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Audited  
By

2024 -11- 30

Auditor General South Africa  
Mpumalanga Business Unit



Msukaligwa Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2024



# Msukaligwa Local Municipality

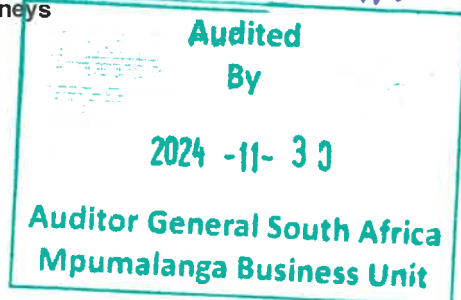
(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2024

## General Information

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Grading of local authority	4
Accounting Officer	Mr. M. Kunene
Chief Financial Officer (CFO)	Mr P.J.Nhlabathi
Registered office	Civic Centre C/o Kerk and Taute Street Ermelo 2350
Business address	Civic Centre C/o Kerk and Taute Street Ermelo 2350
Postal address	PO Box 48 Ermelo 2350
Bankers	First National Bank Limited
Auditors	Auditor-General of South Africa Registered Auditors
Attorneys	Z Mhlongo and Khumalo Incorporated Marivate Attorneys Incorporated Maphanga Attorneys Mhlongo Khumalo Attorneys Julie Mahommed Attorneys Sefalala Attorneys Motimele Attorneys L Guzana Attorneys Lusenga Attorneys Geldenhys Malatjie Attorneys TMN Kgomo and Associates
Rounding	All amounts have been rounded to the nearest R1
Website	<a href="http://www.msukaligwa.gov.za">www.msukaligwa.gov.za</a>
Contact number	Tel: 080 0014903 (017 801 3400) Fax: 017 801 3851



# Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2024

## Abbreviations

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AGSA	Auditor-General of South Africa
CFO	Chief Financial Officer
COID	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
GSDM	Gert Sibande District Municipality
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officers
IPSAS	International Public Sector Accounting Standards
LG SETA	Local Government Sectoral and Training Authority
MMC	Member of the Mayoral Committee
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MPAC	Municipal Public Accounts Committee
MSA	Municipal Systems Act
mSCOA	Municipal Standard Chart of Accounts
PPP	Public Private Partnership
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
DORA	Division of Revenue Act
PAYE	Pay As You Earn
SALGA	South African Local Government Association

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# Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2024

## Audit Committee Report

### 1. Audit committee members and attendance

The Audit committee consists of the members listed hereunder and should meet four times a year, as per its approved terms of reference. During the current year 07 meetings were held.

Name of member	Number of meetings attended
F. Mudau	7
N. Maseko	7
P. Mangoma	7
M. Mmapheto	7

### 2. Audit committee responsibility

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

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

### 3. The effectiveness of internal control

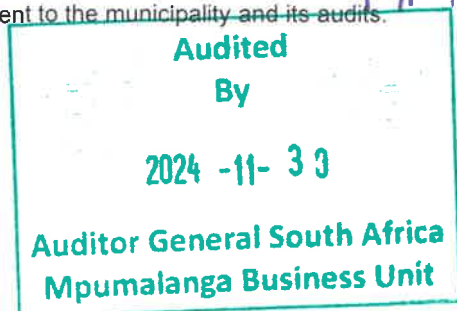
The system of internal controls applied by the municipality over financial and risk management is effective, efficient, and transparent. In line with the MFMA and the King V report on Corporate Governance requirements, Internal audit provides the audit committee and management with assurance that the internal controls are appropriate and effective, and further provides recommendations where deficiencies are identified. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal audit, the Audit report on the annual financial statements and the implementation of the action plan in addressing issued raised in the AG report, it was noted there were matters reported that indicate material deficiencies in the system of internal control or any deviation therefrom. Accordingly, the Audit Committee has made recommendations to these deficiencies and we can report that the system of internal controls over financial reporting for the period under review was fairly efficient and effective. .

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

The Audit committee is fairly satisfied with the content and quality of monthly and quarterly report prepared and issued by the Accounting Officer of the municipality during the year under review.

### 4. Internal audit

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



# Msukaligwa Local Municipality

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## Accounting Officer's Responsibilities and Approval

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

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

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

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

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

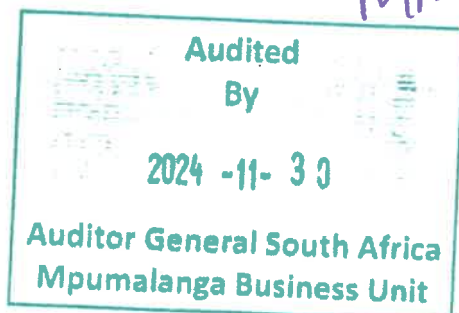
The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable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

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

The external auditors are responsible for independently reviewing 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 on page 6 - 6 .

The annual financial statements set out on page 10 - 132, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August, 2024 and were signed.

Accounting Officer  
M Kunene



# Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Accounting Office's Report

The accounting officer submits his report for the year ended 30 June, 2024.

### 1. Review of activities

#### Operations

Net deficit of the municipality was R276 631 500 (2023: surplus R44 137 395).

### 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 Provincial Executive of the Mpumalanga Provincial Government intervened in the municipality in terms of section 139(1)(b) of the Constitution and Section 139(5) of the Constitution read with Section 139 of the Municipal Finance Management Act (MFMA) (Act No. 56 of 2003).

As part of the intervention by the Provincial Executive, the Municipal Financial Recovery Services unit within the Provincial Treasury has been requested to assist with the development of a financial recovery plan for Msukaligwa Local Municipality. The financial recovery plan was developed, approved and implemented in the current financial year under review and has been monitored on a monthly basis.

The primary responsibility to avoid, identify and resolve financial problems rests with the Msukaligwa Council and the Plan must be monitored by Council, the Executive Mayor and the Municipal Manager to ensure successful implementation, and places significant implementation responsibility on the Municipal Manager, Chief Financial Officer and other senior managers.

The Municipality should move away from short term and reactionary planning to a long term stable and sustainable framework, hence the Municipality must prioritise the development of a long term spatial and financial plan that is realistic and achievable and based on sound socio-economic analysis. The financial indicators issued in MFMA Circular 71 should also be used as a basis for such a long-term financial plan.

### 3. Subsequent events

Management has been made aware of the resignation of an Ordinary Ward 7 Councillor and the term of office for the Audit committee Members and Risk Management Chairperson ended on the 31st of August 2024.

### 4. Accounting Officers' interest in contracts

The accounting officer does not have any direct or indirect interest's in contracts.

### 5. Accounting policies

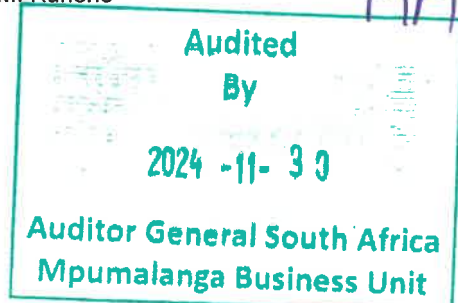
The annual financial statements prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name  
Mr. M. Kunene

Changes  
Appointed 12 August 2022



# Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Accounting Office's Report

### 7. Corporate governance

#### General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibilities in lieu of the MFMA, MSA and related Regulations as issued from time to time by National Treasury. We further note responsibilities with regards to the requirements of King IV. The accounting officer discuss the responsibilities of management in this respect, at Council meetings and monitor the entity's compliance with the code on a three monthly basis.

The salient features of the entity's adoption of the Code is outlined below:

#### Audit and risk committee

In the year under review, the Audit committee was established, and the Audit Committee members appointed, as well as the Chairperson of the Risk Committee are as follows:

##### Audit Committee members:

Position	Name	Date appointed
Chairperson	Ms F. Mudau	02 August 2021
Members:	Ms. N Maseko	02 August 2021
	Ms P. Mangoma	02 August 2021
	Mr M. Mmapheto	02 August 2021

##### Risk Committee member:

Position	Name	Date appointed
Chairperson	Mr L.A.T. Gafane	02 August 2021

In terms of Section 166 of the Municipal Finance Management Act, (Act 56 of 2003), the municipality, must appoint members of the Audit Committee. Notwithstanding that councillors appointed by the parent municipality constituted the municipal Audit Committees, National Treasury policy requires that municipalities should appoint further members of the entity's audit committees who are not councillors of the municipality onto the audit committee.

#### Internal audit

The municipality has a fully functional Internal Audit Unit. This is in compliance with the Municipal Finance Management Act, 2003.

The Internal Audit Function must apply to IIA Standards during the course of implementation of their work. Reports are submitted quarterly to the Audit Committee for consideration and approval.

### 8. Bankers

The bankers of the municipality are First National Bank Limited which is used for daily operations as well as investing of grant funding.

### 9. Auditors

The Auditor-General of South Africa will continue in office for the next financial period.





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## Accounting Office's Report

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### 10. Public Private Partnership

In accordance with the PPP agreement, the Contractor shall open a separate account with a bank registered in the Republic of South Africa, for the purpose of administering and separate safekeeping of:

- moneys deposited as excess surpluses;
- any foreign exchange rate amounts;
- any service credits; and
- any penalties for later service commencement.

The municipality has no PPP agreements.

The annual financial statements set out from page 10 - 132, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August, 2024.

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**Accounting Officer**  
**M Kunene**





# Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	7	31 774 842	23 589 169
Receivables from exchange transactions	8&10	241 332 693	167 834 179
Receivables from non-exchange transactions	9&10	89 359 622	65 189 392
VAT receivable	11	300 456 464	131 424 790
Cash and cash equivalents	12	59 336 240	78 704 867
		<b>722 259 861</b>	<b>466 742 397</b>
<b>Non-Current Assets</b>			
Investment property	3	170 191 171	181 143 053
Property, plant and equipment	4	2 627 718 892	2 651 574 543
Intangible assets	5	10 510	15 786
Heritage assets	6	174 895	174 895
		<b>2 798 095 468</b>	<b>2 832 908 277</b>
<b>Total Assets</b>		<b>3 520 355 329</b>	<b>3 299 650 674</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease obligation	13	234 693	-
Payables from exchange transactions	14	1 933 602 488	1 634 826 519
Consumer deposits	15	21 660 036	20 450 245
Employee benefit obligation	16	4 793 000	3 864 000
Unspent conditional grants and receipts	17	54 450 071	44 723 686
		<b>2 014 740 288</b>	<b>1 703 864 450</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	13	2 400 696	-
Employee benefit obligation	16	75 459 001	68 931 001
Provision for Landfill Sites	19	67 772 273	95 319 376
		<b>145 631 970</b>	<b>164 250 377</b>
<b>Total Liabilities</b>		<b>2 160 372 258</b>	<b>1 868 114 827</b>
<b>Net Assets</b>		<b>1 359 983 071</b>	<b>1 431 535 847</b>
Accumulated surplus		1 359 983 071	1 630 918 526
<b>Total Net Assets</b>		<b>1 359 983 071</b>	<b>1 630 918 526</b>

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**Mpumalanga Business Unit**

\* See Note

# Msukaligwa Local Municipality

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## Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	20	443 414 689	404 842 972
Rental of facilities and equipment	21	2 833 388	2 921 300
Agency services	22	-	6 885 735
Other income	23	11 420 637	12 891 526
Interest received	24	41 037 986	32 962 561
<b>Total revenue from exchange transactions</b>		<b>498 706 700</b>	<b>460 504 094</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	25	203 786 253	202 863 345
<b>Transfer revenue</b>			
Government grants & subsidies	18	419 425 265	498 252 576
Fines, Penalties and Forfeits	26	9 072 655	5 703 614
Interest - Receivable from non-exchange revenue	60	11 394 070	9 002 911
Debt forgiven	27	27 297 718	110 686 413
Donations received	28	16 239 117	2 451 356
<b>Total revenue from non-exchange transactions</b>		<b>687 215 078</b>	<b>828 960 215</b>
<b>Total revenue</b>		<b>1 185 921 778</b>	<b>1 289 464 309</b>
<b>Expenditure</b>			
Employee related costs	29	(295 952 244)	(272 716 728)
Remuneration of councillors	30	(18 023 751)	(17 362 091)
Repairs and Maintenance	35	(103 312 593)	(50 252 017)
Depreciation and amortisation	32	(128 560 863)	(135 027 979)
Impairment loss		(45 930 237)	(4 256 257)
Finance costs	36	(132 536 140)	(99 031 688)
Debt Impairment	31	(82 103 555)	(148 433 213)
Inventory consumed	37	(73 895 897)	(71 482 037)
Bulk purchases	59	(401 588 086)	(317 779 412)
Contracted services	38	(71 289 826)	(62 841 608)
General Expenses	39	(101 808 791)	(66 469 749)
<b>Total expenditure</b>		<b>(1 455 001 983)</b>	<b>(1 245 652 779)</b>
<b>Operating (deficit) surplus</b>		<b>(269 080 205)</b>	<b>43 811 530</b>
Loss on disposal of assets and liabilities		(3 831 816)	(14 061 750)
Fair value adjustments	40	(1 719 103)	3 377 545
Actuarial gains/losses	16	63 936	7 440 524
Impairment loss	33	-	(1)
Inventories losses/write-downs		(2 064 312)	3 569 547
		<b>(7 551 295)</b>	<b>325 865</b>
<b>(Deficit) surplus for the year</b>		<b>(276 631 500)</b>	<b>44 137 395</b>



\* See Note

# Msukaligwa Local Municipality

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## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	1 649 458 858	1 649 458 858
Adjustments		
Prior year adjustments	62 677 727	62 677 727
<b>Balance at 01 July 2022 as restated*</b>	<b>1 586 781 131</b>	<b>1 586 781 131</b>
Changes in net assets		
Surplus for the year	44 137 395	44 137 395
Total changes	44 137 395	44 137 395
<b>Restated* Balance at 01 July 2023</b>	<b>1 636 614 571</b>	<b>1 636 614 571</b>
Changes in net assets		
Surplus for the year	(276 631 500)	(276 631 500)
Total changes	(276 631 500)	(276 631 500)
<b>Balance at 30 June 2024</b>	<b>1 359 983 071</b>	<b>1 359 983 071</b>

