	(2 956 084)	2 969 474	3 791 083	(2 452 196)	1 338 887
Infrastructure	1 272 169 935	(582 216 570)	689 953 365	1 223 115 055	(532 303 524)	690 811 531
Community	74 558 021	(12 938 478)	61 619 543	72 516 445	(10 257 970)	62 258 475
Work in progress	43 077 725	-	43 077 725	42 447 387	-	42 447 387
Leased assets	25 814 273	(2 791 303)	23 022 970	25 814 273	(204 931)	25 609 342
Landfill	19 468 514	(8 402 384)	11 066 130	7 654 191	(6 867 764)	786 427
Total	**1 546 474 539**	**(670 077 438)**	**876 397 101**	**1 478 695 357**	**(608 383 474)**	**870 311 883**

Notes to the Annual Financial Statements

Figures in Rand

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers	Changes in Landfill site valuation	Change in estimates	Depreciation	Impairment loss	Impairment reversal	Total
Land	5 975 219	-	-	-	-	-	-	-	-	5 975 219
Buildings	21 786 657	155 500	-	-	-	-	(1 294 968)	-	-	20 647 189
Plant and machinery	14 115 085	2 871 586	(31 842)	-	-	49 447	(2 928 407)	-	-	14 075 869
Motor vehicles	2 868 866	-	(13 050)	-	-	-	(762 844)	-	-	2 092 972
Office equipment	2 314 007	83 083	(10 951)	-	-	41 909	(531 403)	-	-	1 896 645
IT equipment	1 338 887	2 199 805	(30 620)	-	-	39 737	(578 335)	-	-	2 969 474
Infrastructure	690 811 531	784 900	(1 079 778)	50 701 063	-	583 906	(50 504 950)	(3 791 326)	2 448 019	689 953 365
Community	62 258 475	2 041 580	-	-	-	8 696	(2 411 909)	(277 299)	-	61 619 543
Work in progress	42 447 387	51 331 401	-	(50 701 063)	-	-	-	-	-	43 077 725
Leased assets	25 609 342	-	-	-	-	-	(2 586 372)	-	-	23 022 970
Landfill	786 427	-	-	-	11 814 323	-	(1 534 620)	-	-	11 066 130
	870 311 883	**59 467 855**	**(1 166 241)**	**-**	**11 814 323**	**723 695**	**(63 133 808)**	**(4 068 625)**	**2 448 019**	**876 397 101**

Notes to the Annual Financial Statements

Figures in Rand

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Changes in Landfill site valuation	Other changes, movements	Depreciation	Impairment loss	Total
Land	5 975 219	-	-	-	-	-	-	-	5 975 219
Buildings	23 265 421	22 050	-	-	-	-	(1 300 142)	(200 672)	21 786 657
Plant and machinery	15 767 376	1 285 435	-	-	-	293 152	(3 214 605)	(16 273)	14 115 085
Motor vehicles	2 969 316	780 295	(36 947)	-	-	-	(843 798)	-	2 868 866
Office equipment	2 505 846	436 924	(63 893)	-	-	59 898	(624 768)	-	2 314 007
IT equipment	1 598 958	235 843	(39 907)	-	-	11 777	(467 784)	-	1 338 887
Infrastructure	651 119 378	1 597 785	(285 226)	91 572 429	-	136 806	(48 822 593)	(4 507 048)	690 811 531
Community	45 313 559	1 955 428	60	17 296 363	-	-	(2 105 057)	(201 878)	62 258 475
Work in progress	86 925 576	64 390 600	-	(108 868 789)	-	-	-	-	42 447 387
Leased assets		25 814 273	-	-	-	-	(204 931)	-	25 609 341
Landfill	4 012 184	-	-	-	(2 955 669)	-	(270 088)	-	786 427
	839 452 832	**96 518 633**	**(425 913)**	**3**	**(2 955 669)**	**501 633**	**(57 853 766)**	**(4 925 871)**	**870 311 882**

12. Property, plant and equipment (continued)

Property, plant and equipment in the process of being constructed or developed taking longer to complete

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete..

Project name	**Commence date**	**Reason for taking long**	**2 024**	**2 023**
Stormwater EXT:6	2018/06/30	Completed in the current year and transferred to fixed asset register.	-	21 819 636
Morarela Internal Road	2021/06/30	Completed in the current year and transferred to fixed asset register.	-	7 434 959
Tshikanoshi Sports Complex	2021/06/30	The project is on hold due to budget constraints.	5 013 938	5 013 938
Driefontein Internal Road	2022/06/30	The project is on hold due to budget constraints.	1 895 570	1 895 570
Mathukuthela Internal Road	2022/06/30	The project is on hold due to budget constraints.	2 119 113	2 119 113
Matlala Ramoshebo Internal Rc	2022/06/30	The project is on hold due to budget constraints. Construction is planned to commence in 2024/25 financial year.	2 073 108	2 073 108
Matlerekeng Internal Bus Route	2022/06/30	The project is on hold due to budget constraints.	2 110 652	2 110 652
Moeding Unternal Street	2022/06/30	The project is on hold due to budget constraints.	1 918 568	1 918 568
Mokwaneng Internal Road	2022/06/30	The project is on hold due to budget constraints.	1 579 523	1 579 523
Parks Development Landscapir	2022/06/30	The project is ongoing, it is within set timeframes.	1 776 818	547 062
Total	-	-	**18 487 290**	**46 512 128**

No portion of Property Plant and Equipment has been pledged as security for Liabilities, other than obligation under finance leases.

Amounts received from insurance proceeds as follows: 2024 R37 500 (2023 R0)

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

12. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	36 886 387	5 561 000	42 447 387
Additions/capital expenditure	45 304 014	6 027 387	51 331 401
Transferred to completed items	(50 701 065)	-	(50 701 065)
	31 489 336	**11 588 387**	**43 077 723**

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	65 630 022	21 295 553	86 925 575
Additions/capital expenditure	62 927 492	1 463 110	64 390 602
Transferred to completed items	(91 671 127)	(17 197 663)	(108 868 790)
	36 886 387	**5 561 000**	**42 447 387**

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		
Infrastructure	13 322 651	9 446 341
Vehicles	3 990 549	3 412 280
Buildings	1 384 535	1 126 010
IT Equipment	41 058	93 200
Community Asset	82 389	392 247
Plant and Equipment	370 866	476 531
Office Equipment	-	2 098
	19 192 048	**14 948 707**

During the year no instances of delayed maintenance was identified that would have an effect on the lifespan or capacity of any asset.

Mamphokgo Sports Complex was constructed and completed during the 2021/22 financial year. The complex was transferred to fixed asset register at a total cost of R24 327 424.However, damages were encountered on the complex which have delayed the opening of the facility to public use and Council has approved R9 million on the 2024/25 budget to undertake major maintenance. Designs for maintenance have been completed and approved by management..

During the year under review, management embarked on annual review of assets useful life in line with the requirements of GRAP 17. Per license condition the landfill site has reached its end of useful life. However, Landfill site was re-assessed by environmental experts and confirmed that it has physical capacity to operate for the next 6 years till 30 June 2030. The estimated useful life is based on the approved Reviewed Municipal Integrated Development Plan and Municipal Integrated Waste Management Plan. The municipality, with the support of LEDET, is currently in the process of developing the designs for new landfill site.

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.

Figures in Rand	2024	2023

13. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Sculptures	100 240	-	100 240	83 080	-	83 080
Artefacts	500	-	500	500	-	500
Mayoral chains	90 420	-	90 420	86 850	-	86 850
Total	**191 160**	**-**	**191 160**	**170 430**	**-**	**170 430**

Reconciliation of heritage assets 2024

	Opening balance	Revaluation increase/(decrease)	Total
Sculptures	83 080	17 160	100 240
Artefacts	500	-	500
Mayoral chains	86 850	3 570	90 420
	170 430	**20 730**	**191 160**

Reconciliation of heritage assets - 2023

	Opening balance	Revaluation increase/(decrease)	Total
Sculptures	77 990	5 090	83 080
Artefacts	500	-	500
Mayoral chains	71 020	15 830	86 850
	149 510	**20 920**	**170 430**

Pledged as security

None of the Heritage assets of the municipality was pledged as security.

Revaluations

Mayoral chains & sculptures

Heritage assets held by the municipality have an unlimited lifespan. The materials utilised in the manufacturing process are the true value of these items and the municipality valued these materials on the following basis.

The mayoral chains were valued by independent valuers, Messer's Benjamin Jewellers of Groblersdal, the effective date being 30 June 2024. The valuations were performed utilising standards set by the Jewellery Council of South Africa of which the company is a member of.

The sculptures (memorial stones) were valued by the independent valuers, Messer's van Wyk Tombstones of Marblehall on a replacement cost value. The effective date of valuation being 30 June 2024. These items were valued utilising cost effective methods as they are relatively low value items and management deemed these valuations fair and reasonable for the items disclosed.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

14. Other financial assets

Residual interest at cost		
VBS Investment During the 2018 financial year VBS Mutual bank experienced financial difficulties which led to breach of contracts when some of the matured investments and deposits could not be honoured. The reserve bank then placed VBS Mutual bank under curatorship in 2018. The Municipality had a short-term deposit of R 83 658 548. The Municipality accounts for short term deposits as financial assets carried at amortised cost. The curator and National Treasury only guaranteed retail depositors up to R100 000 per depositor, corporate and Municipalities deposits were not guaranteed. The Municipality then impaired the total investment of R 83 658 548 since there was no future cash flow expected from the VBS Mutual bank. The letter issued by the curator on the 11th March 2018 stated that the bank will cease to accrue further interest as at the date it has been placed under curatorship. As such the R83 658 548 has been determined using a straight line method to accrue interest since end of February and 11 March 2018.The municipality did not receive any confirmation from the curator, and it was confirmed that the investment should be fully Impaired or written off for the financial year ending 30 June 2020.No additional information was received from the Provincial Government and the curator of the VBS Mutual Bank until during 2022 financial year when part of the investment was recovered amounting to R6 112 400.The recovered amount has led to impairement reversal in the financial year 2021/2022. Management assessed the impairment and concluded that the full balance of the impairment is R77 546 148 still for the 2021/2022 and 2022/2023 financial years.	77 546 148	77 546 148
	77 546 148	77 546 148
Impairment	(77 546 148)	(77 546 148)
	-	-

15. Payables from exchange transactions

Trade payables	17 154 206	16 542 345
Accrued leave	14 762 822	12 722 605
Accrued 13th cheque	2 234 056	2 069 558
Retentions	21 013 625	21 965 487
Credit balances on receivables	4 257 832	4 066 022
Accrued salaries	367 834	338 064
Other creditors - Library and Town Hall deposits	238 655	237 655
Unallocated deposit account	1 814 816	4 656 017
License and Motor vehicle agency function	38 039	67 202
	61 881 885	**62 664 955**

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16. Consumer deposits

Electricity	1 293 811	1 342 905

On application for the provision of municipal services the prescribed consumer deposit shall be paid. The minimum deposit payable is determined annually by the council and is contained in the tariff book produced annually.

Figures in Rand	2024	2023

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

See note 24 for reconciliation of grants from National/Provincial Government.

18. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Interest Charg e annual	Change in discount factor	Total
Environmental rehabilitation	29 177 473	3 332 534	11 814 323	44 324 330

Reconciliation of provisions - 2023

	Opening Balance	Interest Charg e annual	Change in discount factor	Total
Environmental rehabilitation	29 051 241	3 081 901	(2 955 669)	29 177 473

	2024	2023
Non-current liabilities	41 346 666	29 177 473
Current liabilities	2 977 664	-
	44 324 330	**29 177 473**

Environmental rehabilitation provision

The environment rehabilitation provision relates to the decommissioning and rehabilitation of the landfill site situated on part of portion 476 of the Farm Loskop-Noord.

The 2024 valuations were performed by Environmental and Sustainability Solutions cc.

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
CPI 5.1704%,Discount rate 10.1704%,Net effective discount rate 5.%

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

19. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

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

The effective date of the Actuarial valuations was Friday, 30 June 2024. Valuations were performed by an independent Actuary, One Pangaea Expertise and Solutions, as registered valuers, affiliated to Actuarial Society of South Africa and are not connected to the Municipality

Long service awards

According to the rules of the long service awards scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to cash allowances calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service.