Note(s)

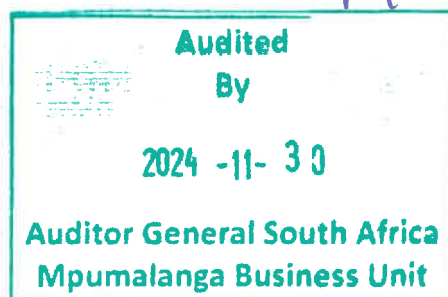


\* See Note

# Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates and Traffic fines		177 321 162	164 347 484
Services charges		193 092 030	309 367 917
Grants		429 151 650	541 382 778
Interest income		6 052 570	4 854 425
		<u>805 617 412</u>	<u>1 019 952 604</u>
<b>Payments</b>			
Employee costs		(327 908 167)	(295 617 528)
Suppliers		(347 178 843)	(413 226 129)
		<u>(675 087 010)</u>	<u>(708 843 657)</u>
<b>Net cash flows from operating activities</b>	<b>41</b>	<b><u>130 530 402</u></b>	<b><u>311 108 947</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(149 898 989)	(241 341 154)
Proceeds from sale of investment property	3	-	443 122
<b>Net cash flows from investing activities</b>		<b><u>(149 898 989)</u></b>	<b><u>(240 898 032)</u></b>
<b>Cash flows from financing activities</b>			
Finance lease payments		-	(1 179 875)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(19 368 587)</u></b>	<b><u>69 031 040</u></b>
Cash and cash equivalents at the beginning of the year		78 704 827	9 673 827
<b>Cash and cash equivalents at the end of the year</b>	<b>12</b>	<b><u>59 336 240</u></b>	<b><u>78 704 867</u></b>

The accounting policies on pages 16 to 54 and the notes on pages 55 to 121 form an integral part of the annual financial statements.



# Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	494 950 832	15 363 101	510 313 933	443 414 689	(66 899 244)	59. A
Rental of facilities and equipment	2 741 066	414 377	3 155 443	2 833 388	(322 055)	59. B
Agency services	8 940 084	(8 940 084)	-	-	-	
Other income	12 895 645	32 767 511	45 663 156	11 420 637	(34 242 519)	59. C
Interest received	1 500 000	3 500 000	5 000 000	6 052 570	1 052 570	59. D
<b>Total revenue from exchange transactions</b>	<b>521 027 627</b>	<b>43 104 905</b>	<b>564 132 532</b>	<b>463 721 284</b>	<b>(100 411 248)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	242 331 540	(36 000 000)	206 331 540	203 786 253	(2 545 287)	
Licences and Permits	3 828 715	(3 739 253)	89 462	-	(89 462)	
Interest on outstanding debtors	36 918 422	8 746 190	45 664 612	34 985 416	(10 679 196)	59. D
<b>Transfer revenue</b>						
Government grants & subsidies	260 523 153	13 011 531	273 534 684	267 837 101	(5 697 583)	59. E
Public contributions and donations	146 348 850	-	146 348 850	151 588 164	5 239 314	59. E
Fines, Penalties and Forfeits	5 448 198	8 584	5 456 782	9 072 655	3 615 873	59. F
Interest - Transfer revenue	-	-	-	11 394 070	11 394 070	
Debt forgiven	-	-	-	27 297 718	27 297 718	
Donation received	-	-	-	16 239 117	16 239 117	59. G
<b>Total revenue from non-exchange transactions</b>	<b>695 398 878</b>	<b>(17 972 948)</b>	<b>677 425 930</b>	<b>722 200 494</b>	<b>44 774 564</b>	
<b>Total revenue</b>	<b>1 216 426 505</b>	<b>25 131 957</b>	<b>1 241 558 462</b>	<b>1 185 921 778</b>	<b>(55 636 684)</b>	
<b>Expenditure</b>						
Employee related costs	(301 679 637)	-	(301 679 637)	(295 952 244)	5 727 393	
Remuneration of councillors	(19 494 317)	-	(19 494 317)	(18 023 751)	1 470 566	59. H
Inventory consumed/Repairs & Maintenance	(87 812 000)	(12 450 495)	(100 262 495)	(103 312 593)	(3 050 098)	59. P
Depreciation and amortisation	(138 588 646)	-	(138 588 646)	(128 560 863)	10 027 783	59. I
Impairment loss	-	-	-	(45 930 237)	(45 930 237)	
Finance costs	(8 484 000)	(19 200 000)	(27 684 000)	(132 536 140)	(104 852 140)	59. K
Debt Impairment	(114 043 723)	-	(114 043 723)	(82 103 555)	31 940 168	59. L
Inventory consumed-Water	-	-	-	(73 895 897)	(73 895 897)	59. P
Bulk purchases	(336 039 297)	-	(336 039 297)	(401 588 086)	(65 548 789)	59. M
Contracted Services	(84 368 367)	(19 449 877)	(103 818 244)	(71 289 826)	32 528 418	59. N
General Expenses	(70 537 941)	(8 477 208)	(79 015 149)	(101 808 791)	(22 793 642)	59. O
<b>Total expenditure</b>	<b>(1 161 047 928)</b>	<b>(59 577 580)</b>	<b>(1 220 625 508)</b>	<b>(1 455 001 983)</b>	<b>(234 376 475)</b>	
<b>Operating deficit</b>	<b>55 378 577</b>	<b>(34 445 623)</b>	<b>20 932 954</b>	<b>(269 080 205)</b>	<b>(290 013 159)</b>	
Loss on disposal of assets and liabilities	-	-	-	(3 831 816)	(3 831 816)	
Fair value adjustments	-	-	-	(1 719 103)	(1 719 103)	
Actuarial gains/losses	-	-	-	63 936	63 936	

# Msukaligwa Local Municipality

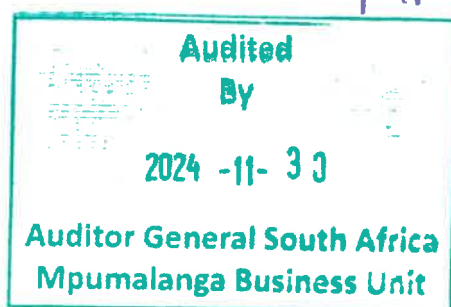
(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Inventories losses/write-downs	-	-	-	(2 064 312)	(2 064 312)	
	-	-	-	(7 551 295)	(7 551 295)	
Deficit before taxation	55 378 577	(34 445 623)	20 932 954	(276 631 500)	(297 564 454)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	55 378 577	(34 445 623)	20 932 954	(276 631 500)	(297 564 454)	



# Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	32 294 716	-	32 294 716	31 774 842	(519 874)	59. Q
Receivables from exchange transactions	235 025 767	8 322 000	243 347 767	241 332 693	(2 015 074)	59. R
Receivables from non-exchange transactions	125 526 257	(45 102 963)	80 423 294	89 359 622	8 936 328	59. S
VAT receivable	115 462 266	-	115 462 266	300 456 464	184 994 198	59. T
Cash and cash equivalents	4 414 548	(34 112 000)	(29 697 452)	59 336 240	89 033 692	59. U
	512 723 554	(70 892 963)	441 830 591	722 259 861	280 429 270	
<b>Non-Current Assets</b>						
Investment property	189 658 998	-	189 658 998	170 191 171	(19 467 827)	59. V
Property, plant and equipment	2 659 806 622	1 299 000	2 661 105 622	2 627 716 893	(33 388 729)	59. W
Intangible assets	65 197	-	65 197	10 510	(54 687)	59. X
Heritage assets	174 895	-	174 895	174 895	-	
	2 849 705 712	1 299 000	2 851 004 712	2 798 093 469	(52 911 243)	
<b>Total Assets</b>	<b>3 362 429 266</b>	<b>(69 593 963)</b>	<b>3 292 835 303</b>	<b>3 520 353 330</b>	<b>227 518 027</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Finance lease obligation	-	-	-	234 693	234 693	
Payables from exchange transactions	1 181 695 271	5 890 000	1 187 585 271	1 933 602 488	746 017 217	59. Y
VAT payable	31 440 789	-	31 440 789	-	(31 440 789)	
Consumer deposits	56 000 000	-	56 000 000	21 660 036	(34 339 964)	59. Z
Employee benefit obligation	102 453 758	-	102 453 758	4 793 000	(97 660 758)	59. Za
Unspent conditional grants and receipts	700 000	-	700 000	54 450 071	53 750 071	59. Zb
	1 372 289 818	5 890 000	1 378 179 818	2 014 740 288	636 560 470	
<b>Non-Current Liabilities</b>						
Finance lease obligation	-	-	-	2 400 696	2 400 696	
Employee benefit obligation	-	-	-	75 459 001	75 459 001	
Provision for Landfill Sites	155 177 505	-	155 177 505	67 772 273	(87 405 232)	59. Zb
	155 177 505	-	155 177 505	145 631 970	(9 545 535)	
<b>Total Liabilities</b>	<b>1 527 467 323</b>	<b>5 890 000</b>	<b>1 533 357 323</b>	<b>2 160 372 258</b>	<b>627 014 935</b>	
<b>Net Assets</b>	<b>1 834 961 943</b>	<b>(75 483 963)</b>	<b>1 759 477 980</b>	<b>1 359 981 072</b>	<b>(399 496 908)</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	1 834 961 943	(75 483 963)	1 759 477 980	1 359 983 071	(399 494 909)	



# Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Property rates	181 748 655	(27 000 392)	154 748 263	177 321 162	22 572 899
Services	394 528 515	11 917 000	406 445 515	193 092 030	(213 353 485)
Grants	406 872 003	10 000 000	416 872 003	429 151 650	12 279 647
Interest income	20 305 122	3 500 000	23 805 122	6 052 570	(17 752 552)
Other receipts	75 139 564	(21 189 000)	53 950 564	-	(53 950 564)
	1 078 593 859	(22 772 392)	1 055 821 467	805 617 412	(250 204 055)

##### Payments

Suppliers and Employee costs	(900 446 618)	31 109 000	(869 337 618)	(542 550 870)	326 786 748
Finance costs	(8 484 000)	-	(8 484 000)	(132 538 140)	(124 054 140)
	(908 930 618)	31 109 000	(877 821 618)	(675 089 010)	202 732 608

<b>Net cash flows from operating activities</b>	<b>169 663 241</b>	<b>8 336 608</b>	<b>177 999 849</b>	<b>130 528 402</b>	<b>(47 471 447)</b>
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#### Cash flows from investing activities

Purchase of property, plant and equipment	(166 448 450)	2 371 000	(164 077 450)	(149 898 989)	14 178 461
Net increase/(decrease) in cash and cash equivalents	3 214 791	10 707 608	13 922 399	(19 370 587)	(33 292 986)
Cash and cash equivalents at the beginning of the year	1 200 000	77 153 000	78 353 000	78 704 827	351 827
<b>Cash and cash equivalents at the end of the year</b>	<b>4 414 791</b>	<b>87 860 608</b>	<b>92 275 399</b>	<b>59 334 240</b>	<b>(32 941 159)</b>

## Significant Accounting Policies

Figures in Rand	Note(s)	2024	2023
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### 1. Accounting policies

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

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 Significant judgements and sources of estimation uncertainty

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

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## 1.3 Significant judgements and sources of estimation uncertainty (continued)

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

### Trade receivables

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

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

### Fair value estimation

Fair value is primarily used for investment property, where a value is determined periodically by independent and suitably qualified valuers in the compilation of the valuation roll. In order to estimate annual changes in fair value, i.e., between valuation rolls, reference is made to an independently published index showing movements in property values.

The financial instruments of the municipality are such that these are valued at amortised cost, rather than fair value.

### Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. The fair value less costs to sell are significantly affected by a number of factors including demand, together with economic factors such as inflation rates. The value in use is generally reflected in the remaining service potential of the asset, which is estimated using the depreciated replacement cost, i.e. the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset. Impairment then typically results in a reduced useful life.

### 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 19 - Provisions.

### Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

### Post-retirement benefits

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

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

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

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# Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Effective interest rate

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

#### Allowance for doubtful debts

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

#### Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are as follow [State significant judgements made].

Additional information is disclosed in Note 46.

#### Other

All assets and liabilities have been grossed up (i.e. not offset against each other), except where offsetting is required or permitted by a Standard of GRAP or where offsetting reflects the substance of the transaction or event.

### 1.4 Investment property

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

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

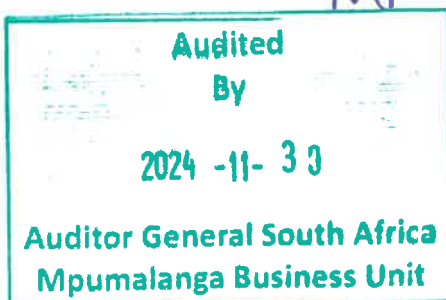
Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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

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

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

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



# Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.4 Investment property (continued)

#### Fair value

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

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

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

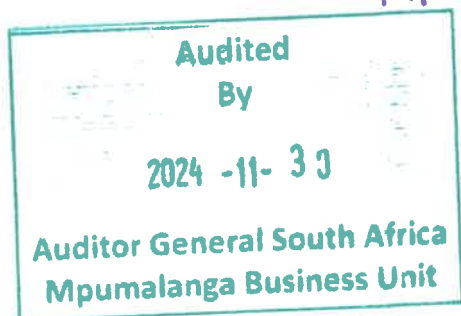
If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair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

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

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.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 3).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 3).



# Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

### 1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. 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 asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

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

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



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Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

### 1.5 Property, plant and equipment (continued)

Item	Depreciation method	Range of values used
Buildings	Straight-line	25 - 50 Years
Land - Landfill	Straight-line	Per expert report
Plant and machinery	Straight-line	4 - 15 Years
Furniture and fixtures	Straight-line	4 - 15 Years
Motor vehicles	Straight-line	5 - 15 Years
IT equipment	Straight-line	2 - 5 Years
Infrastructure - Mechanical equipment	Straight-line	10 - 20 Years
Civil structures	Straight-line	15 - 50 Years
Electricity - Distribution cables	Straight-line	40 - 50 Years
Electricity - Equipment	Straight-line	15 - 45 Years
Electricity - Public lighting	Straight-line	30 - 40 years
External facilities	Straight-line	7 - 30 Years
Roads - Bridges	Straight-line	30 - 80 Years
Roads - Furniture	Straight-line	8 - 80 Years
Roads - S structure	Straight-line	10 - 50 Years
Roads - Traffic Management	Straight-line	10 - 15 Years
Sewerage - Pipe line	Straight-line	40 - 50 Years
Sewerage - Pump station	Straight-line	10 - 55 Years
Sports and playground	Straight-line	10 - 40 Years
Stormwater - Drainage construction	Straight-line	50 - 70 Years
Stormwater - Drainage unlined	Straight-line	10 - 15 Years
Water - Dams and reservoirs	Straight-line	50 - 80 Years
Water - Other	Straight-line	15 - 20 Years
Water - Pipes and grid	Straight-line	50 - 90 Years
Water - Pumps and tanks	Straight-line	15 - 20 Years
Intangible assets - Computer software	Straight-line	3 - 5 Years
Library books	Straight-line	5-10 Years

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

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

Items of Property, Plant and Equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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

### 1.6 Site restoration and dismantling cost

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

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# Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

### 1.6 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

### 1.7 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.7 Intangible assets (continued)

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	5 Years

### 1.8 Heritage assets

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

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

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

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

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

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

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

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

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

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

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

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

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

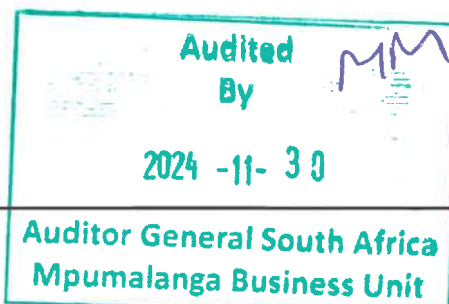
Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

# Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies



### 1.9 Financial instruments

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

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

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

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

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

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

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

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

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

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

A financial asset is:

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

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

A financial liability is any liability that is a contractual obligation to:

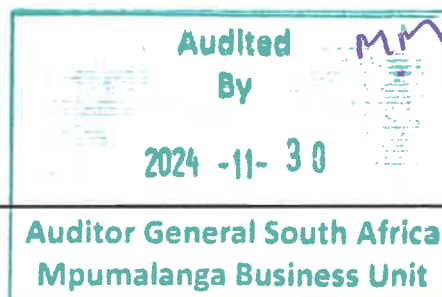
- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

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### 1.9 Financial instruments (continued)

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an municipality.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

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

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### 1.9 Financial instruments (continued)

#### Classification

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

#### Class

Trade receivables from exchange transactions  
Trade receivables from non exchange transactions  
Investments  
Cash and cash equivalents  
VAT Receivable

#### Category

Financial asset measured at amortised cost  
Financial asset measured at amortised cost  
Financial asset measured at amortised cost  
Financial asset measured at amortised cost  
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

Payables from exchange transactions  
Consumer Deposits  
VAT Payables  
Unspent conditional grants  
Employee benefit provisions

#### Category

Financial liability measured at amortised cost  
Financial liability measured at amortised cost  
Financial liability measured at amortised cost  
Financial liability measured at amortised cost  
Financial liability measured at amortised cost

#### Initial recognition

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

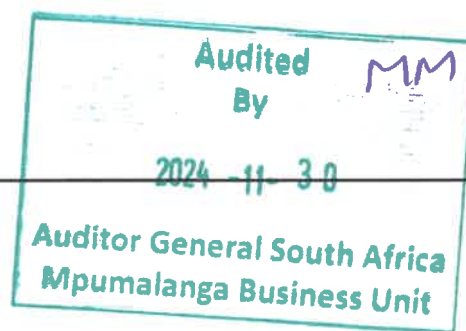
The municipality recognises financial assets using trade date accounting.

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## Significant Accounting Policies



### 1.9 Financial instruments (continued)

#### Initial measurement of financial assets and financial liabilities

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

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

#### Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value 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 entity 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 would 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.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### 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.



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## Significant Accounting Policies



### 1.9 Financial instruments (continued)

#### Derecognition

##### Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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.

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

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

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

##### Financial liabilities

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

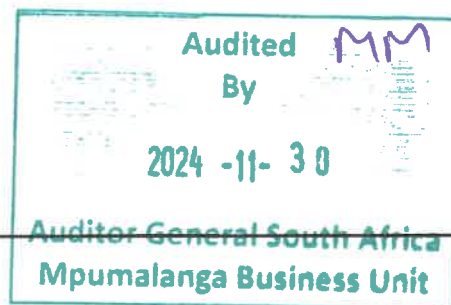
An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial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

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## Significant Accounting Policies



### 1.9 Financial instruments (continued)

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

#### Presentation

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

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

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

Distributions to holders of residual interests are recognised by the municipality directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

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

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

### 1.10 Statutory receivables

#### Identification

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

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

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

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

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

#### Recognition

The municipality recognises statutory receivables as follows:

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

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.



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## Significant Accounting Policies



### 1.10 Statutory receivables (continued)

#### Subsequent measurement

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

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

#### Accrued interest

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

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

#### Other charges

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

#### Impairment losses

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

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

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

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

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

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

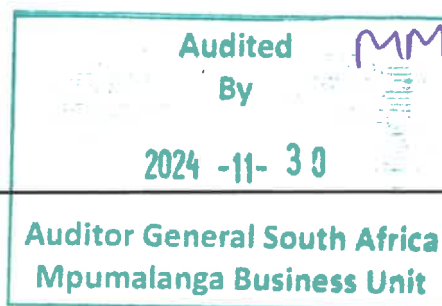
Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had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

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## Significant Accounting Policies



### 1.10 Statutory receivables (continued)

#### Derecognition

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

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

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

### 1.11 Leases

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

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

#### Finance leases - lessee

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

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

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

Any contingent rents are expensed in the period in which they are incurred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. Although the following are examples of situations which would normally lead to a lease being classified as a finance lease, a lease does not need to meet all these criteria in order to be classified as a finance lease:

(a) the lease transfers ownership of the asset to the lessee by the end of the lease GRAP 13 Issued February 2010 12 Leases term;

(b) the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;

(c) the lease term is for the major part of the economic life of the asset even if title is not transferred;

(d) at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;

(e) the leased assets are of a such a specialised nature that only the lessee can use them without major modifications; and

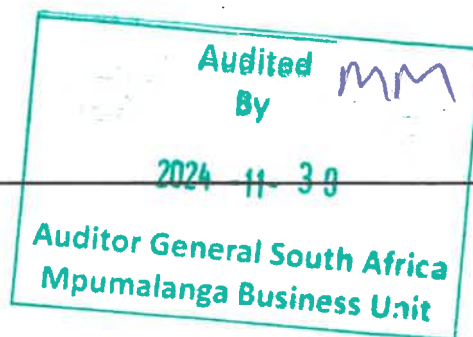
(f) the leased assets cannot easily be replaced by another asset

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## Significant Accounting Policies



### 1.11 Leases (continued)

#### Operating leases - lessor

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

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

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

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

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

#### Operating leases - lessee

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

### 1.12 Inventories

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

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

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

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

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

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

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

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

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

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

### 1.13 Impairment of cash-generating assets

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

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

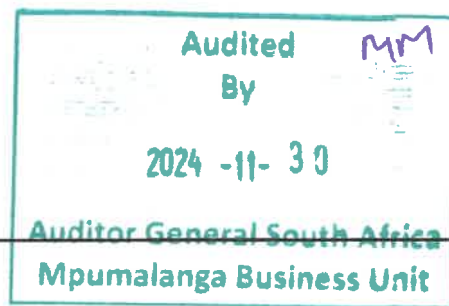
Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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## Significant Accounting Policies



### 1.13 Impairment of cash-generating assets (continued)

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

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

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

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

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

Useful life is either:

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

#### Identification

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

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

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

#### Value in use

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

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

#### Basis for estimates of future cash flows

In measuring value in use the municipality:

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

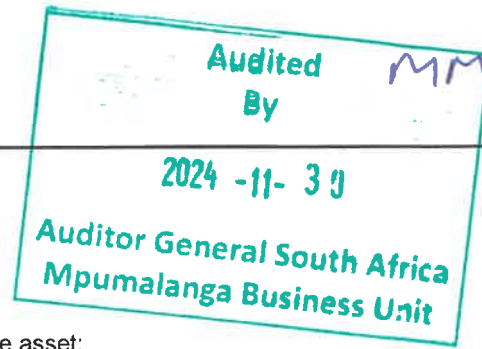


# Msukaligwa Local Municipality

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## Significant Accounting Policies



### 1.13 Impairment of cash-generating assets (continued)

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

#### Discount rate

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

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

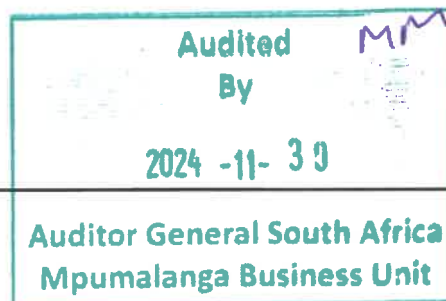
After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

# Msukaligwa Local Municipality

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## Significant Accounting Policies



### 1.13 Impairment of cash-generating assets (continued)

#### Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

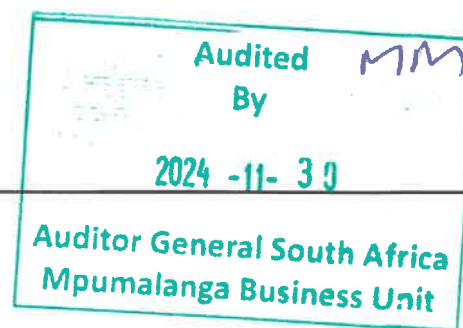
Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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## Significant Accounting Policies



### 1.13 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

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

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

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

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

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

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

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

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

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

#### Redesignation

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

### 1.14 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

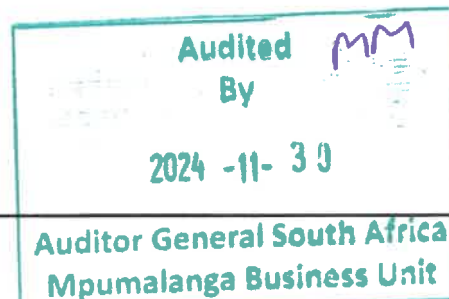


# Msukaligwa Local Municipality

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## Significant Accounting Policies



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

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

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

Useful life is either:

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

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

Assets that are used for administrative purposes and are otherwise interchangeable are classified as non-cash-generating assets.

Infrastructure and community assets are to provide services and are classified as non-cash generating assets.

Investment properties rented at market related rates are classified as cash-generating assets.

#### Identification

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

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

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

#### Value in use

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

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

#### Depreciated replacement cost approach

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

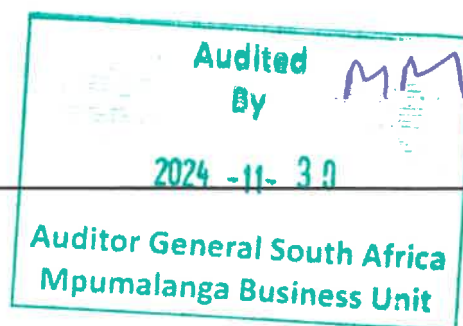
The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain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

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## Significant Accounting Policies



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

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

#### Reversal of an impairment loss

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

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

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

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

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

#### Redesignation

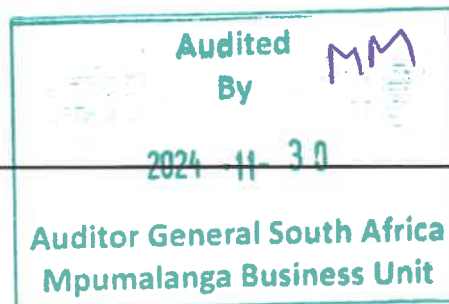
The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

# Msukaligwa Local Municipality

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## Significant Accounting Policies



### 1.15 Employee benefits

#### Identification

##### Employee benefits

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

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

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

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

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

#### Classification of plans

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

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

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

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

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

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

#### Net defined benefit liability (asset)

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

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

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

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

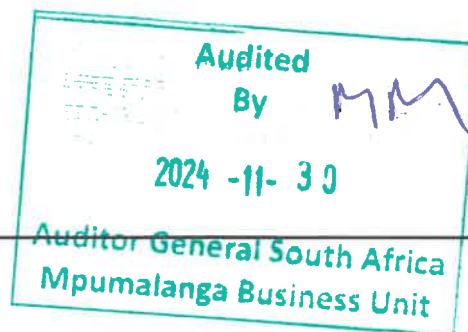
Plan assets comprise: (a) assets held by a long-term employee benefit fund; and (b) qualifying insurance policies.