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

	2024	2023
Carrying value		
Present value of the defined benefit obligation-wholly unfunded(Post retirement medical aid plan)	(21 102 055)	(14 891 573)
Present value:defined benefit obligation-partly or wholly funded(Long service awards)	(5 094 839)	(4 546 958)
	(26 196 894)	**(19 438 531)**

	2024	2023
Non-current liabilities	(25 196 946)	(18 864 640)
Current liabilities	(999 950)	(573 893)
	(26 196 896)	**(19 438 533)**

Net expense of the defined benefit obligation (medical aid) recognised in the statement of financial performance

	2024	2023
Current service cost	742 838	1 060 549
Interest cost	2 076 553	2 534 639
Actuarial (gains) losses	3 703 894	(8 973 423)
Meducal Aud Subsidies paid to pensioners	(312 802)	(396 453)
	6 210 483	**(5 774 688)**

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

	2024	2023
Opening balance	4 546 958	5 051 798
Contributions by Employer-(Benefits paid)	(557 030)	(912 275)
Net Expense -Contributions and Value adjustments	1 104 911	407 435
	5 094 839	**4 546 958**

Net expense of the long service award recognised in the statement of financial performance

	2024	2023
Current year service costs	397 429	445 516
Expected return-Interest Charge	462 300	478 408
Actuarial gains (losses)	245 182	(516 489)
Contributions by employer	(557 030)	(912 275)
	547 881	**(504 840)**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

19. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rate used-Post employment continued medical aid benefits	13,25 %	14,04 %
Discount rates used-Long service leave provision benefits	10,40%	10,6%
Normal Salary rate increase	5,85 %	6,32 %
Medical cost trend rates	8,68%	9,52%
General earning inflation rate (long-term)	4,85 %	5,32 %

Other assumptions

Assumed healthcare cost trends and general earnings rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	**One percentage point decrease**
Effect on the aggregate of the service cost and interest cost-medical aid benefit	3 241 312	2 445 982
Effect on the aggregate of the service cost and interest cost-long service leave benefit	920 698	804 365
Effect on the aggregate of the service cost and interest cost-medical aid-discount rate	2 621 792	3 052 795
Effect on the aggregate of the service cost and interest cost-long service leave benefit discount rate	847 982	872 401

Amounts for the current and previous four years are as follows:

	2024	2023	2022	2021	2020
Defined benefit obligation(Medical Aid Benefit)	21 102 055	14 891 573	20 666 261	18 130 832	14 673 000
Long Service Award (obligation	5 094 839	4 546 958	5 051 798	4 617 046	4 118 000

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

20. Service charges

Sale of electricity	71 725 589	65 099 166
Solid waste - Refuse removal	6 220 571	5 916 997
	77 946 160	**71 016 163**

21. Other income

Sundry income	764 520	2 551 366
Recoveries	-	257 528
Fees	87 325	113 549
	851 845	**2 922 443**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

22. Interest received

Interest on Eskom Deposits	404 221	507 782
Interest from exchange on outstanding receivable balances	2 931 991	1 996 623
Interest from non-exchange on outstanding receivable balances	11 156 236	8 649 757
Interest on current account	22 190 574	13 445 760
Interest on call account	1 617 296	-
	38 300 318	**24 599 922**

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23. Property rates

Rates billed

Agricultural	28 019 508	17 839 547
Business and commercial	13 532 005	11 455 127
Residential	9 205 265	6 499 291
State owned	4 571 231	4 332 283
	55 328 009	**40 126 248**

Valuations

Agricultural	3 045 042 000	1 801 053 647
Business and commercial	500 203 000	456 437 000
Educational	6 020 000	16 302 000
Municipal	169 695 000	169 695 000
Public service infrastructure	4 796 900	16 974 100
Religious	23 490 000	25 500 000
Residential	801 113 000	771 577 000
State owned	908 401 000	849 502 000
Vacant	32 496 000	117 105 450
	5 491 256 900	**4 224 146 197**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2023. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. Montani Property Valuers an independent registered valuer performed the valuation in terms of all the legal requirements.

Rates are levied on a month to month basis.

24. Government grants and subsidies

Operating grants		
Equitable share	191 533 000	178 826 000
Financial Management Grant	3 100 000	3 100 000
Expanded Public Works Programme Grant	2 560 000	1 310 000
Energy Efficiency and Demand Side Management Grant	5 600 000	25
	202 793 000	**183 236 025**

Capital grants		
Municipal Infrastructure Grant	39 976 959	56 821 000
	242 769 959	**240 057 025**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

24. Government grants and subsidies (continued)

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	51 236 959	61 231 000
Unconditional grants received	191 533 000	178 826 000
	242 769 959	**240 057 000**

Municipal Infrastructure Grant

Current-year receipts	36 755 000	56 821 000
Internal Funding-(Debtor Treasury)	3 221 960	-
Conditions met - transferred to revenue	(39 976 960)	(56 821 000)
	-	-

This grant is for the provision of Municipal Infrastructure.

The Municipality has spent R3 221 960 from own funding and has raised a debtor (National Treasury)

Financial Management Grant

Current-year receipts	3 100 000	3 100 000
Conditions met - transferred to revenue	(3 100 000)	(3 100 000)
	-	-

The grant is intended to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

Expanded Public Works Programme Grant

Current-year receipts	2 560 000	1 310 000
Conditions met - transferred to revenue	(2 560 000)	(1 310 000)
	-	-

The grant is intended to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme Guidelines.

Energy Efficiency and Demand Side Management Grant

Balance unspent at beginning of year	-	3 022
Current-year receipts	5 600 000	-
Conditions met - transferred to revenue	(5 600 000)	(3 022)
	-	-

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The Programme supports Municipalities in their efforts to reduce electricity consumption optimising use of energy..

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

25. Employee related costs

13th Cheque	5 013 947	5 140 685
Acting allowances	328 062	472 538
Basic	61 425 195	61 309 057
COVID 19 Allowance	-	2 066
Current service cost - Post employment medical aid incentive scheme	742 838	1 060 549
Current service cost - long service awards bonus	408 230	433 707
Defined contribution plans	12 325 512	11 785 981
EPWP Salaries	2 583 938	1 358 111
Group life insurance	238 952	219 949
Housing benefits and allowances	268 425	209 445
Leave pay provision charge	4 331 479	2 166 946
Medical aid - company contributions	3 589 910	3 439 138
Other payroll levies Bargaining Council	34 216	33 199
Overtime payments	2 997 985	2 736 283
SDL	831 267	800 120
Short term benefit - Cellphone allowances	1 126 241	1 044 580
Standby allowance	487 352	463 653
Internships Stipend	611 381	857 503
Travel, motor car, accommodation, subsistence and other allowances	10 646 803	9 513 176
UIF	493 508	494 742
WCA	476 984	170 187
	108 962 225	**103 711 615**

Remuneration Municipal Manager: Moropa M

Annual Remuneration	846 708	126 493
Contributions to UIF, Medical and Pension Funds	119 072	19 186
Other Allowances	28 426	4 495
Travel and Subsistence Allowance	157 034	23 122
SALGA	138	22
SDL	9 250	1 394
	1 160 628	**174 712**

Remuneration Municipal Manager: Matladi S

Annual Remuneration	-	337 660
Annual Bonus	-	43 960
Contributions to UIF, Medical and Pension Funds	-	64 317
Leave Pay	-	65 412
Other Allowances	-	9 716
Travel and Subsistence Allowance	-	47 419
SALGA	-	43
SDL	-	4 792
	-	**573 319**

Remuneration of acting Position - Municipal Manager -Rampedi M

Acting Allowance	-	18 444

25. Employee related costs (continued)

Remuneration Director Community Services-Maphutha Mashaba MY

	2024	2023
Annual Remuneration	710 274	643 975
Travel and Subsistence Allowance	137 881	135 149
Contributions to UIF, Medical and Pension Funds	100 464	94 898
Other Allowances	21 751	20 637
SALGA	144	130
SDL	7 905	7 242
	978 419	**902 031**

Remuneration of Chief Financial Officer - Modisane T

	2024	2023
Annual Remuneration	674 175	107 329
Contributions to UIF, Medical and Pension Funds	98 145	15 816
Other Allowances	21 751	3 439
Travel and Subsistence Allowance	136 647	23 515
SALGA	138	22
SDL	7 541	1 206
	938 397	**151 327**

Remuneration of acting Position - Chief Financial Officer - Mabija K

	2024	2023
Annual Remuneration	-	76 644

Person acted from 1 august 2022 to 28 February 2023

Remuneration of acting Position - Chief Financial Officer - Madisha MSJ

	2024	2023
Annual Remuneration	-	20 648

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

25. Employee related costs (continued)

Person acted from 6 March 2023 to 30 April 2023 and 1 July 2020 to 30 May 2022

Remuneration of Director Corporate Services:Rampedi M

Annual Remuneration	836 476	759 636
Travel and Subsistence Allowance	197 072	216 984
Contributions to UIF, Medical and Pension Funds	123 009	116 166
Other Allowances	21 751	22 561
SALGA	137	130
SDL	9 573	9 075
	1 188 018	**1 124 552**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

25. Employee related costs (continued)

Remuneration of Director Planning : Tjebane P

	2024	2023
Annual Remuneration	706 987	550 939
Contributions to UIF, Medical and Pension Funds	100 232	86 990
Travel and Subsistence Allowance	150 953	135 907
Other Allowances	21 751	18 917
SALGA	144	119
SDL	7 885	6 261
	987 952	**799 133**

Remuneration Director of Infrastructure-Mashile P

	2024	2023
Annual Remuneration	-	498 255
Leave Pay	-	107 866
Contributions to UIF, Medical and Pension Funds	-	108 833
SALGA	-	86
Other Allowances	-	13 758
SDL	-	6 316
	-	**735 114**

Remuneration Director of Infrastructure-Maphutha T

	2024	2023
Annual Remuneration	398 147	-
Travel and Subsistence Allowance	141 181	-
Contributions to UIF, Medical and Pension Funds	104 348	-
SALGA	102	-
SDL	5 027	-
	648 805	**-**

Remuneration of Acting Position Director of Infrastructure- Durie J

	2024	2023
Annual Remuneration	-	10 738

The Person acted from 1 June 2023

Remuneration of Acting Position Director of Infrastructure - Ramatselela T

	2024	2023
Annual Remuneration	-	99 088

The Person acted from 1 August 2022 to 31 May 2023

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

26. Remuneration of councillors

Mayor	1 005 224	939 590
Speaker	826 650	761 223
Chief Whip	452 932	427 960
Executive Councillors	2 799 324	2 878 502
Councillors	9 966 441	8 921 525
	15 050 571	**13 928 800**

Remuneration of Councillors

The remuneration of the political office bearers and councillors are within the upper limits as determined by the framework envisaged section 219 of the Constitution. Refer to note 39 for the detailed breakdown of councillors' remuneration.

27. Depreciation and amortisation

Property, plant and equipment	62 410 051	57 352 099

28. Finance costs

Finance leases	2 780 721	274 277
Landfill site	3 332 534	3 081 901
Post-retirement medical aid benefit	2 076 553	2 534 639
Long service awards	462 300	478 408
	8 652 108	**6 369 225**

29. Debt impairment

Debt incentive write-off/discount	1 996 289	4 277 815
Contributions to debt impairment allowance	8 157 471	4 510 557
	10 153 760	**8 788 372**

Included in the above balance for 2024 year is R461 443.99 being traffic fines impaired, R7 696 027.21 for debt impairment on Consumer debtors and R 1 996 289 for debt wite-off as a result of Council debt incentive scheme.

Included in the above balance for 2023 year is R599 538 being traffic fines impairment, R3 911 088.18 for debt impairment on Consumer debtors and R 4 277 815 for debt wite-off as a result of Council debt incentive scheme.

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30. Bulk purchases

Electricity - Eskom	56 886 156	46 859 516

31. Contracted services

Presented previously		
Information Technology Services	11 325 337	5 481 895
Fleet Services and Security services	10 886 531	8 143 293
Valuation services	1 558 239	1 469 935
Specialist Services	825 274	2 479 201
Other Contractors	10 639 209	11 060 295
	35 234 590	**28 634 619**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

32. General expenses

Assets expensed	57 800	52 850
Audit Fees	5 991 095	4 712 372
Bank charges	212 116	227 958
CONLOG services	511 205	748 484
Catering and Hire Charges	3 366 760	2 714 671
Cleaning and Municipal operating cost	1 176 591	986 610
Conferences and seminars	5 959 052	5 254 509
Consulting - collection cost and legal fees	5 090 302	7 324 000
Consumables	1 192 534	1 079 746
Entertainment	21 578	20 688
Fines and penalties	40 220	-
Fuel and oil	6 426 141	6 388 486
Insurance	3 629 014	2 592 539
Audit committee	1 585 736	1 590 828
Marketing	2 084 193	1 642 696
Postage and courier	220 408	334 234
Printing and stationery	107 295	19 965
Promotions and sponsorships	312 957	393 945
Protective clothing	2 710 163	427 342
Ward committee stipend	2 659 500	2 676 000
Services: adverts and corporate image	1 894 352	1 487 937
Sewerage consumer account	35 209	231 830
Staff welfare	696 450	242 456
Subscriptions and membership fees	1 533 160	1 587 220
Telephone and fax	1 199 788	1 563 847
Training	115 061	176 323
Transport and freight	1 186 874	915 698
Travel - local	444 937	343 212
Utilities - Other including electricity connection increase in capacity project	6 564 906	4 656 095
	57 025 397	**50 392 541**

CONLOG services was renamed to Administration expenses

33. Fair value adjustments

Investment property and heritage assets(Fair value model)	2 105 730	5 546 420

34. Auditors' remuneration

Fees	5 991 095	4 712 372

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

35. Cash generated from operations

	2024	2023
Surplus	40 466 454	71 666 122
Adjustments for:		
Depreciation and amortisation	62 410 051	57 352 099
Gain or (Loss)-on sale of assets	1 126 039	(277 893)
Actuarial gain / losses	3 949 076	(9 478 103)
Fair value adjustments	(2 105 730)	(5 546 420)
Assets Impairement	1 620 606	4 925 871
Debt impairment	10 153 760	8 788 372
Finance charges -Landfill interest	3 332 534	3 081 901
Movements in employee benefit liability	(880 634)	(2 802 984)
Finance charges -Employee cost provision	2 538 853	3 013 047
Inventory losses or write-downs	-	242 439
Current service cost	1 151 068	2 988 512
Accrued leave	2 040 217	(12 722 605)
Accrued 13th cheque	164 498	(2 069 558)
Changes in working capital:		
Inventories	9 898	197 842
Consumer debtors	(25 074 479)	(16 402 100)
Receivables from non exchange transactions	(2 632 129)	(198 412)
Payables from exchange transactions	(2 947 528)	21 884 477
VAT	1 557 312	1 672 296
Unspent conditional grants and receipts	-	(3 025)
Consumer deposits	(49 094)	(39 793)
	96 830 772	**126 272 085**

36. Financial instruments disclosure

36.1 Fair value of financial instruments

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

Financial assets

	Carrying Amount 2024	Fair value 2024	Carrying Amount 2023	Fair value 2023
Receivables from non-exchange transactions	4 089 586	4 089 586	1 457 457	1 457 457
Consumer debtors	36 949 873	36 949 873	32 058 143	32 058 143
Cash and cash equivalents	359 462 684	359 462 684	318 629 848	318 629 848
Eskom Deposits	1 861 591	1 861 591	12 950 925	12 950 925
	402 363 734	**402 363 734**	**365 096 373**	**365 096 373**

A total amount of R 83 658 548 short term deposit owed to the municipality by VBS was fully impaired.

Financial liabilities

	Carrying Amount 2024	Fair value 2024	Carrying Amount 2023	Fair value 2024
Payables from Exchange transactions	61 881 885	61 881 885	62 664 955	62 664 955
Consumer deposits	1 293 811	1 293 811	1 342 905	1 342 905
Finance Lease	8 649 743	8 649 743	7 619 435	7 619 435
	71 825 439	**71 825 439**	**71 627 295**	**71 627 295**

Figures in Rand	2024	2023

36. Financial instruments disclosure (continued)

Fair Values.

The fair values of financial assets and financial liabilities at the end of reporting period are determined as follows:

Fair values for financial assets are based on quoted market prices in active markets for an identical instrument. For financial liabilities the contractual undiscounted cash flow is used. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

30 June 2024

Maturity Analysis

	Within 1 year	2 to 3 years	Total
Payables from Exchange transactions	61 881 885	-	61 881 885
Consumer deposits	1 293 811	-	1 293 811
Finance Lease	8 649 743	8 952 691	17 602 434
	71 825 439	**8 952 691**	**80 778 130**

30 June 2023

Maturity Analysis

	Within 1 year	2 to 3 years	Total
Payables from Exchange transactions	62 664 955	-	62 664 955
Consumer deposits	1 342 905	-	1 342 905
Finance Lease	7 619 435	17 602 435	25 221 870
	71 627 295	**17 602 435**	**89 229 730**

37. Commitments

	2024	2023
Already contracted for but not provided for		
• Property, plant and equipment	22 899 663	24 008 866
Total capital commitments		
Already contracted for but not provided for	22 899 663	24 008 866

Total commitments

	2024	2023
Total commitments		
Authorised capital expenditure	22 899 663	24 008 866
• Operating lease	886 276	2 014 455
	23 785 939	**26 023 321**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

37. Commitments (continued)

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	462 405	665 773
- in second to fifth year inclusive	423 871	1 348 682
	886 276	**2 014 455**

Rental payments represent rentals payable by the municipality for certain of its office equipment. Rentals are negotiated for an average term of 3 years. No contingent rent is payable.

Leases where risks and rewards of ownership are not transferred to the lessee are classified as operating leases. Payments received or paid under operating leases are recognised in statement of financial performance on a straight-line basis over the period of the lease

38. Contingencies

38. Contingent Assets and Liabilities

Contingent Asset

Mathara Monica Mathebela and Khabo Anna Ramosibi Civil Recovery
Civil Recovery

The municipality instituted civil proceedings against the former municipal manager and Chief Financial Officer for the recovery of R 87 320 000,00 in terms of Section 32 (1) (b) of the Municipal Finance Management Act, 56 of 2003. VBS Curator has paid R 6.1million into the municipal account. The matter will be kept in abeyance until the liquidation process is finalised. The potential Asset or Recovery R81 207 600.00(2023/2024) and 81 207 600.00 (2022/2023)

Loge Construction

The municipal sent a letter of demand to Loge Construction which was appointed to construct Mooihoek-Mashemong internal Street for the duration of 15 months effective from the 17th September 2017 to 17th December 2021, which they failed to complete The appointed consulting engineers, namely, MVE Consulting Engineers conducted an assessment on the progress and payments made at the time of the termination of the contract and it concluded that Loge Construction are still liable to payback to the municipality an amount R2 206 182.87 which money has to date not been paid to the municipality. The potential Asset or Recovery (2023/2024)R2 206 182.87 and R2022/2023 (R2 206 182.87)

AL Mphago CIVIL JV Kgants Developers

The municipality realised retention to the Al Mphago Civil jv Kgants Developers company before the completion of the project. The Potential assets recovery is R999 284.00(2024/2023) and R999 284.00(2023/2022)

Dimo Survey & Civil Constraction (oc2/06/2022

Appointment of service providers without proper SCM processes. The Potential assets recovery is R576 980.00(2024/2023) and R576 980.00(2023/2022).

SK Sesego Security

Appointment of service providers without proper SCM processes. The Potential assets recovery is R343 000.00(2024/2023) and R343 000.00(2023/2022)

SCM and User Department (OC5/05/2023)

The municipality has incurred an expenditure to Basadzi Personnel Media for re-advertisement of a service provider for the development of the shopping Mall. The Potential assets recovery is R4 650.67(2024/2023) and R4 650.67(2023/2022)

SCM and User Department (OC5/05/2023)

The municipality has incurred an expenditure to Basadzi Personnel Media for re-advertisement of a service provider for the provision of traffic camera service .The Potential assets recovery is R3 349.35(2024/2023) and R3 349.35(2023/2022)

SCM and User Department (OC5/05/2023)

The municipality has incurred an expenditure to Basadzi Personnel Media for re-advertisement of a service provider for the provision of traffic management system .The Potential assets recovery is R3 349.35(2024/2023) and R3 349.35(2023/2022)

MVE Consulting (OC5/05/2023)

The municipality paid MVE Consulting an amount for items that should not form part of professional services The Potential assets recovery is R490 000.00(2024/2023) and R490 000.00(2023/2022)

Loge Construction (OC5/05/2023)

38. Contingencies (continued)

The municipality has maid an over-payment to Loge Construction Company Potential assets recovery is R118 901.00(2024/2023) and R118 901.00(2023/2022)

Loge Construction (OC5/05/2023)

The municipality has maid an payment to Loge Construction Company work done not adhering to specification. The Potential assets recovery is R796 960.00(2024/2023) and R796 960.00(2023/2022)

Loge Construction (OC5/05/2023)

The municipality has maid an payment to Loge Construction Company work incurring a financial loss as a result of quality Deficiencies done not adhering to specification. The Potential assets recovery is R60 670.00(2024/2023) and R60 670.00(2023/2022)

ISIBANI Charted Accountants (OC5/05/2023)

The municipality has maid an payment to ISIBANI Charted Accountants Company work already performed by Internal Audit. The Potential assets recovery is R180 000.00 (2024/2023) and R180 000.00(2023/2022)

AL Mphago CIVIL (OC2-06-2022)

The municipality has maid a payment to Al Mphago Civil jv Kgants Developers company , the payment was made in excess of work done and items not verified on side. The Potential assets recovery is R2 790 030.304.00(2024/2023) and R2 790 030.30(2023/2022)

Expenditure Department (OC2/06/2022)

The municipality made payment to SARS for interest charged due to overdue accounts. The Potential assets recovery is R190 760.08(2024/2023) and R190 760.08(2023/2022)

Expenditure AND Electrical Department (OC2/06/2022)

The municipality made payment to ESKOM for interest charged due to overdue accounts. The Potential assets recovery is R47 209.20(2024/2023) and R47 209.20(2023/2022)

Expenditure Department and Administration Unit (OC2/06/2022)

The municipality made payment to TELKOM for interest charged due to overdue accounts. The Potential assets recovery is R2 48.00(2024/2023) and R2 408.00(2023/2022)

User Departments (OC2/06/2022)

The municipality made payment for Re-advert/ Erratum. The Potential assets recovery is R95 372.91(2024/2023) and

R95 372.91(2023/2022)

Council support Manager (OC2/06/2022)

The municipality made payment for booking of accommodation however officials did not attend. The Potential assets recovery is R4 445.00(2024/2023) and R4 445.00(2023/2022)

Expenditure AND Electrical Department (OC3/06/2024)

The municipality made payment to ESKOM for interest charged due to overdue accounts. The Potential assets recovery is

R1 760.18(2024/2023) and R1 760.18(2023/2022)

User Departments (OC3/06/2024)

38. Contingencies (continued)

The municipality made payment for Re-advert/ Erratum. The Potential assets recovery is R6 043.50(2024/2023) and

R6 043.50(2023/2022)

Contingent Liability

Ntshokue John Raphela

Claim for Damages and Specific Performance (High Court, Polokwane). The Plaintiff applied for the position of Chief Internal Auditor, shortlisted, interviewed but not appointed. He was number one recommended by the panel. The Estimated Potential Liability R2 500 000.00(2023/2024) and R2 500 000.00(2022/2023)

AfriForum NPC

Applicant approached the High Court, Polokwane for an order permitting its representatives to inspect the Marble Hall waste water treatment plant for the purposes of collecting samples of water/sewage, examine the plant and sending the samples to their water technicians for testing. The purpose Is to ensure that the Marble Hall Water Waste Treatment is properly managed and operated in accordance with terms & conditions of the Water Use License and National Water Act 36 of 1998.The posibbility of outflow can not be determined.

Inkokeli Projects (PVT) LTD

Interdict (High Court, Polokwane) Both the municipality and Inkokeli Projects entered into various agreements around 1990 for the development of Extension 6. The AG raised a query about the transaction because it did not follow the correct procedures. Inkokeli Projects launched an application at the High Court requesting the court to grant it the right to market, sell and receive all the proceeds. The matter was settled out of court on 5th June 2024. The potential Liability R0.00(2023/2024) and R 35 930 000.00 - (2022/2023)

M.L. Masombuka

Judicial Review On the 30 June 2021 the Public Protector issued out a remedial action that the municipality must file a judicial review to set aside the appointment of Ms. Masombuka as the Chief Internal Auditor. The posibbility of outflow can not be determined.

Hendrick Schoeman Boerdery (PTY) LTD

Declaratory Order The Applicant want the Court to make an order that the current tariff of R 0, 070 that the municipality is charging on the farms is incorrect and that the court must calculate the correct tariff. Notice of motion was served in May 2022. The potential Liability R3 070 042.70 (2023/2024) and R3 070 042.70(2022/2023).

Monica Mathebela

On the 8th November 2023 the former municipal manager instituted an action against the municipality Claiming damages. The potential contingent liabilities is R1 292 492,00 (2023/2024) and R0.00 (2022/2023)

Matladi Thabang Projects

The Plaintiff instituted civil proceedings at the High Court, Polokwane for services rendered, namely, the repairs done on the municipality’s fleet. The potential Liability R1 004 145.69 (2023/2024) and R0.00(2022/2023).