# Msukaligwa Local Municipality

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## Significant Accounting Policies



### 1.15 Employee benefits (continued)

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

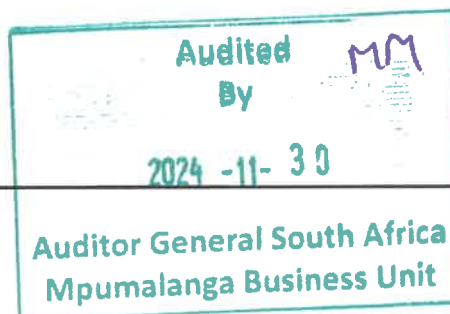
A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in GRAP 20) of the reporting entity, if the proceeds of the policy: (a) can be used only to pay or fund employee benefits under a defined benefit plan; and (b) are not available to the reporting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

# Msukaligwa Local Municipality

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## Significant Accounting Policies



### 1.15 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

##### Recognition and measurement

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

##### Accounting for the constructive obligation

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

##### Statement of financial position

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

- (a) the surplus in the defined benefit plan; and
- (b) the asset ceiling, determined using the discount rate specified. Any adjustments arising from the limit is recognised in surplus or deficit.

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

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

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

##### Actuarial valuation method

The 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.

##### Attributing benefit to periods of service

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

- (a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- (b) the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

##### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

##### Actuarial assumptions: Mortality

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



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## Significant Accounting Policies



### 1.15 Employee benefits (continued)

#### Actuarial assumptions: Discount rate

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

#### Actuarial assumptions: Salaries, benefits and medical costs

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

- (a) the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the end of the reporting period;
- (b) any estimated future salary increases that affect the benefits payable;
- (c) the effect of any limit on the employer's share of the cost of the future benefits;
- (d) contributions from employees or third parties that reduce the ultimate cost to the entity of those benefits; and
- (e) estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - (i) those changes were enacted before the end of the reporting period; or
  - (ii) historical data, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

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

#### Past service cost and gains and losses on settlement

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

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

#### Past service cost

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

- (a) when the plan amendment or curtailment occurs; and
- (b) when the entity recognises related restructuring costs or termination benefits.

#### Gains and losses on settlement

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

#### Recognition and measurement: Plan assets

##### Fair value of plan assets

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

##### Reimbursements

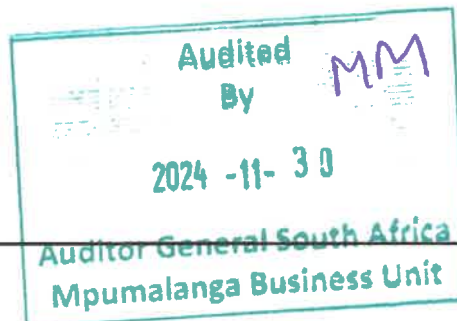
When, and only when, it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the entity:

# Msukaligwa Local Municipality

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## Significant Accounting Policies



### 1.15 Employee benefits (continued)

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

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

#### Components of defined benefit cost

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

- (a) service cost;
- (b) net interest on the net defined benefit liability (asset); and
- (c) remeasurements of the net defined benefit liability (asset).

#### Current service cost

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

#### Net interest on the net defined benefit liability (asset)

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

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

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

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

#### Remeasurements of the net defined benefit liability (asset)

Remeasurements of the net defined benefit liability (asset) comprise:

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

#### Presentation

##### Offset

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

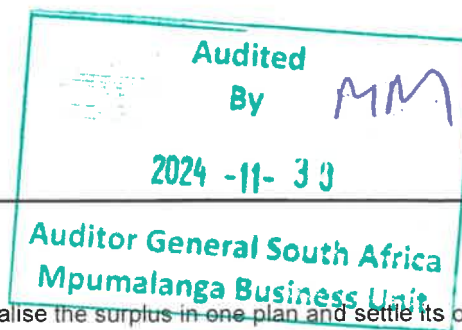
- (a) has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan; and

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## Significant Accounting Policies



### 1.15 Employee benefits (continued)

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

#### Current/non-current distinction

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

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

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

#### Components of defined benefit cost

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

#### Other long-term employee benefits

##### Recognition and measurement

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

(a) service cost;

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

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

##### Termination benefits

###### Recognition

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

###### Measurement

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

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

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

### 1.16 Provisions and contingencies

Provisions are recognised when:

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

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

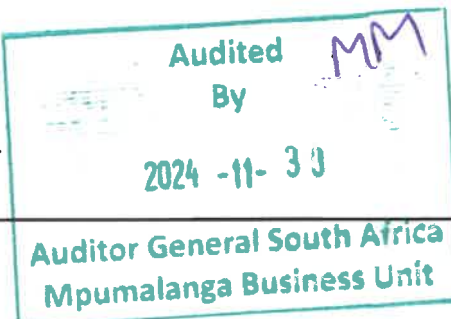
Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

# Msukaligwa Local Municipality

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## Significant Accounting Policies



### 1.16 Provisions and contingencies (continued)

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;

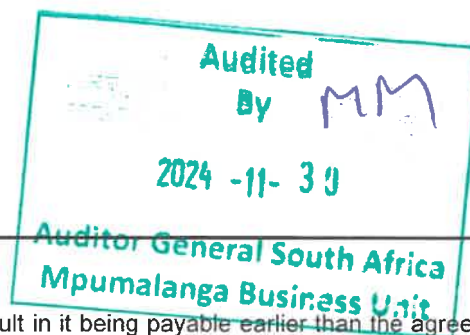


# Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies



### 1.16 Provisions and contingencies (continued)

- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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

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

### Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

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

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

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

### Levies

### 1.17 Commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure

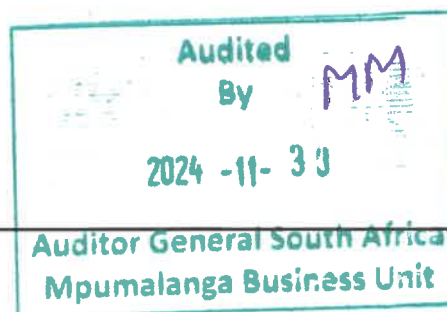


# Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies



### 1.17 Commitments (continued)

notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, contracts should relate to something other than the business of the municipality.

### 1.18 Revenue from exchange transactions

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

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

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

#### Measurement

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

#### Sale of goods

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

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

# Msukaligwa Local Municipality

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## Significant Accounting Policies

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

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

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

#### Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:

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

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

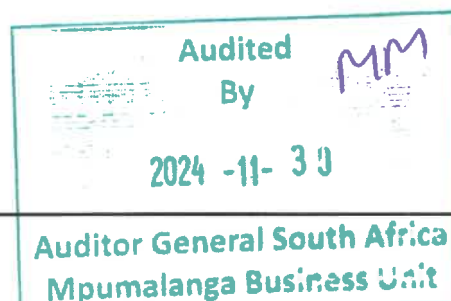


# Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies



### 1.19 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

### Recognition

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

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

### Measurement

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

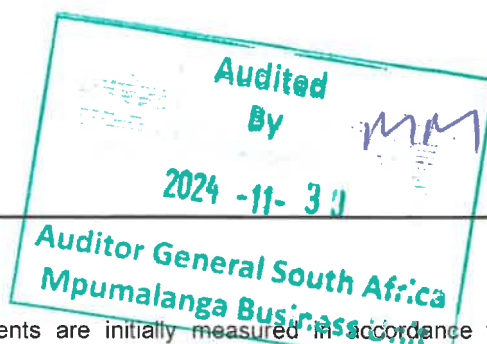
When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised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

# Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies



### 1.19 Revenue from non-exchange transactions (continued)

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

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

### Taxes

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

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

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

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

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

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

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

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

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

### Transfers

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

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

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

### Debt forgiveness and assumption of liabilities

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

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

### Fines

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

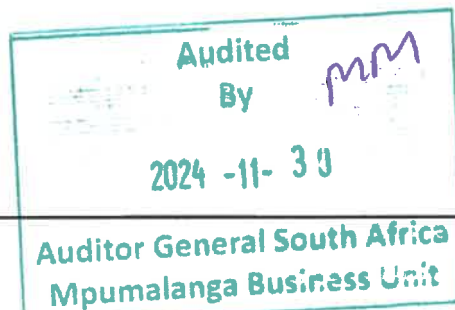
Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

# Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies



### 1.19 Revenue from non-exchange transactions (continued)

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

#### Gifts and donations, including goods in-kind

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

#### Services in-kind

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

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

### 1.20 Investment income

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

### 1.21 Borrowing costs

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

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

### 1.22 Accounting by principals and agents

#### Identification

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

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

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

#### Identifying whether an entity is a principal or an agent

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

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

#### Binding arrangement

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

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



# Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies



### 1.22 Accounting by principals and agents (continued)

#### Assessing which entity benefits from the transactions with third parties

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

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

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

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

#### Recognition

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

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

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

For details, please refer to note 46.

### 1.23 Comparative figures

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

### 1.24 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.25 Fruitless and wasteful expenditure

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

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

### 1.26 Irregular expenditure

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

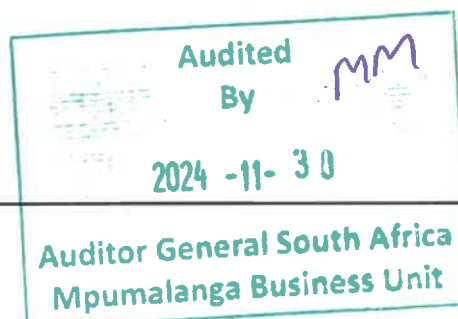
Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

# Msukaligwa Local Municipality

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## Significant Accounting Policies



### 1.27 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. Refer to note 57.

### Measurement

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

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

### 1.28 Budget information

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

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

The approved budget is prepared on a cash 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.

### 1.29 Related parties

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

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

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

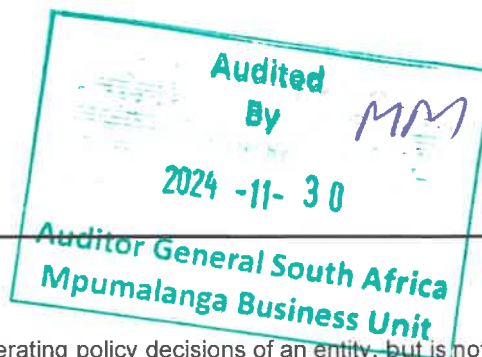
Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

# Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies



### 1.29 Related parties (continued)

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

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

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

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

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

### 1.30 Events after reporting date

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

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

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

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

### 1.31 Value added tax

The municipality is registered with the SARS for VAT on the payment basis, in accordance with the Section 15(2)(a) of the Value Added Tax Act no 89 of 1991.

### 1.32 Operating expenses

The definition of expenses encompasses expenses that arise from the ordinary activities of the entity.

Under the accrual basis of accounting, expenses are recognised when incurred, usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for.

The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense.

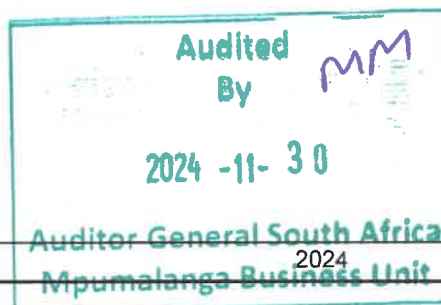
# Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

## notes to the annual financial statements

Figures in Rand



2023

### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

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

##### Standard/ Interpretation:

##### Effective date:

Years beginning on or after

GRAP 21: The effect of Past Decision on Materiality  
GRAP 25 (As revised); Employee Benefits  
iGRAP 7 (As revised); Limit on defined assets;  
Minimum funding requirement and interaction  
GRAP 2020: Improvements to the Standards of GRAP2020  
Guideline: Guidelin on Accounting for Landfill Sites  
GRAP 1 (Amended): Presentation of Financial Statement (Materiality)

01 April 2023  
01 April 2023

01 April 2023  
01 April 2023  
01 April 2023

01 April 2023

The impact of the new standards and interpretations effective and adopted in the current year did not have a material impact. GRAP 25 has resulted in more disclosure than would have previously provided int the financial statements.

#### 2.2 Standards and interpretations issued, but not yet effective

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

##### Standard/ Interpretation:

##### Effective date:

Years beginning on or after

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:

GRAP 104 (amended): Financial Instruments April 1, 2025  
GRAP 103 (as revised): Heritage Assets Unknown  
GRAP 1 (amended): Presentation of Financial Statements ( Going Concern) Unknown

The impact of the new standards and interpretations issued, but not yet effective is currently being assessed.

**Mskuligwa Local Municipality**  
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**3. Investment property**

	2024		2023	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Accumulated depreciation and accumulated impairment
				Carrying value
Investment property	170 191 171	-	170 191 171	-
			181 143 053	181 143 053

**Reconciliation of investment property - 2024**

	Opening balance	Transfers	Other changes, movements	Fair value adjustments	Total
Investment property	181 143 053	(14 784 779)	5 552 000	(1 719 103)	170 191 171

**Reconciliation of investment property - 2023**

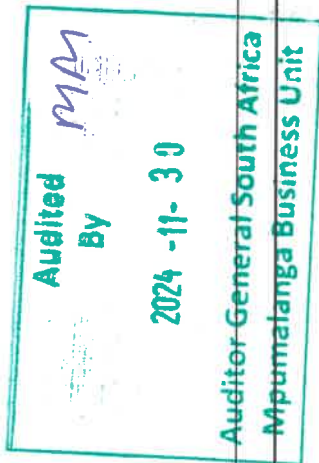
	Opening balance	Disposals	Fair value adjustments	Total
Investment property	178 381 508	(616 000)	3 377 545	181 143 053

Investment Property: Municipal Land

The fair value adjustments of the investment properties being improved, and unimproved land was determined based on the trend of the general market growth rate figure taking into consideration of the registered market transactions and slow growth and decline in the demand for these properties. This was supported by sale prices which were based on data sourced from the Lightstone toolkit through transactions registered in the Registrar of Deeds.

The property market in general has slowed down with a visual impact on property markets and year-on-year sales.