Notes to the Annual Financial Statements

39. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note
Post employment benefit plan for employees of entity and/or other related parties	All qualifying Employees
Members of key management	Refer to detail disclosure for Councillors Note 39 and Management Remuneration Note 25

Remuneration of individual Councillors

2024

Councillor Code and Name	Basic Salary	Pension	cellphone and Data Allowance	Medical contribution	Car Allowance and Travel Claim	SDL	Grand Total
C000010 Jacobs P (Exco)	372 293	28 706	46 570	-	2 960	3 938	454 467
C000013 Sedibane F (Exco)	466 576	77 183	46 570	-	182 247	5 850	778 426
C000017 Mabaso T	387 135	41 103	46 570	-	160 061	5 066	639 935
C000020 Moimana G (Mayor)	791 834	133 303	46 570	-	26 077	7 439	1 005 223
C000021 Lentsoane R (Speal	709 053	54 886	46 570	8 979	-	7 163	826 650
C000023 Makola M	198 628	32 568	46 570	-	75 038	2 758	355 561
C000034 Tshiguvho E (Exco)	466 576	77 183	46 570	-	188 073	5 850	784 252
C000035 Letsela N	224 425	21 712	46 570	-	67 386	2 983	363 076
C000037 Mpe J	-	-	-	-	-	2	2
C000039 Phahlamohlaka T	254 044	41 795	46 570	-	96 994	3 397	442 801
C000040 Aphane K	210 838	34 739	46 570	-	60 664	2 744	355 554
C000041 Magatla N	269 714	44 581	46 570	-	86 180	3 380	450 425
C000042 Maelane K	210 838	34 739	46 570	-	62 747	2 744	357 637
C000043 Thobejane P	223 865	21 712	46 570	-	70 328	2 978	365 452
C000044 Modipa S	210 838	34 739	46 570	-	61 216	2 744	356 106
C000045 Lekoatsipa L	211 780	34 889	46 570	-	82 464	2 910	378 613
C000046 Mello M	34 336	7 098	6 262	-	12 695	448	60 839
C000047 Mahubane S	210 838	34 739	46 570	-	65 043	2 744	359 933
C000048 Kutu T	254 044	41 795	46 570	-	114 832	3 397	460 638
C000049 Magane L (Chief W	261 637	43 059	46 570	-	98 181	3 485	452 932
C000050 Maphopha M	254 044	41 795	46 570	-	103 340	3 397	449 147
C000051 Mmamahlako K	254 044	41 795	46 570	-	114 175	3 397	459 982
C000052 Ramphele R (Exco)	466 576	77 183	46 570	-	186 000	5 850	782 179
C000053 Nkoana T	254 044	41 795	46 570	-	111 588	3 397	457 395
C000054 Mameshi S	210 838	34 739	46 570	-	57 898	2 744	352 788
C000055 Mokwana B	254 044	41 795	46 570	-	107 035	3 397	452 841
C000056 Sebothoma K	224 425	21 712	46 570	-	68 205	2 983	363 895
C000057 Seloma R	252 894	41 795	46 570	-	100 751	3 386	445 395
C000060 Mogale J	226 231	21 712	46 570	-	63 798	3 002	361 313
C000061 Manasoe M	267 782	44 711	46 570	-	93 081	3 456	455 600
C000062 Prisloo D	204 844	34 739	46 570	-	61 011	2 683	349 847
C000063 Mashiane S	201 847	34 739	46 570	-	57 898	2 653	343 707
C000064 Moela J	81 356	14 436	18 695	-	23 341	1 066	138 893
C000065 Rabalago S	131 748	23 593	29 769	-	36 893	1 707	223 709
C000066 Legoathi L	93 743	18 932	22 296	-	29 127	1 258	165 356
Grand Total	9 347 754	1 375 997	1 474 122	8 979	2 727 324	116 394	15 050 570

Notes to the Annual Financial Statements

39. Related parties (continued)

2023

Councillor Code and Name	Basic Salary	Pension And Medical Aid	Cellphone and Data Allowance	Car Allowance and Travel Claim	SDL	Grand Total
C000010 P Jacobs(Exco)	323 859	47 963	44 400	3 394	3 282	422 898
C000013 F Sedibane(Exco)	422 918	76 893	44 400	173 043	5 407	722 661
C000017 T Mabaso	233 512	37 174	44 400	117 004	3 215	435 305
C000020 G Moimana(Mayor	751 853	136 527	44 400	-	6 811	939 591
C000021 R Lentsoane(Spea	619 217	91 741	44 400	-	5 866	761 224
C000023 M Makola	178 450	32 586	44 400	76 163	2 543	334 142
C000034 E Tshiguvho(Exco	422 918	76 893	44 400	192 559	5 408	742 178
C000035 N Letsela	194 556	30 117	44 400	63 872	2 596	335 541
C000037 J Mpe	190 347	34 326	44 400	59 120	2 521	330 714
C000038 H Schalekamp	110 843	20 296	24 100	33 827	1 458	190 524
C000039 T Phahlamohlaka	229 011	41 282	44 400	99 540	3 126	417 359
C000040 K Aphane	190 347	34 326	44 400	59 023	2 521	330 617
C000041 N Magatla	221 884	39 891	44 400	70 671	2 862	379 708
C000042 K Maelane	190 347	34 326	44 400	59 774	2 521	331 368
C000043 P Thobejane	192 451	32 222	44 400	65 607	2 558	337 238
C000044 S Modipa	190 347	34 326	44 400	61 042	2 521	332 636
C000045 L Lekoatsipa	202 802	36 657	44 400	90 574	2 829	377 262
C000046 M Mello	229 011	41 282	44 400	97 034	3 126	414 853
C000047 S Mahubane	190 347	34 326	44 400	65 491	2 521	337 085
C000048 T Kutu	232 387	37 906	44 400	105 618	3 186	423 497
C000049 L Magane(Chief W	235 938	42 498	44 400	101 917	3 207	427 960
C000050 M Maphopha	229 011	41 282	44 400	100 853	3 126	418 672
C000051 K Mmamahlako	229 011	41 282	44 400	116 978	3 127	434 798
C000052 R Ramphele(Exco	422 918	76 167	44 400	179 607	5 393	728 485
C000053 T Nkoana	229 011	41 282	44 400	109 433	3 127	427 253
C000054 S Mameshi	190 347	34 326	44 400	57 210	2 521	328 804
C000055 B Mokwana	229 011	41 282	44 400	96 006	3 126	413 825
C000056 K Sebothoma	194 556	30 696	44 400	59 724	2 590	331 966
C000057 R Seloma	208 337	37 564	44 400	91 363	2 883	384 547
C000058 M Tlaka(Exco)	141 671	25 108	26 385	67 182	1 935	262 281
C000060 J Mogale	194 556	29 790	44 400	57 917	2 591	329 254
C000061 M Manasoe	237 934	42 806	44 400	4 834	2 461	332 435
C000062 D Prisloo	81 534	14 030	18 500	24 646	1 065	139 775
C000063 S Mashiane	41 341	8 699	9 620	12 159	530	72 349
Grand Total	8 382 581	1 457 874	1 410 604	2 573 184	104 560	13 928 805

40. Risk management

Financial risk management

Exposure to interest rates, liquidity and credit risk arises in the normal course of the Municipality's operations. This note presents information about the Municipality's exposure to each of the above risks, the policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

(Refer to Note 36 Additional information on Financial instrument)

Liquidity risk

Liquidity risk is the risk of the Municipality not being able to meet its obligations as they fall due. The Municipality's approach to managing liquidity risk is to ensure that sufficient cash is available to meet its expected operating expenses and liabilities when due, without incurring unacceptable losses or risking damage to the Municipality's reputation. This is achieved by the Municipality effectively managing its working capital, capital expenditure and cash flows forecasts.

(Refer to Note 36 Additional information on Financial instrument) .

Credit risk

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

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. Credit guarantee insurance is purchased when deemed appropriate.

Other debtors are items that arose from overpayments and transactions resulting in debit balances on creditors payable by the municipality. These items will be investigated for recoverability and they are currently not impaired. These items will be reported to Council during the 2021/22 financial period. These items are currently deemed recoverable but have an inherint credit risk due to the nature of the item.

During the 2018 financial year VBS Mutual bank experienced financial difficulties which led to breach of contracts when some of the matured investments and deposits could not be honoured. The reserve bank has placed VBS Mutual bank under curatorship in 2018. The Municipality had a short term deposit of R 83 658 548.00. The Municipality accounts for short term deposits as financial assets carried at amortised cost. The curator and National Treasury have only guaranteed retail depositors up to R100 000 per depositor, corporate and Municipalities deposits are not guaranteed. The Municipality has impaired the total investment of R83 658 548.00 since there are no immediate and current cash flow is expected from the VBS Mutual bank Investment.

There are no consumer debtors that are past due as at the end of the reporting period but not impaired. All consumer debtors above 90 days are considered for impairment.

There are no financial assets that are individually determined to be impaired as at the end of the reporting period

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

Financial instrument	2024	2023
VBS Bank -Fully impaired on the Statement of Financial Position and Statement of Financial Perfomance	77 546 148	77 546 148
Receivable from exchange transactions -Receivables not impaired	437 822	542 266
Eskom deposits	1 861 591	12 950 925

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

40. Risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, that may affect the Municipality’s income or the value of its financial instrument holdings. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on the risk.

Interest rate risk

As the municipality has significant interest-bearing assets on Call accounts, the municipality’s income and operating cash flows are not substantially independent of changes in market interest rates.

The Municipality’s exposure to the risk of changes in market rates relates primarily to the municipality’s investments with floating interest rates.

Fair value interest rate risk

Financial assets	Current interest rate	1 year or less	1-3 years		>3 years	Total
Bank Balance-Main Account	6,00 %	336 619 388	-	-	-	336 619 388
Short term deposits-Call account	8,10 %	22 843 296	-	-	-	22 843 296

Financial liabilities	Current interest rate	1 year or less	1-3 years		>3 years	Total
Finance lease	12,75 %	7 619 435	17 602 435	-	-	25 221 870

Sensitivity analysis

Financial assets

As at 30 June 2024, if the weighted average interest rate at that date had been 100 basis points higher, with all other variables held constant, the fair-value impact on the statement of financial performance would have been R363 million (2023: R321,8 million) with the opposite effect if the interest rate had been 100 basis points lower. The sensitivity analysis is performed by dividing the total investment interest earned for the year by the average interest rate earned to give the effect of a one-percent movement in interest rates.

Financial liabilities

Changes in the interest rate as at 30 June 2024 would have had no impact on the statement of financial performance, as all Finance lease are at a fixed interest rate.

41. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of 1 290 467 106 and that the municipality's total assets exceed its liabilities by 1 290 616 616.

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

Figures in Rand	2024	2023

41. Going concern (continued)

During the 2018 financial year VBS Mutual bank experienced financial difficulties which led to breach of contracts when some of the matured investments and deposits could not be honoured. The reserve bank has placed VBS Mutual bank under curatorship in 2018. The Municipality had a short term deposit of R 84 073 833.00. The Municipality accounts for short term deposits as financial assets carried at amortised cost. The curator and National Treasury have only guaranteed retail depositors up to R100 000 per depositor, corporate and Municipalities deposits are not guaranteed. The Municipality has impaired the total investment of R84 076 833.00 since there are no immediate and current cash flow is expected from the VBS Mutual bank Investment.

The municipality will continue to receive grants from national revenue fund to fund its operations and capital projects.

42. Unauthorised expenditure

During the 2023/24 and 2022/23 financial periods no unauthorised expenditure were identified.

43. Fruitless and wasteful expenditure

	2024	2023
Fruitless and wasteful expenditure-Opening Balance	35 324	7 237 984
Add-Fruitless and Wasteful Expenditure for the financial period	2 002	20 383
Less-Irrecoverable OC5/05/2023	-	(20 152)
Less- Recoverable as per council resolution OC5/05/2023	-	(1 657 880)
Less Irrecoverable OC2/06/2022	-	(11 186)
Less Recoverable OC2/06/2022	-	(5 533 825)
Payment Received	(15 032)	-
Irrecoverable OC3/06/2024	(13 683)	-
Recoverable OC3/06/2024	(7 804)	-
	807	**35 324**

Fruitless and wasteful expenditure for current year was brought to council and subsequently refered to council resolution OC3/06/2024 was tabled to council and resolved as follows :Fruit Add:Fruitless and Wasteful Expenditure for the financial period R2 002,Less-Irrecoverable OC3/06/2024 R(13 683),Less- Recoverable as per council resolution OC6/06/2024 R(7 804)

The Municipality has recovered an amount of R15 032.00 related to services rendered for previous work performed on assets impairment
The Fruitless and wasteful expenditure amounting to R 7 222 952 was tabled to council and resolved as follows :Fruit Add:Fruitless and Wasteful Expenditure for the financial period R 20 383,Less-Irrecoverable OC5/05/2023 R(20 152),Less-Recoverable as per council resolution OC5/05/2023 R(1 657 880),Less Irrecoverable OC2/06/2022 R(11 186),Less Recoverable OC2/06/2022 R (5 533 825)

Fruitless and wasteful expenditure consists of

	2024	2023
Opening Balance	35 324	7 237 984
Interest on Eskom Accounts	2 002	656
Tender re-adverts	-	19 727
Payment Received	(15 032)	-
Irrecoverable OC3/06/2024	(13 683)	-
Recoverable OC3/06/2024	(7 804)	-
Irrecoverable OC5/05/2023	-	(20 152)
Recoverable as per council resolution OC5/05/2023	-	(1 657 880)
Less Irrecoverable OC2/06/2022	-	(11 186)
Less Recoverable OC2/06/2022	-	(5 533 825)
	807	**35 324**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