Sales considered was for Mskuligwa Municipality for the financial year 23/24, these sales were matched to the values of current General Valuation Roll for the transferred properties. The transfers compared to the valuation roll indicated a -1% increase in the market value of those properties considered





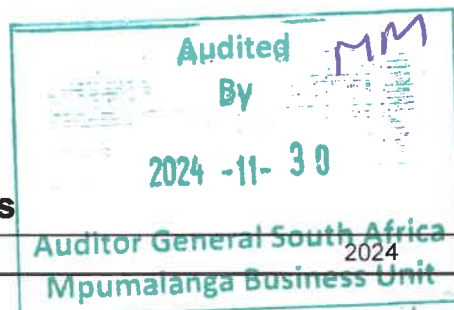
# Msukaligwa Local Municipality

(Registration number MP302)

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2024 2023

### 3. Investment property (continued)

The outcome of the fair value adjustment is indicated below:

	2024	2023
Fair Value Adjustment: (Loss)/Gains	-(1, 719, 104)	3,377,544

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.

#### Fair value adjustment of investment property

In line with the requirements of GRAP 16 and in accordance with the AM (Asset Management) Policy adopted by the municipality a fair value adjustment was made on the investment properties at the end of the financial year.

The Investment Register and Fair Value adjustment was reviewed by an independent Professional Valuer, Zack van der Merwe registered with the South African Council of Property Valuers Profession (SACPVP)

#### Investment property: Municipal land

The fair value adjustments of the investment properties being improved, and unimproved land was determined based on the trend of the general market growth rate figure taking into consideration of the registered market transactions and slow growth and decline in the demand for these properties. This was supported by sale prices which were based on data sourced from the Lightstone toolkit through transactions registered in the Registrar of Deeds.

The property market in general has slowed down with a visual impact on property markets and year-on-year sales. Sales considered was for Msukaligwa Municipality for the financial year 23/24, these sales were matched to the values of current General Valuation Roll for the transferred properties. The transfers compared to the valuation roll indicated a -1% increase in the market values of those properties considered.

We therefore accept a Fair Value figure of a negative 1% growth rate. Maintenance of investment property No repairs and maintenance incurred on investment property.

#### Land owned by the municipality which are not under the control of the municipality

In a number of instances, the municipality are not able to illustrate a substantive right over the land parcels as a result of social housing development, development of educational facilities and incomplete ownership transfers. Key judgments made and assumptions applied to conclude that the municipality does not controls such land include:

#### Custodianship taken over by another organ of state for the social housing development.

The municipality does not have access to the land, nor is it able to restrict or deny access of other parties to the land. The municipality has not implemented any action or remedial measures to regain access to the land for a significant period of time.

**Msukaligwa Local Municipality**  
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**4. 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	146 021 836	-	146 021 836	146 021 836	-	146 021 836
Buildings	198 845 112	(128 796 720)	70 048 392	197 013 981	(124 051 909)	72 962 072
Community Assets	291 814 523	(185 760 805)	106 053 718	291 393 731	(175 350 377)	116 043 354
Plant and machinery	6 697 786	(4 654 452)	2 043 334	6 585 129	(4 119 390)	2 465 739
Furniture, fixtures and Office equipment	13 726 136	(10 213 623)	3 512 513	12 833 536	(10 006 455)	2 827 081
Motor vehicles	61 390 883	(18 712 185)	42 678 698	55 084 596	(14 684 329)	40 400 267
IT equipment	13 447 331	(6 525 247)	6 922 084	9 586 720	(5 589 006)	3 997 714
Library books	10 295 562	(5 762 156)	4 533 406	10 295 562	(4 730 113)	5 565 449
Electrical	711 337 458	(423 325 738)	288 011 720	706 471 395	(401 369 009)	305 102 386
Roads	1 626 587 531	(1 086 236 753)	540 350 778	1 587 850 200	(1 054 439 456)	533 410 744
Lease assets	2 602 430	(179 380)	2 423 050	-	-	-
Sanitation	894 316 222	(398 499 859)	495 816 363	871 928 395	(357 418 070)	514 510 325
Water supply	1 551 549 743	(639 135 141)	912 414 602	1 510 949 928	(609 464 902)	901 485 026
Solid waste	33 263 534	(26 375 136)	6 888 398	33 299 200	(26 516 650)	6 782 550
<b>Total</b>	<b>5 561 896 087</b>	<b>(2 934 177 195)</b>	<b>2 627 718 892</b>	<b>5 439 314 209</b>	<b>(2 787 739 666)</b>	<b>2 651 574 543</b>

**Msukaligwa Local Municipality**  
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**4. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - 2024**

	Opening balance	Additions	Work in progress	Disposals	Depreciation	Impairment loss	Total
Land	146 021 836	-	-	-	-	-	146 021 836
Buildings	72 962 072	-	2 149 275	(31 700)	(4 396 595)	(634 660)	70 048 392
Community Assets	116 175 298	-	2 300 945	(729 601)	(9 014 210)	(2 678 714)	106 053 718
Electrical infrastructure	305 271 961	4 967 224	897 980	(775 157)	(18 153 939)	(4 196 349)	288 011 720
Roads and storm water	533 882 280	50 500 255	150 557	(3 462 863)	(40 684 172)	(35 279)	540 350 778
Sanitation	515 729 391	23 130 791	9 953 675	(7 181 995)	(24 263 884)	(21 551 615)	495 816 363
Solid waste	7 411 998	-	-	(7 419)	(419 249)	(96 932)	6 888 398
Water supply	903 661 101	3 732 214	50 085 855	(4 395 192)	(26 646 866)	(14 022 510)	912 414 602
Furniture, fixtures and Office equipment	2 827 081	1 215 681	-	(55 656)	(449 316)	(25 276)	3 510 515
Computer equipment	3 997 714	1 032 094	3 123 793	(88 679)	(1 109 517)	(35 320)	6 922 084
Leased assets	-	2 602 430	-	-	(179 381)	-	2 423 049
Library books	5 565 449	-	-	-	(1 032 043)	-	4 533 406
Motor vehicles	40 400 267	7 182 893	-	(696 770)	(1 668 574)	(2 539 118)	42 678 698
Plant and machinery	2 465 739	282 446	-	(52 527)	(537 841)	(114 483)	2 043 334
	<b>2 656 372 187</b>	<b>94 646 028</b>	<b>68 662 080</b>	<b>(17 477 559)</b>	<b>(128 555 587)</b>	<b>(45 930 256)</b>	<b>2 627 716 893</b>

**Mskuligwa Local Municipality**  
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**4. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - 2023**

	Opening balance	Additions	Work in progress	Disposals	Depreciation	Impairment loss	Total
Land	146 021 836	-	-	-	-	-	146 021 836
Buildings	76 566 251	1 208 860	-	(37 015)	(4 744 676)	(31 348)	72 962 072
Community Assets	124 551 864	-	-	(340 143)	(7 913 442)	(122 981)	116 175 298
Electrical infrastructure	319 027 001	11 918 744	(3 804 542)	(3 545 936)	(18 242 597)	(80 709)	305 271 961
Roads and stormwater	555 047 668	32 832 929	(2 983 735)	(3 209 117)	(46 547 030)	(1 258 435)	533 882 280
Sanitation	479 017 962	6 586 817	52 598 762	(3 730 273)	(19 192 989)	449 112	515 729 391
Solid waste	6 466 981	5 173 597	-	(12 208)	(4 216 372)	-	7 411 998
Water supply	798 160 257	32 465 170	105 234 311	(2 632 094)	(26 367 013)	(3 199 530)	903 661 101
Computer equipment	3 038 023	1 969 006	-	(6 563)	(999 898)	(2 854)	3 997 714
Furniture and fixtures & Office equipment	3 139 231	237 689	-	(8 563)	(535 600)	(5 676)	2 827 081
Leased assets	2 447 837	-	-	(1 329 841)	(1 112 320)	(5 676)	-
Library books	6 584 134	-	-	-	(1 018 685)	-	5 565 449
Motor vehicles	38 870 075	5 833 101	-	(821 556)	(3 480 200)	(1 153)	40 400 267
Plant and machinery	2 929 455	150 000	-	-	(611 033)	(2 683)	2 465 739
	<b>2 561 868 575</b>	<b>98 375 913</b>	<b>151 044 796</b>	<b>(15 673 309)</b>	<b>(134 981 855)</b>	<b>(4 261 933)</b>	<b>2 656 372 187</b>

**Assets subject to finance lease (Net carrying amount)**

Other leased Assets	2 423 049	-
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Audited  
By

2024 -11- 30

Auditor General South Africa  
Mpumalanga Business Unit

**Msukaligwa Local Municipality**

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**4. Property, plant and equipment (continued)**

**Reconciliation of Work-in-Progress 2024**

Audited  
By



2024 -11- 30

Auditor General South Africa  
Mpumalanga Business Unit



# Msukaligwa Local Municipality

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### 4. Property, plant and equipment (continued)

#### Reconciliation of work in progress

2024	Opening	Additions	Expense	Completion	Total
Community Assets	1 961 265	2 300 944	-	-	4 262 209
Buildings	-	2 149 275	-	-	2 149 275
Electrical	12 410 751	5 865 211	-	(4 967 225)	13 308 737
Roads	13 546 734	50 650 812	-	(50 500 255)	13 697 291
Sanitation	89 423 760	33 084 467	-	(23 130 791)	99 377 436
Water supply	386 605 660	51 577 411	-	(1 491 555)	436 691 516
Computer Equipment	-	3 123 794	-	-	3 123 794
	<b>503 948 170</b>	<b>148 751 914</b>	<b>-</b>	<b>(80 089 826)</b>	<b>572 610 258</b>
2023	Opening	Additions	Impairment	Completion	Total
Community Assets	1 961 265	-	-	-	1 961 265
Buildings	-	1 063 860	-	(1 063 860)	-
Electrical	16 215 293	7 709 604	-	(11 514 146)	12 410 751
Roads	17 050 099	29 844 735	(519 630)	(32 828 470)	13 546 734
Sanitation	36 824 998	59 185 579	-	(6 586 817)	89 423 760
Water supply	284 260 265	138 253 538	(2 888 916)	(33 019 227)	386 605 660
	<b>356 311 920</b>	<b>236 057 316</b>	<b>(3 408 546)</b>	<b>(85 012 520)</b>	<b>503 948 170</b>

#### Project impaired

In 2024 Management did not impair any work in progress

In 2023 Management impaired two WIP Projects at year-end. Four submersible waterpumps were stolen at an incomplete Water Supply borehole project and a storm water drainage project was impaired due to mutual agreement on cancellation of the project.

Audited  
By  
2024 -11- 30

Auditor General South Africa  
Mpumalanga Business Unit

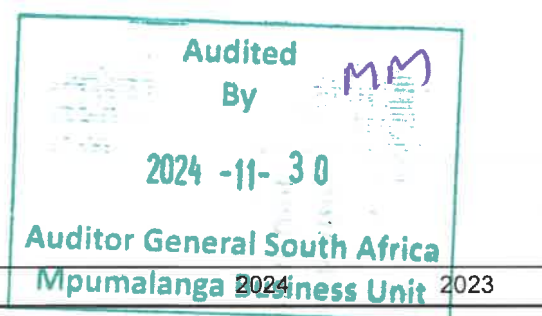
# Msukaligwa Local Municipality

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### 4. Property, plant and equipment (continued)

#### Projects taking significantly longer to complete

##### Internal Sewer Network in Breyten Extension 5

The above project has been included in the Work in Progress register of the municipality since 2019. The appointed contractor has been dismissed and any retention held has not been paid over to them. The Department of Water and Sanitation has indicated that they will take over the completion of the project.

The Following projects do not reflect any movement in the current year as it is still in the design state:

- Upgrade of Mpanza street Wesselton
- Upgrading of KwaZanele/ Breyten Stadium
- Feasibility study Ermelo/ Wesselton WWTW
- Upgrading of Chriessiesmeer stadium
- Establishment of Libraries at Sheepmoore
- Construction of oxidation Ponds sheepmore

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.

#### Disposals

Loss on Disposal: Total R -17 477 552,25

During the financial year the municipality incurred disposals/write-offs on its Property, Plant and Equipment due to various factors.

These included, amongst others, infrastructure that were upgraded (for example, roads that have been replaced by new brick paved roads, including upgrades to its storm water drainage systems) or infrastructure that were downgraded and written off due to theft, vandalism, fire damage, lightning damage, normal breakage or building demolition.

The majority of these involuntarily write-offs were due to acts of vandalism and thefts and reclassification from Land to Property, Plant and Equipment infrastructure.

Detailed descriptions, component types and Rand values assigned to each of the above written off assets can be found in the Fixed Asset Register of the municipality.