44. Irregular expenditure

Opening balance	23 822 155	56 724 350
Additional (Subsequent payments) in Fin Year 2023	-	47 516 144
Add: Irregular 1st Quarter OC2/11/2024	846 456	-
Add: Irregular 2nd Quarter OC3/06/2024	7 885 379	-
Add: Irregular 3rd Quarter OC/09/2023	4 932 178	-
Add: Irregular 4th Quarter OC/07/2024	7 566 056	-
Less: Investigated by MPAC (OC2/11/2024	(547 925)	-
Less: Investigated by MPAC OC03/06/2024)	(6 729 528)	-
Less: Investigated by MPAC SC7/05/2024	(4 932 178)	-
Less: Investigated by MPAC SC1/02/2023)	(11 498 869)	-
Less: Investigated by MPAC SC/02/2024)	(17 713 342)	-
Less: Irrecoverable Investigated by MPAC (OC2/06/2022)	-	(18 773 728)
Less: Recoverable Investigated by MPAC (OC2/06/2022)	-	(919 980)
Less: Irrecoverable investigated by MPAC (OC9/06/2023)	-	(33 261 976)
Less: Irrecoverable investigated by MPAC (SC1/01/2023)	-	(36 362 770)
Additonal Irregular Identified during Audit 2024	1 899 563	-
Add additional Irregular Exp (2023)	-	8 900 115
	5 529 945	**23 822 155**

Analysis of expenditure written off per age classification

Current year	21 230 069	47 516 144
Additional Irregular during Audit (2023)	-	56 724 350
Add:Irreguar Expenditure 2023	23 822 155	-
Less: Irrecoverable Investigated by MPAC (OC2/06/2022)	-	(18 773 728)
Less: Recoverable Investigated by MPAC (OC2/06/2022)	-	(919 980)
Less:Total investigated by MPAC	(41 421 842)	-
Less: Irrecoverable investigated by MPAC (OC9/06/2023)	-	(33 261 976)
Less: Irrecoverable investigated by MPAC (SC1/01/2023)	-	(36 362 770)
Add additional Irregular Exp (2023)	-	8 900 115
Additonal Irregular Identified during Audit 2024	1 899 563	-
	5 529 945	**23 822 155**

Details of irregular expenditure - Current Year	-
There was no municipal council resolution for approval of contract for more than 3 years during the year under review.	50 000
The differences identified between the tender amount and appointment letter	731 964
Bid requirements not being fair and competitive to make provision for other service providers to bid for quotations or bid of the municipality which is contrary to SCM Regulation 27 and MFMA.	1 214 058
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	118 744
The differences identified between the tender amount and appointment letter	911 971
Bid requirements not being fair and competitive to make provision for other service providers to bid for quotations or bid of the municipality which is contrary to SCM Regulation 27 and MFMA.	993 321
There was no municipal council resolution for approval of contract for more than 3 years during the year under review.	50 000
There was no municipal council resolution for approval of contract for more than 3 years during the year under review.	480 000
The differences identified between the tender amount and appointment letter	315 812
The differences identified between the tender amount and appointment letter	806 134
There was no municipal council resolution for approval of contract for more than 3 years during the year under review.	50 000
The differences identified between the tender amount and appointment letter	297 471
The differences identified between the tender amount and appointment letter	601 781

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

44. Irregular expenditure (continued)

Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	651 162
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	154 506
There was no municipal council resolution for approval of contract for more than 3 years during the year under review.	50 000
There was no municipal council resolution for approval of contract for more than 3 years during the year under review.	50 000
There was no municipal council resolution for approval of contract for more than 3 years during the year under review.	50 000
The differences identified between the tender amount and appointment letter	357 006
The differences identified between the tender amount and appointment letter	402 768
The differences identified between the tender amount and appointment letter	371 300
The differences identified between the tender amount and appointment letter	537 976
Bid requirements not being fair and competitive to make provision for other service providers to bid for quotations or bid of the municipality which is contrary to SCM Regulation 27 and MFMA.	86 569
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	163 981
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	119 209
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	218 142
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	288 301
Reasons for deviations not in line with the MFMA & SCM regulations	38 500
Reasons for deviations not in line with the MFMA & SCM regulations	45 000
The bid specification was not drafted in an unbiased manner which allow all potential providers to offer their goods and services.	1 456 031
Irregular appointment of employee - senior manager	744 366
Irregular appointment of employee - accountant	411 484
Irregular appointment of employee - senior manager	39 626
Irregular appointment of employee - accountant	72 441
There was no municipal council resolution for approval of contract for more than 3 years during the year under review.	50 000
There was no municipal council resolution for approval of contract for more than 3 years during the year under review.	50 000
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	447 925
Irregular appointment of employee - senior manager	77 859
Irregular appointment of employee - accountant	39 626
Irregular appointment of employee - senior manager	45 733
Irregular appointment of employee - accountant	23 247
Irregular appointment of employee - senior manager	66 140
Irregular appointment of employee - accountant	31 798
There was no municipal council resolution for approval of contract for more than 3 years during the year under review.	50 000
Irregular appointment of employee - senior manager	72 441
Irregular appointment of employee - accountant	39 626
There was no municipal council resolution for approval of contract for more than 3 years during the year under review.	707 250
The bid specification was not drafted in an unbiased manner which allow all potential providers to offer their goods and services.	3 728 508
The bid specification was not drafted in an unbiased manner which allow all potential providers to offer their goods and services.	38 500
Reasons for deviations not in line with the MFMA & SCM regulations	45 000

Figures in Rand	2024	2023

44. Irregular expenditure (continued)

There was no municipal council resolution for approval of contract for more than 3 years during the year under review.	50 000
There was no municipal council resolution for approval of contract for more than 3 years during the year under review.	50 000
There was no municipal council resolution for approval of contract for more than 3 years during the year under review.	50 000
The bid specification was not drafted in an unbiased manner which allow all potential providers to offer their goods and services.	2 186 503
Irregular appointment of employee - senior manager	41 872
Irregular appointment of employee - accountant	76 999
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	331 510
Procurement and Contract Management: Contract extension for Mabotwane Security Services is not inline to the SCM Policy, SCM Regulations & MFMA	1 899 563
Total	**23 129 724**

Details of irregular expenditure - 2022/2023	-
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	765 605
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	426 074
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	519 195
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	707 257
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	396 721
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	1 016 180
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	1 073 911
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	621 212
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	739 241
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	585 411
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	205 640
The differences identified between the tender amount and appointment letter	1 071 082
The differences identified between the tender amount and appointment letter	1 476 889
Irregular appointment of service provider without following proper SCM processes	1 196 661
-	**10 801 079**
-	-
Additional 2023 Irregular Expenditure	-
Completeness of Irregular Expenditure: Irregular expenditure incurred for the appointments of employees were not disclosed in the current year annual financial statements in Note 45 (Position of Director Planning and Accountant Bank reconciliation)	1 179 257
Procurement and contract management: The bid specification was not drafted in an unbiased manner which allow all potential providers to offer their goods and services.	4 443 302
Procurement and Contract Management: Reasons for deviations not in line with the MFMA & SCM regulations (Rateitei& Manja VIP Security Services and Yetsegala on ICT Service)	1 039 250

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

44. Irregular expenditure (continued)

Irregular expenditure – VAT erroneously omitted	2 238 306
-	**8 900 115**
-	-
Additional 2021/22 Irregular Expenditure	-
There was no municipal council resolution for approval of contract for more than 3 years during the year under review.	1 871 639
Winning bidder not disqualified for failure to initialise bid documents as required by Bid Requirements contrary to the Supply Management Policy and SCM Regulations.	6 951 660
Criteria under functionality not adequately developed as the specific goal did not indicate the points which may be awarded in terms of the points system set out in the supply chain management policy of the municipality.	19 266 020
Bid requirements not being fair and competitive to make provision for other service providers to bid for quotations or bid of the municipality which is contrary to SCM Regulation 27 and MFMA.	6 014 655
The differences identified between the tender amount and appointment letter	761 154
The differences identified between the tender amount and appointment letter	1 521 025
Deviation did not include the reason for the deviation in the deviation form and the auditor could not conclude if whether the deviation was reasonable and valid	328 912
Total	36 715 065
Grand Total	**56 416 259**
-	-
Details of irregular expenditure for 2022	-
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	866 361
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	2 458 552
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	1 157 440
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	1 376 374
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	1 374 342
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	800 343
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	880 632
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	1 378 577
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	538 706
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	1 379 872
The differences identified between the tender amount and appointment letter	581 625
The differences identified between the tender amount and appointment letter	646 250
Irregular appointment of service provider without following proper SCM processes	343 000
Irregular appointment of service provider without following proper SCM processes	576 980
Payment made after contract has expired - July and August 2021	162 284
-	**14 521 338**
-	-
Additional Irregular Expenditure	-

Figures in Rand	2024	2023

44. Irregular expenditure (continued)

There was no municipal council resolution for approval of contract for more than 3 years during the year under of contract for more than 3 years during the year under	810 525
Winning bidder not disqualified for failure to initialise bid documents as required by Bid Requirements contrary to the Supply Management Policy and SCM Regulations.	5 191 237
MBD 4 not fully completed by as required bid requirements however the municipality awarded the bid to the service provider resulting in irregular expenditure.	2 333 099
Winning bidder not disqualified for failure to initialise bid documents as required by Bid Requirements contrary to the Supply Management Policy and SCM Regulations.	10 074 870
Criteria under functionality not adequately developed as the specific goal did not indicate the points which may be awarded in terms of the points system set out in the municipality. supply chain management policy of the Municipality.	9 237 378
Bid requirements not being fair and competitive to make provision for other service providers to bid for quotations or bid of the municipality which is contrary to SCM Regulation 27 and MFMA	4 025 575
The differences identified between the tender amount and appointment letter	373 730
The differences identified between the tender amount and appointment letter	352 190
The differences identified between the tender amount and appointment letter	383 079
The differences identified between the tender amount and appointment letter	1 233 352
The differences identified between the tender amount and appointment letter	1 066 816
Criteria under functionality not adequately developed	808 433
Deviation did not include the reason for the deviation in the deviation form and the auditor could not conclude if whether the deviation was reasonable and Valid	1 140 356
-	37 030 640
-	**37 030 641**

During the financial year 2023, Irregular expenditure had an opening Balance of R 56 724 350.00 with an additional R 47 516 144.00 as subsequent payments during the year. All these expenditures were reported to council and Investigated by Municipal Public Accounts Committee. A total amount of R 80 418 340.70 was written off after investigation and closing balance amounted to R 23 822 153.30 as Audited.

During the financial year 2023/2024 of reporting, the Irregular Expenditure had an Opening Balance of R 23 822 153.30. subsequent payments were incurred during the financial year which amounted to R 21 230 158,30 combined from four quarters of the financial year and were all tabled to council as and when reported. Council referred the expenditures to MPAC for further investigation and some of the expenditures were written off, (R 11 498 869,44) with council resolution number SC1/02/2023. A further (R 4 932 177) was written off with resolution SC7/05/2024.

Irregular Expenditure Amounted to R 3 640 383.96 as at 30 June 2024 as a closing balance for further investigation. All these Expenditures were tabled to council for consideration of MPAC. MPAC investigated further and has tabled to council a further write off during the first quarter of the financial year 2025 subsequent to the closure of the financial year 2023/2024 under review with an amount of (R 6 729 528.38) with council resolution number OC3/06/2024 and (R 547 925.00) with council resolution number OC2/11/2024 and (R 17 713 342.05) with council resolution number SC/02/2024.

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2024	2023
Current year subscription / fee	1 404 694	1 307 257
Amount paid - current year	(1 404 694)	(1 307 257)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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

Electricity Distribution Loss

Units	1 350 063	573 392
Distribution Loss %	4,12%	1,85%
Amount loss - current year (at average cost)	2 259 465	629 158
	-	-

Distribution losses were below the norm of 7-10% as set by National Treasury in terms of Circular 71. The distribution loss was recorded at 4.12% for the financial year.

Audit fees

Current year subscription / fee	5 991 095	4 713 972
Amount paid - current year	(5 991 095)	(4 713 972)
	-	-

Audit fees paid to the Office of the Auditor General amounted to R5 991 095 for 2023/2024 and R 4 713 972 for the 2022/2023 financial year. There were no outstanding audit fees in the respective year ends.

PAYE and UIF

Current year subscription / fee	17 097 612	16 013 009
Amount paid - current year	(17 097 612)	(16 013 009)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	26 178 872	25 238 411
Amount paid - current year	(26 178 872)	(25 238 411)
	-	-

Councillors' arrear consumer accounts

No councillors had arrear accounts outstanding for more than 90 days at 30 June 2024:

Figures in Rand	2024	2023

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

Supply chain management regulations

Paragraph 36(2) of SCM regulation states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that the accounting officer records the reasons for any deviations and then reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

In terms of section 36(1)(a) of the Supply Chain Management Regulations, the accounting officer may dispense with the official procurement processes in the following instances:
- Sole suppliers
- Emergency
- Impracticality

In terms of section 36 of the Municipal Supply Chain Management Regulations, any deviation from the supply chain management policy needs to be approved by the accounting officer and noted by Council. Deviations from the official procurement process during the financial year were approved by the accounting officer and noted by council in terms of the delegations as stipulated in the Supply Chain Management Policy and amount to approximately the following:

Incident		
Sole Provider supplier	160 290	407 168
Impossible or impracticable to follow procedure	167 000	996 200
Emergency supplies	167 283	303 589
	494 573	**1 706 957**

DATE	NAME OF SUPPLIER	DEVIATION	AMOUNT	REASON FOR DEVIATION
20-07-2023	SALGA	Deviation Reason No 2; "If such goods or services are produced or available from a single provider only"	25 000	SALGA is the host of the event and registration fees should be paid directly to them which will make it impractically impossible to follow the normal supply chain process of requesting at least three written price quotations.
28-07-2023	SAIMSA	Deviation Reason No 2; "If such goods or services are produced or available from a single provider only"	11 000	Inter Municipal Sports of SA is the host of the event and registration fees should be paid directly to them which will make it impractically impossible to follow the normal supply chain process of requesting at least three written price quotations.
15-08-2023	Manja Trading	Deviation Reason No 5; "In any other exceptional case where it is impractical or impossible to follow the official procurement processes".	38 500,00	VIP Protection for the Municipal Speaker
15-08-2023	Rateitei Security Servic	Deviation Reason No 5; "In any other exceptional case where it is impractical or impossible to follow the official procurement processes".	45 000,00	VIP Protection for the MunicipMayor

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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

15-08-2023	Workshop Electronic	Deviation Reason No 2; "If such goods or services are produced or available from a single provider only"	23 065,55	Calibration and service of a grade lane machine used to test vehicle and workshop electronic is the only service provider
15-08-2023	EAPA-SA	Deviation Reason No 2; "If such goods or services are produced or available from a single provider only"	23 998,00	EAPA-SA is the host of the event and registration fees should be paid directly to them
15-08-2023	CIGFARO	Deviation Reason No 2; "If such goods or services are produced or available from a single provider only"	45 630,00	CIGFARO is the host of the event and registration fees should be paid directly to them which will make it impractically impossible to follow the normal supply chain process of advertising on the notice board for atleast 7 days.
23-10-2023	Mamogobo Alf (Pty) LTI	Deviation Reason No 1; "In an emergency"	167 283,00	The municipal dozer is currently damaged and requires significant fixing which will take a while as per the diagnostic report from the manufacturer. The municipality urgently requires the services of a dozer at the landfill site for the services of covering of waste and compaction. The landfill is becoming a health hazard to the officials working at the landfill.
29-06-2024	CIGFARO	Deviation Reason No 2; "If such goods or services are produced or available from a single provider only"	31 596,00	CIGFARO is the host of the event and registration fees should be paid directly to them which will make it impractically impossible to follow the normal supply chain process of advertising on the municipal website for 7 days.
30-06-2024	Manja Trading	Deviation Reason No 5; "In any other exceptional case where it is impractical or impossible to follow the official procurement processes".	38 500,00	VIP Protection for the Municipal Speaker
30-06-2024	Rateitei Security Services	Deviation Reason No 5; "In any other exceptional case where it is impractical or impossible to follow the official procurement processes".	45 000,00	VIP Protection for the MunicipMayor
Grand Total	-	-	494 572,55	-

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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

-

		-

46. Budget differences

Material differences between budget and actual amounts
Budget differences

Material differences between budget and actual amounts
1. Variance is as a result of tender document not being purchased in the municipality but being printed directly from E-tender website.

2. Variance between budget and actual of service charges could be attributed to having a number of users utilising alternative source of energy like gas,solar as a consequense of load shedding,

3. Rentals variance is mainly as a result of one of rental property of the municipality being burned down by fire.

4. Variance is attributed to less Licensing and registration being conducted that anticipated.

5. Unallocated deposit were recognised as revenue since they were unclaimed for 36 months.

6. Variance between actual and budget is mainly due to interest received on a short- term investment and current account interest.

7. The difference is as a result of continued data cleansing, supplementary valuation roll and implementation of new valuation roll.

8. Interest on outstanding debtor’s variance can be attributed to incentives given to customers who wants to settle their long outstanding debt.

9. Variance is as caused capital grant (MIG) being disclosed separate from financial performance from the budget side. MIG was spent 100% in the current year.

10. Under budgeting can be attributed to budgeting fines on cash basis instead of accrual basis.

11. Variance is as a result of vacant positions not yet filled.

12. Remuneration of councillors is based on government gazette on upper limits for councillors

13. Due to late appointment of service providers that resulted in subdued expenditure,

14. Attributed to some assets being derecognized such as access road on golf club.

15. No provision was made on this non-cash items such as interest on landfill sites.

16. Savings on photocopy machine was realized.

17. Variance is as a result of new valuation roll which derecognised and transferred some properties to sister municipalities.

18. More electricity was purchased due to relaxation of load shedding.

19. Attributed to less spending on contracted services than budgeted for resulting in savings.

20. Attributed to ESKOM upgrade to increase electricity supply/capacity to the municipality.

21. Attributed to non-spending of some budget items in general expenditure.

22.Attributed to profit and loss on disposal of assets.

23. Attributed to investment fair value adjudgment in the current year.

23.1 Attributed to current year assessment on employee obligations.

Notes to the Annual Financial Statements

46. Budget differences (continued)

24. Less stock on hand than projected.

25. Budget allocated to receivables instead of Consumer debtors

26. Some Budget allocated to receivables instead of Consumer debtors

27. Variance is caused by budget splitting VAT between Current assets and Liabilities.

28. More consumer owing the Municipality at year end.

29. The variance is as a result of less estimate on cash and cash equivalents than realised, mainly as a result of not spending 100% on internal funded projects.

30. Derecognition of investment property where municipality has lost control in terms IGRAP 18 and more budget was provided than the realised investment property fair value.

31. Attributed to less spending on internal capital projects.

32.No procurement of intangible assets was made at year end.

33. Attributed to fair value adjustments.

34. Attributed to deposit held by ESKOM.

35. Variance attributed to the reduction of unallocated deposits which have been allocated to respective consumer accounts as well as retention claims that were paid out.

36. Attributed to more accruals being recognised in the current financial year.

37. Slight difference is because of more estimate on consumer debtors that realized.

38 Variance is as a result of yearly actuarial calculation of employee obligation.

39 No current provision in the year under review.

40. Recognition of long-term finance lease.

41. Variance is as a result of yearly actuarial calculation of employee obligation.

42. Variance is as a result of splitting provision between short term and long term.

43. Immaterial.

44. variance is emanating from all assets less all liabilities.

45. Variance between budget and actual of service charges could be attributed to having a number of users utilising alternative source of energy like gas,solar as a consequence of load shedding.

46. The variance on the operating activities is as a result of savings on supplies and employee cost payment.

4.7 The variance on the investing activities is as a result of spending on capital expenditure.

48. The variance is result of less estimate on cash and cash equivalents than realised.

Changes from the approved budget to the final budget

46. Budget differences (continued)

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to the annual report.

47. Prior period errors

The following prior year errors were identified and adjusted retrospectively.

1(a). Skills development Levy(SDL) amounting to R800 120 was remapped from General expenses in prior year to Employee related cost.

2.Note 25 government grants and subsidies had casting error on conditional grants received of 19 000 000 and unconditional grants received of R50 075 000

Property Plant and Equipment

1) Roads

During the financial year ended 30 June 2024, it was identified that the municipality erroneously recorded roads in a golf club as part of its assets. These roads, with a cost of R10,057,775.51, do not belong to the municipality. The error resulted in an overstatement of both the cost and accumulated depreciation of the municipality’s assets.

The error arose due to the incorrect inclusion of roads in a golf club in the municipality’s asset register. This led to the overstatement of property, plant, and equipment (PPE) and depreciation expenses in the financial statements.

2) Work in Progress

During the financial year ended 30 June 2024, it was identified that certain work in progress (WIP) was not fully transferred to the appropriate accounts. The affected projects include Manapyane HML (R212,291.41), Dicheoung Internal Road (R8,000.00), and Leuwfontein Sports Complex (R498,400.00).

The error arose due to the failure to transfer the costs associated with these projects from the work in progress account to the relevant asset accounts. This resulted in an overstatement of the WIP and an understatement of the completed assets in the financial statements.

3) Investment Property (Land)

During the financial year ended 30 June 2024, it was identified that the municipality lost control over five investment properties classified as land with a total value of R 5 918 000. These properties were initially recognized as investment properties intended for capital appreciation. However constructions were carried out on these properties, resulting in the development of RDP houses and a school.The properties will be transfered to Substance Over Form (SOF) register since they are registered in the Municipality's name but does not have control over.

4) Duplicate entries

During the financial year ended 30 June 2024, it was identified that there was a duplication error in the recording of an electricity poles. The cost of the duplicated assets was R1,080,000, with depreciation of R43,151.04 and accumulated depreciation of R604,987.80.

The error arose due to the duplication of entries in the asset register, resulting in the overstatement of both the cost and accumulated depreciation of the electricity poles.

Notes to the Annual Financial Statements

47. Prior period errors (continued)

5)

Storm Water (WIP)

During the year ended 30 June 2024 it was noted that the Stormwater in extension 6 (amounting to R17 366 649,29) was completed in 2021 but was not transferred from Work In Progress to Infrastructure Assets. This error resulted in WIP being overstated and PPE stormwater understated by the same amount.

6) During the financial year ended 30 June 2024, Municipality identified an error in the calculation of depreciation for certain fixed assets. The error resulted from the use of incorrect depreciation rates applied to property, plant, and equipment over the past financial year

7)Commitments

In the current period, we identified a prior period error related to the classification and disclosure of a finance lease liability. Specifically, a finance lease liability amounting to R24,947,592 was incorrectly disclosed as both commitments and lease liabilities in the financial statements for the prior period.

The error involved the dual misclassification of the finance lease liability, which should have been accurately reported solely under finance lease liabilities. Instead, this amount was erroneously reported as both commitments and lease liabilities, leading to double reporting and misrepresentation of our financial obligations. It was also noted that commitments on operating lease was overstated by R 555 034.The effect of the error is disclosed below

Previously reported:	-
Capital Commitments	24 008 866
Operating lease	2 569 489
Finance lease	24 947 592
-	**51 525 947**
-	-
-	-
Restated commitments:	-
Capital Commitments	24 008 866
Operating lease	2 014 455
-	**26 023 321**

8.During the implementation of the new valuation roll, it was identified that there are properties that are in our municipal system which have no owner registered and others belonging to another local authority (either being Elias Motswaledi Local Municipality or Mookgopong Local Municipality). These properties were previously billed as they were included in the previous valuation roll and therefore credit notes were passed on those respective account numbers in 2024 financial year, however journals needed to be passed to allocate them to the current financial year and the previous financial year for comparative purposes.

9.Financial instrument disclosure note has derecognised statutory components on receivable from non-exchange transactions, consumer debtors and VAT receivables

10. During the year it was discovered that losses on disposal of fixed assets were errounsly mapped to fair value adjustments line which resulted in overstatement on profit on disposal and understatement of fair value adjustment by R425 971.

11.Note 22 (Interest receved):Interest on cash and cash equivalents was seperated to interest on current account and interest on call account while interest on investments was renamed interest on Eskom deposits

12.During the year under review, management discovered that infrastructure asets under construction were errounously classified in work in progress reconciliation under note 12 as community assets. The total of R25 127 947 was reclassified from community assets to infrastructure assets.

13.Note 36 (Financial Instruments) and Note 40 (Risk Management)disclosures were revised to fully comply with GRAP 104 requirements ,

14.Bursaries and Learnship expenses were reclassified (also renamed) from Government grants and subsidies note 50, to Employee related costs -(Internship Stipend), note 25.

Figures in Rand	2024	2023

47. Prior period errors (continued)

15.Note 45 , (Additional disclosures in terms of Municipal Finance Management Act) item VAT disclosure was removed from the disclosures to comply with section 125 of the MFMA.

16.During the year, management discovered that there was R98 700 that was erroneously adjusted against infrastructure instead of community assets. The error resulted in understatement of infrastructure and overstatement of community assets.

17.Note 54 was revised to fully comply with GRAP 25 by excluding officials that were not permanently employed.

18.An amount of R18100 was reclassified through mapping from Audit Committee (general expenses) to Repairs and maintenace-(Expenditure)

19.Reclassification of expenses was done between contracted services (expenditure), note 31 and general expenses note 32.