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### 5. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	139 149	(128 639)	10 510	139 149	(123 363)	15 786
Reconciliation of intangible assets - 2024						
Computer software, other				Opening balance 15 786	Amortisation (5 276)	Total 10 510
Reconciliation of intangible assets - 2023						
Computer software, other				Opening balance 61 916	Amortisation (46 130)	Total 15 786

## Msukaligwa Local Municipality

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#### 6. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets which fair values cannot be reliably measured: (Para .94)						
Art Collection, antiquities and exhibits	174 895	-	174 895	174 895	-	174 895
<b>Reconciliation of heritage assets 2024</b>						
Heritage assets which fair values cannot be reliably measured: (Para .94)						
Art Collections, antiquities and exhibits				Opening balance		Total
				174 895		174 895
<b>Reconciliation of heritage assets 2023</b>						
Heritage assets which fair values cannot be reliably measured: (Para .94)						
Art Collections, antiquities and exhibits				Opening balance		Total
				174 895		174 895

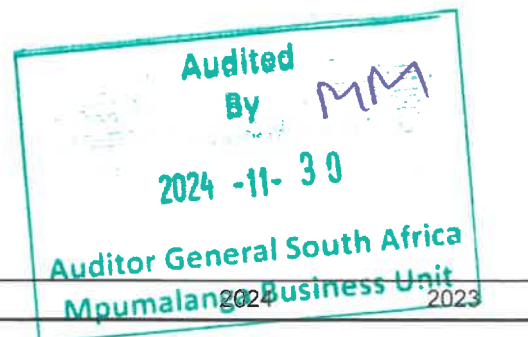
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### 7. Inventories

Inventories	31 774 842	23 054 154
Water for distribution	-	535 015
	<b>31 774 842</b>	<b>23 589 169</b>

### 8. Receivables from exchange transactions

Refunds and Prepayments	957	957
Other debtors- Fleet charges	861 697	527 479
Consumer debtors - Electricity	73 693 008	52 448 942
Consumer debtors - Water	70 607 967	51 881 578
Consumer debtors - Sewerage	41 088 290	25 113 731
Consumer debtors - Refuse	38 415 993	25 036 883
Consumer debtors - Services Charges	14 768 062	10 956 367
Consumer debtors - Rentals	1 852 973	1 861 257
Consumer debtors - Land sales	43 746	6 985
	<b>241 332 693</b>	<b>167 834 179</b>



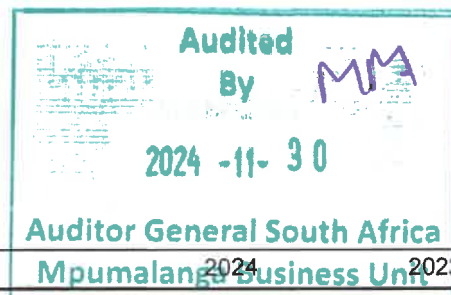
# Msukaligwa Local Municipality

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### 9. Receivables from non-exchange transactions

Fines	2 317 236	578 105
Consumer debtors - Rates	87 042 386	64 611 287
	<b>89 359 622</b>	<b>65 189 392</b>

#### Statutory receivables general information

##### Transaction(s) arising from statute

Property Rates are levied in terms of the Local Government Municipal Property Rates Act No.6 of 2004 (MPRA), approved Property Rates Policy and by-laws. and Traffic fines that are govern by AARTO Act

##### Interest or other charges levied/charged

Interest is charged on late payment for only Municipal Property rates in the terms of the approved policy at 6,8 %. The Municipality does not charge interest on Traffic fines as those are govern by AARTO Act

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

The municipality assess whether statutory receivables are impaired at the end of every reporting date, in line with Grap 104.

The following factors were considered in determining the impairment:

- Aging of the outstanding debt.
- Whether or not any payment was received during the year.
- Whether account is that of an indigent t
- Whether the account is that of or Government
- Traffic fines issued in AARTO Act

##### Statutory receivables impaired

As of 30 June 2024, Statutory receivables of R 12 107 091 (2023: R 9 728 009) were impaired and provided for.

The amount of the provision was R 9 789 855 - as of 30 June 2024 (2023:R 9 149 905).

##### Factors the entity considered in assessing statutory receivables impaired

Traffic fines receivables are statutory receivables and arise from traffic infringements committed and fines issued as a result, in terms of the National Road Traffic Regulations of 2000 and the National Road Traffic Act 93 of 1996, as well as the Criminal Procedure Act, No 501 of 1977. The Traffic fines must be issued within 30 days of offence, after which it is payable. No interest is charged.

The management of the municipality is of the opinion that the carrying value of Traffic fines receivables approximate their fair values. The impairment provision was calculated after collectively assessing Traffic fines receivables and by calculating the historical payment ratios and assuming that future payment ratios would be similar to the historical payment ratios. The provision for doubtful debts on traffic fines receivables exist predominantly due to the possibility that these debts will not be recovered were assessed individually for impairment.

##### Reconciliation of provision for impairment for statutory receivables

Opening balance	9 149 905	8 491 628
Provision for impairment	4 789 967	5 876 033
Amounts written off as uncollectible	(4 150 017)	(5 217 756)
	<b>9 789 855</b>	<b>9 149 905</b>

##### Main events and circumstances that led to the recognition or reversal of impairment losses on statutory receivables

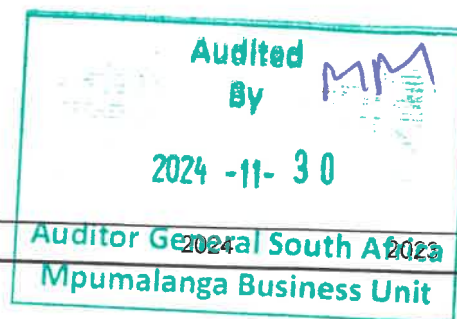
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### 9. Receivables from non-exchange transactions (continued)

#### Receivables from non-exchange transactions impaired

As of 30 June 2024, other receivables from non-exchange transactions of R 265 342 439 (2023: 233 097 464) were impaired and provided for.

The amount of the provision was (178 300 053) as of 30 June 2024 (2023: 168 486 177).

#### Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	168 486 177	133 240 710
Provision for impairment	9 813 876	35 245 467
	<b>178 300 053</b>	<b>168 486 177</b>

The calculation in respect of the impairment of receivables non-exchange is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments. Groups of debtors with similar credit risk characteristics are assessed for impairment, considering factors such as socioeconomic conditions, type of customer, the default period and service-specific payment histories. The impairment provision was calculated after individually assessing property rates receivables and by estimating the probability of future payment ratios, using a formula-based approach by considering the historical payment ratios and other characteristics found per groups of property rates debtors. Accordingly, the management believe that there is no further credit provision required in addition to the debt impairment.]

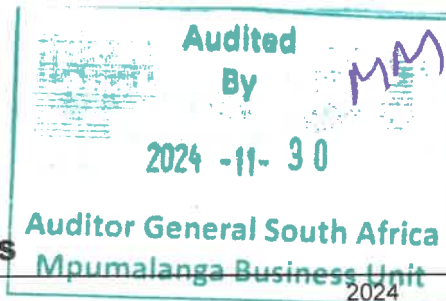
# Msukaligwa Local Municipality

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2023

### 10. Consumer debtors disclosure

#### Gross balances

Consumer debtors - Rates	265 342 439	233 097 464
Consumer debtors - Electricity	239 155 884	200 543 319
Consumer debtors - Water	315 630 652	276 730 305
Consumer debtors - Sewerage	217 652 063	183 197 113
Consumer debtors - Refuse	215 611 809	181 220 986
Consumer debtors - Service debtors	56 131 836	51 612 183
Consumer debtors - Rentals	9 537 563	8 731 968
Consumer debtors - Land sale	44 701	44 117
	<b>1 319 106 947</b>	<b>1 135 177 455</b>

#### Less: Allowance for impairment

Consumer debtors - Rates	(178 300 053)	(168 486 177)
Consumer debtors - Electricity	(165 462 876)	(148 094 377)
Consumer debtors - Water	(245 022 685)	(224 848 727)
Consumer debtors - Sewerage	(176 563 773)	(158 083 382)
Consumer debtors - Refuse	(177 195 816)	(156 184 103)
Consumer debtors - Service debtors	(41 363 774)	(40 655 816)
Consumer debtors - Rentals	(7 684 590)	(6 870 711)
Consumer debtors - Land sale	(955)	(37 132)
	<b>(991 594 522)</b>	<b>(903 260 425)</b>

#### Net balance

Consumer debtors - Rates	87 042 386	64 611 287
Consumer debtors - Electricity	73 693 008	52 448 942
Consumer debtors - Water	70 607 967	51 881 578
Consumer debtors - Sewerage	41 088 290	25 113 731
Consumer debtors - Refuse	38 415 993	25 036 883
Consumer debtors - Service debtors	14 768 062	10 956 367
Consumer debtors - Rentals	1 852 973	1 861 257
Consumer debtors - Land sale	43 746	6 985
	<b>327 512 425</b>	<b>231 917 030</b>

#### Rates

Current (0 -30 days)	17 456 852	11 589 842
31 - 180 days	17 711 146	14 598 366
181 - 360 days	14 210 801	10 624 324
361 - 720 days	16 486 182	10 818 678
> 720 days	21 177 405	16 980 077
	<b>87 042 386</b>	<b>64 611 287</b>

#### Electricity

Current (0 -30 days)	22 578 097	12 722 466
31 - 180 days	10 094 352	11 951 309
181 - 360 days	8 784 718	6 723 169
361 - 720 days	9 391 681	5 797 259
> 720 days	22 844 160	15 254 739
	<b>73 693 008</b>	<b>52 448 942</b>

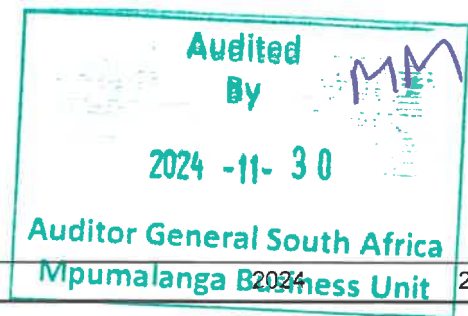
# Msukaligwa Local Municipality

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2023

### 10. Consumer debtors disclosure (continued)

#### Water

Current (0 -30 days)	7 560 630	6 514 568
31 - 180 days	8 291 443	7 136 770
181 - 360 days	6 809 015	6 327 001
361 - 720 days	10 544 461	7 251 506
> 720 days	37 402 418	24 651 733
	<b>70 607 967</b>	<b>51 881 578</b>

#### Sewerage

Current (0 -30 days)	4 525 428	2 748 395
31 - 180 days	6 247 348	5 179 635
181 - 360 days	6 115 492	4 605 127
361 - 720 days	8 190 379	4 091 327
> 720 days	16 009 643	8 489 247
	<b>41 088 290</b>	<b>25 113 731</b>

#### Refuse

Current (0 -30 days)	3 795 113	2 390 798
31 - 180 days	5 480 245	5 096 587
181 - 360 days	5 712 308	4 594 106
361 - 720 days	8 079 667	3 850 229
> 720 days	15 348 660	9 105 163
	<b>38 415 993</b>	<b>25 036 883</b>

#### Service Debtors

Current (0 -30 days)	916 926	346 255
31 - 180 days	691 365	729 169
181 - 360 days	1 688 548	808 687
361 - 720 days	1 078 449	1 086 091
> 720 days	10 392 774	7 986 165
	<b>14 768 062</b>	<b>10 956 367</b>

#### Rentals

Current (0 -30 days)	175 143	99 803
31 - 180 days	201 698	314 968
181 - 360 days	190 738	231 214
361 - 720 days	169 832	311 324
> 720 days	1 115 562	903 948
	<b>1 852 973</b>	<b>1 861 257</b>

#### Land Sales

Current (0 -30 days)	38	18
31 - 180 days	94	90
181 - 360 days	112	108
361 - 720 days	216	217
> 720 days	43 286	6 552
	<b>43 746</b>	<b>6 985</b>

### 11. VAT receivable

VAT	300 456 464	131 424 790
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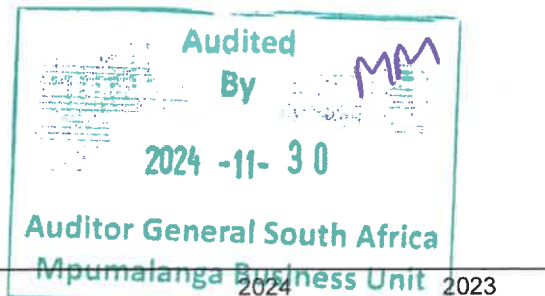
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### 11. VAT receivable (continued)

#### Statutory receivables general information

VAT is received and paid as required by the Value Added Tax Act 89 of 1991. These amounts are receivable by the Municipality as a result of transaction attracting value added tax (VAT) as legislated under the Value Added Tax Act 89 of 1991 from the South African Revenue Services. Vat on ouput provision is assessed with debtors impairment provision and include therein. VAT receivable from SARS is not impaired due financial postion of SARS

VAT is treated on the payment basis. VAT is paid over to SARS on a net basis only when actual payments are received by themunicipality and when actual payments are made to suppliers. The balance above is inclusive of accruals and provisions, where applicable.

### 12. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	3 741 726	9 676 020
Short-term deposits	55 594 514	69 028 847
	<b>59 336 240</b>	<b>78 704 867</b>



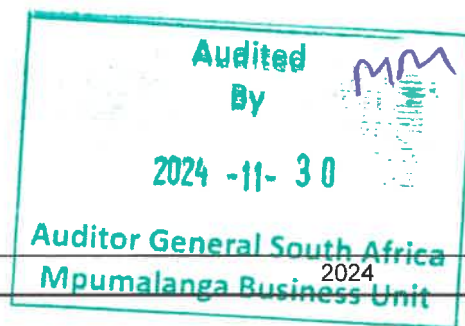
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### 12. Cash and cash equivalents (continued)

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 Primary Account - 62822833267	2 036 322	9 821 679	2 471 759	3 741 826	9 676 120	1 111 529
FNB - Call Account - 62837049031	54 538 988	56 413 720	5 593 397	54 538 988	56 413 720	5 593 397
FNB Current Account - 62858041272	558 384	12 117 985	1 069 028	1 055 526	12 615 127	2 968 901
<b>Total</b>	<b>57 133 694</b>	<b>78 353 384</b>	<b>9 134 184</b>	<b>59 336 340</b>	<b>78 704 967</b>	<b>9 673 827</b>

### 13. Finance lease obligation

#### Minimum lease payments due

- within one year	938 773	-
- in second to fifth year inclusive	1 642 852	-
	2 581 625	-
less: future finance charges	(180 928)	-
<b>Present value of minimum lease payments</b>	<b>2 400 697</b>	<b>-</b>

#### Present value of minimum lease payments due

- within one year	2 400 697	-
Non-current liabilities	2 400 696	-
Current liabilities	234 693	-
	<b>2 635 389</b>	<b>-</b>

Msukaligwa Local Municipality leases photocopy machines from Emalangen Technologies from 14 August 2023 for 3 years. The lease instalments are payable monthly in arrears. The lease term was 3 years. Interest rates were fixed at the contract date. Leases have fixed repayments. 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.