20.Segment Reporting note 52 has been restarted in line with GRAP 18 requirements and some descriptions on the face of the note (table) have been shortened to allow full presentation.

(The correction number is indicated in brackets next to the item adjusted. Brackets on amounts is for Credit adjustment and no brackets for Debit adjustment).

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

47. Prior period errors (continued)

Statement of financial position

PPE: Infrastructure roads cost (1)	-	(10 057 776)
Accumulated depreciation - Roads (1)	-	5 634 100
Accumlated surplus(1)	-	4 825 528
PPE: Infrastructure HML Cost (2)	-	212 291
PPE: Infrastructure Roads Cost (2)	-	8 000
PPE: Infrastructure Community Assets Cost (2)	-	498 400
Work In Progress (2)	-	(718 691)
Investment Property (3)	-	(5 918 000)
Accumlated surplus (3)	-	5 918 000
PPE: Electrical Infrastructure Cost (4)	-	(1 080 000)
Accumulated depreciation - Electrical (4)	-	604 987
Accumlated surplus (4)	-	518 163
PPE: Roads & Stormwater Infrastructure(5)	-	17 366 649
Work In Progress (5)	-	(17 366 649)
Accumulated depreciation (5)	-	(1 200 229)
Accumlated surplus(5)	-	505 563
Accumulated depreciation (2)	-	(15 912)
Infrastructure asset	-	98 700
Community asset	-	(98 700)
Community Assets: Accumulated depreciation (6)	-	28 472
Computer Equipment:Accumulated depreciation (6)	-	(3 055)
Furniture and Office Equipment: Accumulated depreciation (6)	-	10 602
Machinery and Equipment:Accumulated depreciation (6)	-	(84 086)
Infrastructure:Accumulated depreciation (6)	-	(153 214)
Transport Assets:Accumulated depreciation (6)	-	(12 721)
Debtors Rates (7)	-	3 543 932
Debtor Other (7)	-	1 796 109
Debtors -Property Rates (7)	-	(6 046 400)
Debtors-Interest(7)	-	(3 164 335)
Accumulated Surplus (7)	-	7 705 989
Increase in infrastructure work in progress (12)	-	25 127 945
Decrease in community assets work in progress (12)	-	(25 127 945)
Opening Accumulated Depreciation:Infrastructure Assets(6)	-	459 046
Opening Accumulated Depreciation:Community Assets Assets (6)	-	15 695
Opening Accumulated Depreciation:Buildings (6)	-	5 979
Accumlated surplus (6)	-	(468 762)
Accummulated Depreciation Electrical (2)	-	(8 179)
Defined Benefit Obligations:Medical:Actual employer benefit payments (17)	-	3 941
Provision:Long-service Awards (17)	-	11 809

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

47. Prior period errors (continued)

Statement of Financial Performance

Employee related costs-SDL1(a)	-	800 120
General Expenses(SDL) 1(a)	-	(800 120)
Depreciation (1)	-	(401 852)
Depreciation (4)	-	(43 151)
Infrastructure: Storm water extension (5)	-	694 666
Community assets: Depreciation (2)	-	(15 912)
Electrical :Depreciation (2)	-	8 179
Computer Equipment: Depreciation (6)	-	3 055
Deprec community assets (6)	-	(28 472)
Furniture and Office Equipment:Depreciation (6)	-	(10 602)
Machinery and Equipment: Depreciation (6)	-	84 086
Infrastructure: Depreciation (6)	-	153 214
Transport Assets: Depreciation (6)	-	12 721
Property Rates (7)	-	826 210
Interest from Exchange Transactions (7)	-	678 547
Impairment-Rates (7)	-	(3 543 932)
Impairment -Other (7)	-	(1 796 109)
Profit or (loss) on disposal of fixed assets (10)	-	425 971
Fair value adjustments (10)	-	(425 971)
Employee related costs- Internships Stipend (14)	-	857 503
Goverment grants and subsidies-Bursaries and Learnership (expenses) (14)	-	(857 503)
Employee Related Cost:Municipal Staff:Salaries Wages and Allowances (17)	-	(11 809)
Repairs and Maintenance (18)	-	18 100
Audit Committee -(General expenses) (18)	-	(18 100)
General expences (subscription) (19)	-	9 850
General expenses(staff welfare) (19)	-	53 253
General expenses(Promotion and sponsor) (19)	-	51 810
General Expenses Advert and corp image (19)	-	7 804
General expenses Audit Committee (19)	-	102 062
General expences (utilities) (19)	-	25 450
Contracted Services (Special contractors) (19)	-	(78 703)
Contracted Services (other contractors) (19)	-	(171 526)

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48. Events after the reporting date

There are no events after the reporting date.

49. Lease rentals on operating lease

Photocopiers		
Contractual amounts	1 626 783	1 387 365

Operating leases - as lessee (expense)

Operating lease payments represent rentals payable by the municipality for certain office equipment and service delivery property. Leases are negotiated for an average term of 3 years. No contingent rent is payable.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

50. Government grants ,transfers and subsidies

Other subsidies		
Indigent Relief	803 069	1 059 615
Eskom upgrade	11 493 554	-
Bursaries and Learnership	573 659	600 208
	12 870 282	**1 659 823**

51. Change in estimate

Property, plant and equipment

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Change in estimate useful lives

During the year ended 30 June 2024 the total useful life of assets were reassessed per asset category
The change has the following effect on the property, plant and equipment note:

Current year -	-
Increase/ (Decrease) in depreciation expense due to re-assess	-
Computer Equipment	-39 736,64
Furniture and Office Equipment	-41 909,04
Machinery and Equipment	-49 446,76
Community assets:	-8 759,86
Infrastructure:	-583 906,00
Grand Total	-723 758,30

52. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of major functional areas. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Some segments were aggregated for reporting purposes.

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

Notes to the Annual Financial Statements

52. Segment information (continued)

Aggregated segments

The municipality operates throughout the LIM 471 demarcation. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout LIM 472 were sufficiently similar to warrant aggregation.

The following segments were aggregated:

1	Finance:BTO
2	Solid Waste Removal:Solid Waste
3	Finance:Finance
4	Mayor and Council:Council
5	Roads:Roads& Stormwater (650)
6	Health Services:HIV/AIDS
7	Fleet Management:Fleet Mangement
8	Cemeteries Funeral Parlours and Crematoriums:Paks & Cemetries
9	Town Planning Building Regulations and Enforcement and City Engineer:Urban Development
10	Municipal Manager Town Secretary and Chief Executive:Municipal Manager
11	Information Technology:Information Communication Technology (ICT)
12	Housing:Housing and Building
13	Finance:Default
14	Licensing and Regulation:Licencing and Traffic
15	Electricity:Electricity
16	Finance:REVENUE
17	Administrative and Corporate Support:Administration
18	Sports Grounds and Stadiums:Sports Arts and Culture
19	Human Resources:Human Resources
20	Licensing and Regulation:Registration Authority
21	Libraries and Archives:Library
22	Health Services:Health General Services
23	Roads:Roads & Stormwater 2
24	Roads:Roads & Stormwater 1
25	Town Planning Building Regulations and Enforcement and City Engineer:Technical Services
26	Consumer Protection:Community Services Management
27	Administrative and Corporate Support:Corporate Services Management
28	Marketing Customer Relations Publicity and Media Co-ordination:Communication
29	Legal Services:Legal Services
30	Supply Chain Management:Stores

Measurement of segment surplus or deficit, assets and liabilities

52. Segment information (continued)

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

There are no non reportable segments.

Types of goods and/or services by segment

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

Reportable segment	Nature of Goods and/or services
Finance	Finance, human resource and IT services to facilitate service
Community services	Police, parks and libraries
Basic services	Basic services, roads, sewage, refuse, electricity
Mayor and Council	Community outreach

Performance information

The following information will enable users of financial statements to evaluate the nature and financial effects of the activities in which it engages and the economic environments in which it operates.

Segment reporting was expanded to enhance fair presentation
Below are the reconciliations of the amounts in the statement of financial position and performance for reportable segments

2024

Statement of Financial Performance	Basic services	Community services	Executive & Council	Finance
-	-	-	-	-
Total Revenue	**35 666 048,53**	**-1 047 091,37**	**2 618 692,04**	**-293 769 581,82**
Revenue (exchange)	**-78 390 213,80**	**-146 445,37**	**-58 692,04**	**-33 105 632,89**
Interest received	-404 220,59	-	-	-26 739 860,36
Other income	-26 135,36	-78 801,95	-	-746 908,05
Rental of facilities and equipment	-	-67 643,42	-	-
Sale of goods	-13 697,85	-	-58 692,04	-24 109,92
Service charges	-77 946 160,00	-	-	-
Agency fees	-	-	-	-5 594 754,56
Revenue (non-exchange)	**-57 275 834,73**	**-900 646,00**	**2 560 000,00**	**-260 663 948,93**
Basic Electricity Levy	-11 692 930,00	-	-	-
Interest received	-	-	-	-11 156 236,18
Property rates	-	-	-	-55 328 008,48
Transfer revenue and other receipts	-45 582 904,73	-447 350,00	2 560 000,00	-194 179 704,27
Fines, Penalties and Forfeits	-	-453 296,00	-	-
Expenditure	**21 380 440,66**	**32 815 515,17**	**5 926 465,68**	**189 543 147,69**
Bulk Purchases	56 886 156,41	-	-	-
Contracted services	120 078,40	9 112 404,51	2 466 983,02	23 535 124,71
Debt Impairment	-	-	-	10 153 760,27
Depreciation and amortisation	-	-	-	62 410 050,53
Employee related costs	26 095 233,30	19 003 748,21	3 764 825,31	45 098 416,90
Finance costs	-	-	-	8 652 108,16
General Expenses	12 615 432,86	3 017 638,92	9 644 087,48	31 748 231,87
Operating Lease Expense	-	-	-	1 626 782,97
Remuneration of councillors	-	-	5 050 569,87	-
Grants and Subsidies	12 296 623,64	-	-	573 658,96
Repairs and Maintenance	13 366 916,05	1 681 723,53	-	4 124 407,07
Impairment of assets	-	-	-	1 620 606,25

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

Total
-
-433 101 413,76
-111 700 984,10
-27 144 080,95
-851 845,36
-67 643,42
-96 499,81
-77 946 160,00
-5 594 754,56
-321 400 429,66
-11 692 930,00
-11 156 236,18
-55 328 008,48
-242 769 959,00
-453 296,00
389 665 569,20
56 886 156,41
35 234 590,64
10 153 760,27
62 410 050,53
108 962 223,72
8 652 108,16
57 025 391,13
1 626 782,97
15 050 569,87
12 870 282,60
19 173 046,65
1 620 606,25

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

52. Segment information (continued)

Operating surplus	**-14 285 607,87**	**31 768 423,80**	**3 307 773,64**	**-104 226 434,13**
Inventories losses/write-downs	-	-	-	-
Fair Value adjustments	-	-2 105 730,00	-	-
Profit/(Loss) on disposal of fixed assets	115 268,31	-	-	1 010 770,86
Actuarial Gain/ (Loss)	-	-	-	3 949 076,00
Surplus for the year	**-14 170 339,56**	**29 662 693,80**	**3 307 773,64**	**-99 266 587,27**
-	-	-	-	-
Statement of Financial Position	**Basic services**	**Community services**	**Executive & Council**	**Finance**
Assets	**05 552 442,66**	**-50 121 336,44**	**5 163 649,38**	**491 648 516,67**
Current Assets	**37 376 562,07**	**-47 496 414,77**	**5 270 447,38**	**879 231 984,99**
Cash and Cash equivalents	45 235 880,32	-48 945 634,17	4 677 723,35	768 321 919,48
Consumer debtors (exchange)	1 406 043,59	-5 820,18	-	30 516 578,59
Consumer debtors (non exchange)	-6 432 909,00	-	3 187 059,82	59 790 254,18
Inventories	-4 347 267,83	-1 912 384,62	-110 664,29	43 064 458,78
Receivables (non-exchange)	-	1 357 132,00	-	2 732 455,09
VAT receivable	17 233 451,49	2 010 292,20	3 330 880,44	-25 193 681,13
Non-Current Assets	**42 929 004,73**	**-2 624 921,67**	**106 798,00**	**612 416 531,68**
Heritage assets	-	20 730,00	106 798,00	63 632,00
Investment property	-	1 590 500,00	-	72 787 060,97
Property, plant and equipment	42 929 004,73	-4 236 151,67	-	537 704 247,64
Eskom Deposits	-	-	-	1 861 591,07
Liabilities	**6 042 039,46**	**-1 864 350,04**	**1 586 903,79**	**-157 063 948,14**
Current Liabilities	**6 042 039,46**	**-1 864 350,04**	**1 586 903,79**	**-81 567 646,29**
Consumer deposits	146 821,85	-	-	-1 440 632,59
Payables (exchange)	5 895 217,61	1 113 313,96	1 586 903,79	-70 477 320,40
Employee benefit obligation	-	-	-	-999 950,00
Finance lease obligation	-	-	-	-8 649 743,30
Provisions	-	-2 977 664,00	-	-
Non-Current Liabilities	**-**	**-**	**-**	**-75 496 301,85**
Provisions	-	-	-	-41 346 666,00
Employee benefit obligation	-	-	-	-25 196 944,53
Finance lease obligation	-	-	-	-8 952 691,32
Net Assets	111 594 482	-51 985 686	-103 576 746	1 334 584 569
Revaluation Reserve	-	-	-	149 510
Accumulated Surplus	**111 444 970**	**-51 985 686**	**-103 576 746**	**1 334 584 569**