### 14. Payables from exchange transactions

Trade payables	1 839 343 944	1 545 160 116
Payments received in advance	34 287 390	33 521 343
Retention	15 552 970	20 127 549
Other creditors	858 598	-
Prepaid electricity received in advance	826 236	510 033
13th Cheque Accrual	5 944 548	5 491 541
Licensing and registration	-	499 020
Leave Accrual	24 849 148	22 139 967
Employee related accruals	11 939 654	7 376 950
	<b>1 933 602 488</b>	<b>1 634 826 519</b>

### 15. Consumer deposits

Consumer deposits	21 529 890	20 330 726
Sundry deposits	130 146	119 519
	<b>21 660 036</b>	<b>20 450 245</b>

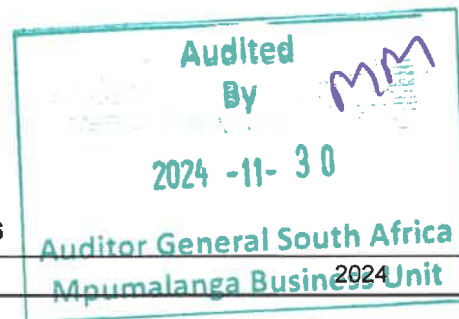
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2024 2023

### 16. Employee benefit obligations

#### The Defined benefit plan

The municipality provides a post-employment medical aid plan to some employees - this is a defined benefit plan as well as a defined benefit plan in the form of a long-service award.

Changes in the present value of the Employee benefit obligations are as follows

Opening	(72 795 001)	(73 802 000)
Contributions paid	5 793 064	5 579 476
Net expense recognised in the statement of Financial Performance	(13 250 064)	(4 572 477)
	<b>(80 252 001)</b>	<b>(72 795 001)</b>
<b>Current Liabilities</b>	<b>2024</b>	<b>2023</b>
Post-retirement Medical aid	2 596 000	2 493 000
Long service awards	2 197 000	1 371 000
	<b>4 793 000</b>	<b>3 864 000</b>
<b>Non-Current Liabilities</b>	<b>2024</b>	<b>2023</b>
Post-retirement Medical aid	62 752 000	56 684 000
Long service awards	12 707 000	12 247 000
	<b>75 459 000</b>	<b>68 931 000</b>
Non-current liabilities	(75 459 001)	(68 931 001)
Current liabilities	(4 793 000)	(3 864 000)
	<b>(80 252 001)</b>	<b>(72 795 001)</b>

[Provide a brief description of the link between the reimbursement right(s) and the related obligation]

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

Current service cost	3 588 000	3 729 000
Interest cost	9 726 000	8 284 000
Actuarial (gains) losses – Plan assets	(63 936)	(7 440 524)
	<b>13 250 064</b>	<b>4 572 476</b>

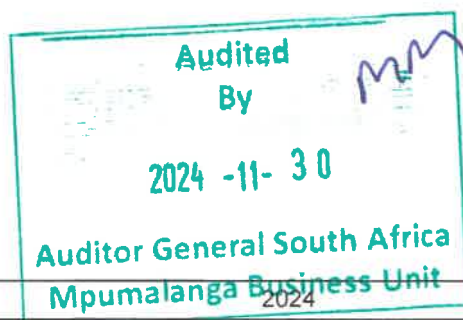
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### 16. Employee benefit obligations (continued)

#### Key assumptions used

In estimating the unfunded liability for post-employment health vafre benefits, a number of assumptions are required. GRAP 25 requires the actuarial assumptions to be unbiased (i.e Neither imprudent nor excessively conservative) and mutually compatible (i.e reflective of the economic relationships between factors).

Discount rates used	13,69 %	14,12 %
Consumer price inflation	8,08 %	8,57 %
Medical aid contribution inflation	9,58 %	10,07 %
Net effective discount rate	3,75 %	3,68 %
Maximum subsidy inflation rate	6,81 %	7,18 %
Net of maximum subsidy inflation discount rate	6,44 %	6,48 %
Average retirement age	62	62

The mortality during employment is based on SA 85-90 tables and mortality post-employment is based on the PA (90) - 1 tables with a 1% mortality improvement p.a. from 2010

	2024	2023	2022	2021	2020
History of liability	65 348 000	59 177 000	59 440 000	59 130 000	50 854 000

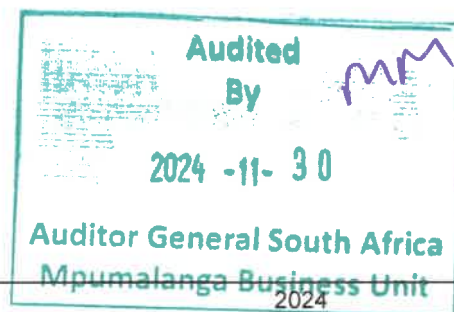
# Msukaligwa Local Municipality

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### 16. Employee benefit obligations (continued)

#### Long Service Award

The Municipality offers employees LSA for every five years of service completed, from five years of service to 45 years of service, inclusive

T.

Description	Completed years of service	2024 Service Bonuses (% of Annual Salary)	Long Service Bonuses (% of Annual Salary)	2023 Service Bonuses (% of Annual Salary)	Long Service Bonuses (% of Annual Salary)
5 / 250 x annual salary	5 years	-	2%	2%	
10 / 250 x annual salary	10 years	-	4%	4%	
20 / 250 x annual salary	15 year	-	8%	8%	
30 / 250 x annual salary	20,25,30,35 Years	-	12%	12%	
40 / 250 x annual salary	40 years	-	16%	16%	
45 / 250 x annual salary	45 years	-	18%	18%	
		-			

In estimating the unfunded liability for LSA of Msukaligwa Municipality a number of assumptions are required. GRAP 25 requires the actuarial assumptions to be unbiased (i.e. neither imprudent nor excessively conservative) and mutually compatible (i.e. reflective of the economic relationships between factors). e underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2024 of 5,2%

The following assumptions were used:

key Assumptions	Column heading	2024	2023
	-	10.58%	10.85%
Consumer Price Index	-	5.46%	5.93%
General Earnings Inflation rate	-	6.46%	6.93%
Average Retirement Age	-	62	62
	-		

	2024	2023	2022	2021	2020
History of liability	14 904 000	13 648 000	13 858 000	13 097 000	11 759 000

The mortality during employment is based on SA 85-90 tables

### 17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Provincial Support Grant	2 793 283	1 213 240
Local Governemnt Sector Education and Training Authority	1 180 761	1 237 255
Sports & Recreation grants	700 000	700 000
Municipal Disaster Relief Grant	9 580 003	1 500 000
Regional Bulk Infrastructure Grant	40 196 024	40 073 191
	<b>54 450 071</b>	<b>44 723 686</b>

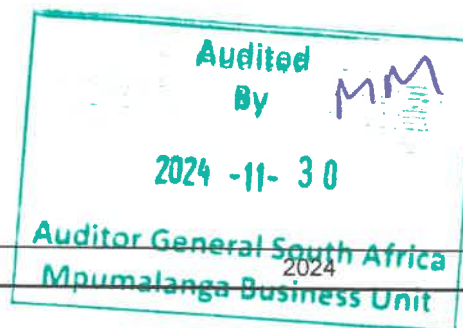
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### 17. Unspent conditional grants and receipts (continued)

#### Movement during the year

	2024	2023
Balance at the beginning of the year	44 723 686	1 593 484
Additions during the year	429 145 661	540 994 701
Income recognition during the year	(419 419 276)	(497 864 499)
	<b>54 450 071</b>	<b>44 723 686</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

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

These amounts are invested in a ring-fenced investment until utilised.



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Audited  
By

2024 -11- 30

Auditor General South Africa  
Mpumalanga Business Unit

2023

### 18. Government grants & subsidies

#### Operating grants

Financial Management Grant	3 000 000	3 000 000
Local Government Sector Education and Training Authority	2 028 144	310 507
Equitable Share	252 878 000	227 520 000
Provincial Support Grant	8 419 957	6 786 760
Extended Public Works Programme	1 511 000	1 766 000
	<b>267 837 101</b>	<b>239 383 267</b>

#### Capital grants

Regional Bulk Infrastructure Grant	42 877 167	134 814 309
Water Services Infrastructure Grant	30 000 000	60 000 000
Municipal Infrastructure Grant	55 356 450	57 052 250
Integrated National Electrification Programme	6 800 000	-
Energy Efficiency Demand Side Management Grant	7 000 000	4 000 000
Municipal Infrastructure Grant (PMU)	3 134 550	3 002 750
Municipal Disaster Relief Grant	6 419 997	-
	<b>151 588 164</b>	<b>258 869 309</b>
	<b>419 425 265</b>	<b>498 252 576</b>

#### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	166 547 265	270 732 576
Unconditional grants received	252 878 000	227 520 000
	<b>419 425 265</b>	<b>498 252 576</b>

#### Equitable share

Current-year receipts	252 878 000	227 019 000
Conditions met - transferred to revenue	(252 878 000)	(227 520 000)
Grants withheld	-	501 000
	-	-

The grant funding is to assist the Municipality for the provision of basic service.

#### Energy Efficiency Demand-Side Management Grant

Current-year receipts	7 000 000	4 000 000
Conditions met - transferred to revenue	(7 000 000)	(4 000 000)
	-	-

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

This grant is intended to provide subsidies to municipalities to implement energy efficiency and demand-side management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

#### Expanded Public Works Programme

Current-year receipts	1 511 000	1 766 000
Conditions met - transferred to revenue	(1 511 000)	(1 766 000)
	-	-

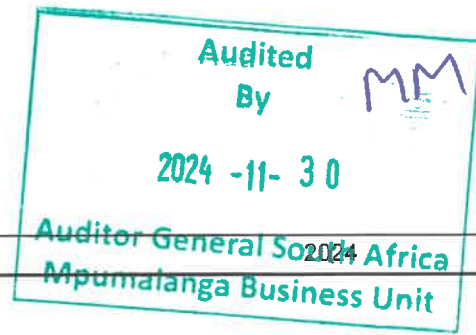
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### 18. Government grants & subsidies (continued)

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

To expand work creation efforts using labour-intensive delivery methods identified focus areas, in compliance with the EPWP guidelines.

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### 18. Government grants & subsidies (continued)

#### Local Government Sector Education and Training Authority grant

Balance unspent at beginning of year	1 237 255	392 062
Current-year receipts	1 971 649	1 155 700
Conditions met - transferred to revenue	(2 028 143)	(310 507)
	<b>1 180 761</b>	<b>1 237 255</b>

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

This grant was received from the Local government SETA institution for the training of municipal staff in various categories of learning and skills development.

#### Sport and recreation grant - National Lottery

Balance unspent at beginning of year	700 000	700 000
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The allocation is for improvement of sporting facility

#### Municipal Disaster Relief Grant

Balance unspent at beginning of year	1 500 000	-
Current-year receipts	14 500 000	1 500 000
Conditions met - transferred to revenue	(6 419 997)	-
	<b>9 580 003</b>	<b>1 500 000</b>

This is a disaster fund allocation that was received from National treasury per the Division of revenue act to fund damage to infrastructure due to natural disaster.

#### Integrated National Electrification Programme

Current-year receipts	6 800 000	-
Conditions met - transferred to revenue	(6 800 000)	-
	<b>-</b>	<b>-</b>

This grant relates to subsidy from National Treasury on infrastructure development.

#### Municipal Infrastructure Grant

Current-year receipts	55 356 450	57 052 250
Conditions met - transferred to revenue	(55 356 450)	(57 052 250)
	<b>-</b>	<b>-</b>

This grant relates to subsidy from National Treasury on infrastructure development

#### Municipal Infrastructure Grant (PMU 5%)

Current-year receipts	3 134 550	3 002 750
Conditions met - transferred to revenue	(3 134 550)	(3 002 750)
	<b>-</b>	<b>-</b>

Allocation relates to administrative cost for Performance Management Unit of 5% from of the Municipal Infrastructure grants.

#### Regional Bulk Infrastructure Grant

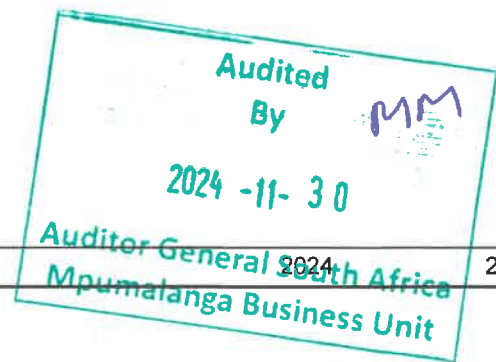
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### 18. Government grants & subsidies (continued)

	2024	2023
Balance unspent at beginning of year	40 073 191	501 422
Current-year receipts	43 000 000	175 000 000
Conditions met - transferred to revenue	(42 877 167)	(134 927 231)
Other	-	(501 000)
	<b>40 196 024</b>	<b>40 073 191</b>

This grants relates to subsidy from National Treasury on infrastructure development

#### Water Services Infrastructure Grant

Current-year receipts	30 000 000	60 000 000
Conditions met - transferred to revenue	(30 000 000)	(60 000 000)
	-	-

This grants relates to subsidy from National Treasury on infrastructure development

#### Finance Management Grant

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

The above grant relates to subsidy from National Support on the implementation of MFMA and capacity building .

#### Provincial Support Grant

Balance unspent at beginning of year	1 213 240	-
Current-year receipts	10 000 000	8 000 000
Conditions met - transferred to revenue	(8 419 957)	(6 786 760)
	<b>2 793 283</b>	<b>1 213 240</b>

This grants relates to subsidy from Provincial Support on the implementation fo revenue programme

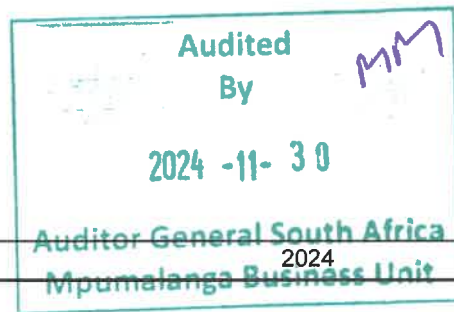
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### 19. Provision for Landfill Sites

#### Reconciliation of provision for landfill sites - 2024

	Opening Balance	Reversed during the year	Total
Environmental rehabilitation	95 319 376	(27 547 103)	67 772 273

#### Reconciliation of provision for landfill sites - 2023

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	81 932 532	13 386 844	95 319 376

The provision for rehabilitation of landfill sites relates to the legal obligation, in terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002), whereby the municipality is required to execute the environmental management program to restore the landfill sites at Ermelo, Breyten, Davel, Lothair and Chrissiesmeer to comply with the permit requirements.