2023

Statement of Financial Performance	**Basic services**	**Community services**	**Executive & Council**	**Finance**	**Total**
-	-	-	-	-	-
Total Revenue	**-138 220 596**	**-880 773**	**-1 654 963**	**-254 826 465**	**-395 582 797**
Revenue (exchange)	**-71 089 816**	**-349 723**	**-344 963**	**-24 124 460**	**-95 908 962**
Interest received				-15 950 165	-15 950 165
Other income	-73 653	-131 292	-257 528	-2 459 969	-2 922 442
Rental of facilities and equipment		-218 431			-218 431
Sale of goods			-87 435	-26 466	-113 900
Service charges	-71 016 163				-71 016 163
Agency fees				-5 687 860	-5 687 860
Revenue (non-exchange)	**-67 130 780**	**-531 050**	**-1 310 000**	**-230 702 005**	**-299 673 835**
Basic Electricity levy	-10 309 528				-10 309 528
Property rates				-40 126 248	-40 126 248
Government grants & subsidies	-56 821 025		-1 310 000	-181 926 000	-240 057 025

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

-43 435 844,56
-
-2 105 730,00
1 126 039,17
3 949 076,00
-40 466 459,39
-
Total
1 441 915 973,51
489 088 560,77
359 462 681,64
31 916 802,00
56 544 405,00
36 694 142,04
4 089 587,09
380 943,00
952 827 412,74
191 160,00
74 377 560,97
876 397 100,70
1 861 591,07
-151 299 354,93
-75 803 053,08
-1 293 810,74
-61 881 885,04
-999 950,00
-8 649 743,30
-2 977 664,00
-75 496 301,85
-41 346 666,00
-25 196 944,53
-8 952 691,32
1 290 616 619
149 510
1 290 467 107

Notes to the Annual Financial Statements

Figures in Rand 2024 2023

52. Segment information (continued)

Statement of Financial Performance	Basic services	Community services	Executive & Council	Finance	Total
Fines, Penalties and Forfeits	-227	-531 050			-531 277
Interest on o/s receivable balances				-8 649 757	-8 649 757
Expenditure	**95 310 341**	**25 610 777**	**48 339 119**	**169 716 415**	**338 976 652**
Bulk Purchases	46 859 516				46 859 516
Contracted services	2 530 602		10 408 814	15 695 203	28 634 619
Debt Impairment				8 788 372	8 788 372
Depreciation and amortisation				57 352 099	57 352 099
Employee related costs	27 288 952	21 528 774	15 645 131	39 248 758	103 711 615
Finance Costs				6 369 225	6 369 225
General Expenses	7 912 051	2 335 069	8 356 375	31 789 047	50 392 541
Operating Lease Expense				1 387 366	1 387 366
Remuneration of councillors			13 928 799		13 928 799
Grants and Subsidies	1 059 615			600 208	1 659 823
Repairs and Maintenance	9 659 605	1 746 935		3 560 268	14 966 807
Impairment of assets				4 925 871	4 925 871
Operating surplus	**-42 910 255**	**24 730 004**	**46 684 156**	**-85 110 050**	**-56 606 145**
Inventories losses/write-downs				242 439	**242 439**
Profit / (Loss) disposal of fixed ass				-277 893	**-277 893**
Actuarial Gain / (Loss)				-9 478 103	**-9 478 103**
Fair Value adjustments	-285 225	-5 016 371		-244 825	**-5 546 421**
-	**-285 225**	**-5 016 371**		**-9 758 382**	**-15 059 978**
Surplus for the year	**-43 195 480**	**19 713 633**	**46 684 156**	**-94 868 432**	**-71 666 123**
-					

Statement of Financial Position	Basic services	Community services	Executive & Council	Finance	Total
Assets	**76 227 934**	**-34 759 611**	**-89 531 231**	**1 436 058 799**	**1 387 995 892**
Current Assets	**-207 059 597**	**-30 249 146**	**-89 638 029**	**759 216 865**	**432 270 093**
Cash and Cash equivalents	-219 545 294	-31 598 907	-98 336 496	668 110 548	318 629 850
Consumer debtors (exchange)	1 251 911	-6 453		26 572 521	27 817 979
Consumer debtors (non exchange)	-5 300 708		2 519 777	48 503 440	45 722 509
Inventories	-1 700 062	-1 415 385	-81 649	39 901 138	36 704 042
Receivables (non-exchange)		1 000 132		457 326	1 457 458
VAT receivable	18 234 557	1 771 466	6 260 339	-24 328 107	1 938 255
Non-Current Assets	**283 287 531**	**-4 510 464**	**106 798**	**676 841 935**	**955 725 799**
heritage assets	-	-	106 798	63 632	170 430
Investment property	-	3 243 500	-	69 049 061	72 292 561
Property, plant and equipment	283 287 531	-7 753 964	-	594 778 317	870 311 883
Eskom Deposits	-	-	-	12 950 925	12 950 925
Liabilities	**10 671 609**	**1 113 514**	**1 739 962**	**-151 370 820**	**-137 845 736**
Current Liabilities	**10 671 609**	**1 113 514**	**1 739 962**	**-85 726 273**	**-72 201 188**
Consumer deposits	128 657			-1 471 562	-1 342 905
Payables (exchange)	10 542 951	1 113 514	1 739 962	-76 061 382	-62 664 955
Unspent conditional grants and rec					**-15**
Employee benefit obligation				-573 893	**-573 893**
Finance lease obligation				-7 619 435	-7 619 435
Non-Current Liabilities				**-65 644 548**	**-65 644 548**
Provisions				-29 177 473	-29 177 473
Employee benefit obligation				-18 864 640	-18 864 640
Finance lease obligation				-17 602 435	-17 602 435
Net Assets	**86 899 543**	**-33 646 097**	**-87 791 269**	**1 284 687 979**	**1 250 150 157**
Revaluation Reserve				-149 510	**-149 510**
Accumulated Surplus	-86 899 543	33 646 097	87 791 269	-1 284 538 475	**-1 250 000 652**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

52. Segment information (continued)

53. Regulation 45 disclosure

As per Section 45 of the MFMA SCM regulations the notes to the Annual financial statements of a municipality must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state or has been in the service of the state in the previous 12 months indicating:

- The name of that person
- The capacity in which that person is in the service of the state/municipality; and
- The amount of the award

The information regarding awards made for the financial year is indicated below.

Bidders Appointed in Service of State

Service Provide/goods description	Name/relation/Organ of state	2024	2023
KIPP Consulting EngineersAppointment of a panel of Civil Engineering Consultants for Infrastructure Development Projects for period of 36 Months (8/3/453)	Metene, PZ - Spouse to the director Dept. of Economic Affairs and Social Development	119 209	-
Matshetso Supply and Delivery of 100kWh Meters (Re-advert) (8/3/472)	Mashwene, RM - Spouse to the director Limpopo - Health	295 248	-
Tshete le Barwa General Trading Supply and delivery of two ride on mowers (8/3/465)	Tsiane, TM - Spouse to the director Dept. of Science and Technology	488 600	-
Tshete le Barwa General Trading Supply, delivery, and installation of one guard house (Re-advert)	Tsiane, TM - Spouse to the director Dept. of Science and Technology	98 000	-
Munsoft -Financial Management and Internal Control system	M, Rerani Spouse to director Dept of Chief Justice	8 638 737	6 053 912
Musanda Travel Agency_x0002_Travel Management services for 36 months	Director's Spouse - Ledwaba, MP - Department of Education	486 096	614 121
CONLOG Vending Management System for a period of 36 months	Virvasha Moodley, spouse to the directorDept. of Health	577 677	863 133
Limpopo Floor Care Trading & Projects- Refreshment - water and energy drinks for IMSSA Games	Spouse to director Matlala Hospital,	-	22 272
Limpopo Floor Care Trading & Projects- Supply of a Digital Photo Camera	Spouse to director Matlala Hospital,	-	17 000

Figures in Rand		2024	2023

53. Regulation 45 disclosure (continued)

Ken and Son Business Enterprise- Supply and Delivery of Road Marking Paint	Spouse to director Matlala Hospital,	-	246 482
Ken and Son Business Enterprise- Catering	Spouse to director Matlala Hospital,	-	29 150
Mphodics Supplies- Catering	Maria Aphane - business associate - Ephraim Mogale Municipality	-	25 760
Sekankoe Engineering HighMast Lights at Matseding_x0002_High Mast Lights at Matseding	Director's Spouse - Khalaki, ME- Dept. of Labour Mpumalanga	-	1 391 845
Electrateq Supply and delivery of electrical materials	Both, M - Spouse to the director SAPD	18 931	-
Kwaila Holdings Supply and delivery of water tankers; Installation of tiles; Supply of building materials	Langa, RZ - spouse to the director Gauteng Dept of Health	86 307	-
Matlukanobha Trading Hire of tables, tent, toilets and supply of bottled water	Baloyi, MV - spouse to the director Sekhukhune District Municipality	25 000	-
National Service Master Catering services and supply of cateridges	Matemane, MM - spouse to the director Dept of Health	37 580	-
OBARO Handel Supply of materials	Bronkhorst, JE - spouse to the director Laerskool Tygerpoort	40 369	-
Puleng Development Catering services	Khumalo, PM - spouse to the director SANDF	28 800	-
SALAfish Trading Supply of bottled water; tents, mobile toilets	Mashung, NG - spouse to the director Dept of Kokstad	4 000	-
SEB IT Consultancy Vetting of candidates; Branded municipal clocking books; Catering services	Sebei, TME - spouse to the director Elias Motsoaledi Local Municipality	44 200	-
Teknoplanet Supply of Cartridges	Tlale, SJ - spouse to the director North West Education	15 600	-
Sekhukhune Times Publication of adverts in newspaper	Motseo, GN Limpopo Education	88 862	-
Gijima Holdings Competency Assessment of director	Zilwa, LC - child to the director Dept of Health	7 200	-
Electrateq Supply and delivery of electrical materials	Mphela, KP and Tshabalala, P - children to the director Laerskool Marble Hall	18 930	-
Daph Phuti Sponges	Mphela, KP and Tshabalala, P - children to the director Socio-Economic Development and WillowRidge High School	28 500	-

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

54. Finance lease obligation

Minimum lease payments due		
- within one year	10 400 156	10 400 156
- in second to third year inclusive	9 533 476	19 933 632
	19 933 632	30 333 788
less: future finance charges	(2 331 198)	(5 111 918)
Present value of minimum lease payments	**17 602 434**	**25 221 870**
Non-current Portion	8 952 691	17 602 435
Current Portion	8 649 743	7 619 435
	17 602 434	**25 221 870**

It is municipality policy to lease certain motor vehicles and equipment under finance leases. Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.
The municipality's obligations under finance leases were secured by the lessor's charge over the leased assets..

Market risk

The carrying amounts of finance lease liabilities are denominated in the following currencies:

For details of sensitivity of exposures to market risk related to finance lease liabilities, as well as liquidity risk refer to note .

The fair value of finance lease liabilities approximates their carrying amounts.

55. Accounting by principal and agents

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

Details of the arrangments are as follows:

Entity as agent
The municipality is the Agent in the Principal-Agent arrangement with the Provincial Department of Transport, and collects licencing fees on behalf of the Provincial Department of Transport. The municipality can retain a portion of the fees collected and the net amount is due to the Provincial Department. The amount retained is recorded as Income from Agency Services in the Statement of Financial Performance as agency fees. The amounts due to the Provincial Department at year end is included in the balances reported as Payables from Exchange Transactions in the Statement of Financial Position.

Revenue recognised
The aggregate amount of revenue that the Municipality recognised as compensation for the transactions carried out on behalf of the principal is R 5 594 755 for 2024 year and 5 687 860 for 2023 year.

Liabilities recognised:

Liabilities incurred on behalf of the principal(s) that have been recognised by the entity are R38 039 at as 30 June 2024 and R 67 202 for 30 June 2023.

Entity as principal
Municipality is the Principal in arrangements with service providers who sell prepaid electricity on their behalf. Prepaid vendors earn commission on the value of each transaction. Commission paid to agent during the year was R511 205 for 2024 year and R 748 484 for 2023 year