The provision was determined by an independent expert as at 30 June 2024 and approximates the discounted expected future cash flows using reasonable estimation techniques. The discount rate used for the landfill sites is based on a government bond rate that matures as close as possible to the future date of the rehabilitation. The discount rate of 10,30% for 2024 as per the government bond for 5 to 10 years, being the estimated useful lives of landfill sites. No uncertainties were listed in the engineer's report. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

The value of the provision is based on the expected future cost to rehabilitate the various sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes.

The municipality estimates the useful lives and makes assumptions as to the useful lives of these, assets, which influence the provision for future costs..

### 20. Service charges

Sale of electricity	258 527 636	223 631 677
Sale of water	73 096 350	74 234 690
Sewerage and sanitation charges	60 289 752	57 676 547
Refuse removal	51 500 951	49 300 058
	<b>443 414 689</b>	<b>404 842 972</b>

This revenue above relates to the core function of the Municipality arising from the provision of services

### 21. Rental of facilities and equipment

<b>Premises</b>		
Premises	2 300 257	2 215 527
<b>Facilities and equipment</b>		
Rental of equipment	533 131	705 773
	<b>2 833 388</b>	<b>2 921 300</b>

Included in the above revenue relates to revenue from rental of municipal building and other related facilities



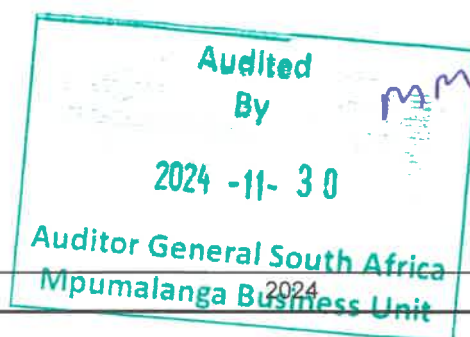
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### 22. Agency services

Services Provided	-	6 885 735
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The Licensing function was transferred to the Department of Community, Safety, Security and Liaison effective from the 1 July 2023, hence no revenue in the current financial year.

### 23. Other income

Advertising	324 356	268 409
Cemetery and burial	656 664	771 396
Commission	445 771	543 410
Connection fees	3 515 245	2 472 460
Fire brigade services	2 958 498	1 735 715
Licenses and permits	-	3 463 634
Photocopies	221 024	322 556
Planning and development	1 611 251	1 786 208
Sundry income	870 317	689 663
Tender fees	817 511	838 075
	<b>11 420 637</b>	<b>12 891 526</b>

The revenue above generated from added service other than trading services (Electricity, Water, Sanitation and Refuse)

### 24. Interest earned

#### Interest revenue

Interest charged on Consumer Debtors	34 985 416	28 108 136
Interest earned on positive bank balance	6 052 570	4 854 425
	<b>41 037 986</b>	<b>32 962 561</b>

The amount included in interest revenue arising from receivable exchange transaction and interest revenue arising from positive bank balance and call account.

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### 25. Property rates

#### Rates levied

Agricultural	21 096 870	20 102 007
Business and commercial	82 223 887	75 778 546
Public benefit organisations	48 429	167 592
Public service purposes	26 557 521	25 409 352
Public service infrastructure	56 592	57 434
Residential	65 927 240	74 520 216
Vacant stands	7 875 715	6 828 197
	<b>203 786 254</b>	<b>202 863 344</b>

This is Municipal revenue generated from property taxation as per Municipal Property Rates Act

#### Valuations

Residential	8 845 364 100	8 805 281 100
Municipal	972 114 800	938 803 300
Public Benefit Organisation	299 644 500	299 644 500
Agriculture	8 951 326 000	8 959 876 000
Business and Commercial	3 239 924 200	3 224 526 800
Public Service Infrastructure	48 443 190	51 685 700
Public service purposes	987 923 300	991 023 300
Vacant stands	334 194 000	304 534 000
	<b>23 678 934 090</b>	<b>23 575 374 700</b>

Valuations on land and buildings are performed every 4 to 5 years. The last general valuation came into effect on 1 July 2021. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of 1.05041 (2023: 0.99754-) is applied to property valuations to determine assessment rates. Rebates are granted to residential and state property owners.

Rates are levied on an annual basis with the final date for payment being Saturday, 01 July 2023 to Sunday, 30 June 2024. Interest is charged as fixed rate

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

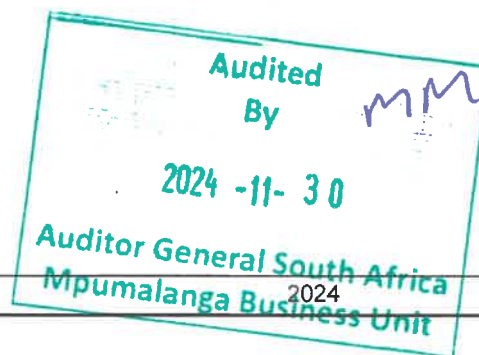
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### 26. Fines

	2024	2023
Traffic Fines, Law Enforcement	8 899 670	5 526 300
Fines, Fire, Library and other	9 557	20 738
Fines, Rezoning	163 428	156 576
	<b>9 072 655</b>	<b>5 703 614</b>

The revenue above relates to non-compliance with policies and by-laws

### 27. Debt forgiven

Entity	Description	2024	2023
Eskom	Debt relief	27 297 781	-
Department of Community, Safety, Security & Liason	Debt written off	-	110 686 413
		<b>27 297 781</b>	<b>110 686 413</b>

The Municipality applied for Eskom debt relief programme and was approved in September 2023, as at 30 June 2024 the municipality realised the reduction in the Eskom debt in relation to interest charged amounting to R 27 297 781.

In June 2023, debt owing by the municipality to the Department of Safety, Security and Liaison (DCSSL) was substantially written off by DCSSL, in preparation for the transfer of the licensing function from the municipality back to the department effective from 01 July 2023.. The amount of the write-off was R110 686 413.

### 28. Donations received

Entity		
COGTA	-	1 116 222
Private Companies	-	1 335 134
Department of Culture, Sport and Recreation	813 721	-
Gert Sibande	14 685 173	-
South African Library for the blind	37 709	-
Gert Sibande District Municipality	702 514	-
	<b>16 239 117</b>	<b>2 451 356</b>

During the year under review the Municipality received Donations from following organisation; Department of Culture, Sport and Recreation, South African Library for the blind and Gert Sibande District Municipality with the total amount of R16 239 117.

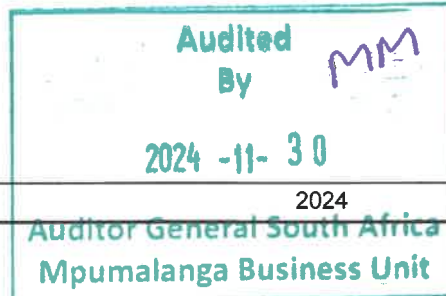
# Msukaligwa Local Municipality

(Registration number MP302)

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### 29. Employee related costs

	2024	2023
Basic Salary	157 528 126	142 061 932
Bonus	13 103 510	11 846 699
Medical aid - company contributions	13 864 365	13 698 976
UIF	1 316 879	1 298 339
SDL	2 396 161	2 229 744
Bargaining Council	82 755	78 667
Leave provision charge	2 709 181	2 305 594
Pension fund - company contributions	30 952 494	28 275 768
Group insurance	2 843 297	2 589 441
Cellphone and data allowances	774 106	871 685
Overtime payments	26 383 591	23 546 734
Long-service awards	2 818 845	2 284 962
Acting allowances	1 023 067	1 338 533
Car allowance	11 355 828	10 620 794
Housing benefits and allowances	532 727	486 380
Shift and standby allowance	15 034 625	13 869 554
Ward Committees	3 073 800	3 067 500
COVID Levy	1 508 858	1 997 432
Post-retirement Medical Aid	573 143	2 547 937
	<b>287 875 358</b>	<b>265 016 671</b>

#### Remuneration of Municipal Manager: M Kunene

Annual Remuneration	1 168 866	853 527
Car Allowance	187 323	151 575
Contributions to UIF, Medical and Pension Funds	188 770	172 728
Cellphone allowance	30 000	26 371
	<b>1 574 959</b>	<b>1 204 201</b>

Allowances as per upper limits payable to Senior Management

#### Remuneration of Acting Municipal Manager: CJ Lisa

Annual Remuneration	-	253 847
Cellphone Allowance	-	5 000
Contributions to UIF, Medical and Pension Funds	-	2 943
	-	<b>261 790</b>

Allowances as per upper limits payable to Senior Management

#### Remuneration of Chief Financial Officer :PJ Nhlabathi

Annual Remuneration	828 533	382 147
Car Allowance	248 012	140 000
Cellphone allowance	24 000	14 000
Contributions to UIF, Medical and Pension Funds	184 287	102 524
	<b>1 284 832</b>	<b>638 671</b>

Allowances as per upper limits payable to Senior Management

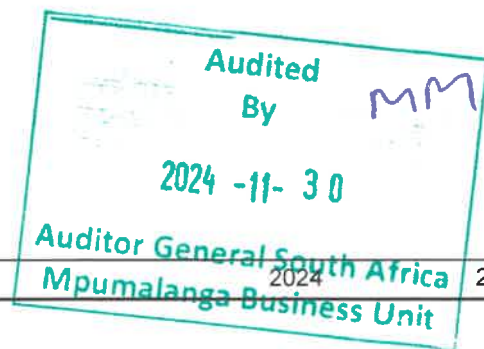
# Msukaligwa Local Municipality

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### 29. Employee related costs (continued)

#### Remuneration of the Acting Chief Financial Officer : SM Phiri

Annual Remuneration	-	338 051
Car Allowance	-	65 999
Cellphone Allowance	-	10 000
Contributions to UIF, Medical and Pension Funds	-	78 388
Acting Allowance	-	89 210
	-	<b>581 648</b>

Allowances as per upper limits payable to Senior Management

#### Remuneration of Director Corporate Services: PS Mabuza

Annual Remuneration	957 986	853 250
Car Allowance	191 403	181 575
Contributions to UIF, Medical and Pension Funds	226 647	214 570
Cellphone	24 000	24 000
	<b>1 400 036</b>	<b>1 273 395</b>

Allowances as per upper limits payable to Senior Management

#### Remuneration of Director Community and Social Services : MS Lukhele

Annual Remuneration	839 676	418 113
Car Allowance	247 401	135 000
Contributions to UIF, Medical and Pension Funds	175 356	110 828
Cellphone	24 000	14 000
	<b>1 286 433</b>	<b>677 941</b>

Allowances as per upper limits payable to Senior Management

#### Remuneration of Acting Director - Community and Social Services : FS Maseko

Annual Remuneration	-	196 558
Car Allowance	-	43 717
Cellphone Allowance	-	7 000
Contributions to UIF, Medical and Pension Funds	-	54 904
Standby and Housing Allowance	-	65 936
Acting Allowance	-	37 283
	-	<b>405 398</b>

Allowances as per upper limits payable to Senior Management

#### Remuneration of Director Community and Social Services : SI Malaza

Annual Remuneration	-	226 076
Car Allowance	-	8 000
Contributions to UIF, Medical and Pension Funds	-	13 610
Cellphone allowance	-	2 000
	-	<b>249 686</b>

Allowances as upper limits payable to Senior Management

#### Remuneration of Director Technical Services : ZP Duma



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### 29. Employee related costs (continued)

	2024	2023
Annual Remuneration	841 515	39 359
Car Allowance	239 333	20 000
Contributions to UIF, Medical and Pension Funds	126 720	731
Cellphone	24 000	-
	<b>1 231 568</b>	<b>60 090</b>

Allowances as upper limits payable to Senior Management

#### Remuneration of Acting Director Technical Services : KT Zitha

Annual Remuneration	-	117 935
Car Allowance	-	32 571
Acting Allowance	-	58 958
Contributions to UIF, Medical and Pension Funds	-	25 871
Cellphone Allowance	-	3 000
	-	<b>238 335</b>

Allowances as upper limits payable to Senior Management

#### Remuneration of Director Technical services : FR Ntekele

Annual Remuneration	-	860 109
Car Allowance	-	120 675
Cellphone Allowance	-	16 000
Contributions to UIF, Medical and Pension Funds	-	120 920
	-	<b>1 117 704</b>

Allowances as upper limits payable to Senior Management

#### Remuneration of Director Planning and Economic Development : H Maganya

Annual Remuneration	876 883	418 534
Car Allowance	185 866	99 677
Cellphone Allowance	24 000	13 290
Contributions to UIF, Medical and Pension Funds	212 310	119 038
	<b>1 299 059</b>	<b>650 539</b>

Allowances as upper limits payable to Senior Management

#### Remuneration of Director Planning and Economic Development : D Maake

Annual Remuneration	-	311 889
Car Allowance	-	8 000
Performance Bonuses	-	2 000
Contributions to UIF, Medical and Pension Funds	-	18 076
	-	<b>339 965</b>

Allowances as upper limits payable to Senior Management

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### 30. Remuneration of councillors

Executive Mayor	1 040 254	983 049
Speaker	842 114	795 509
Chief Whip	778 261	755 239
Mayoral Committee Members	3 979 845	3 592 747
Other Councillors	11 383 277	11 235 547
	<b>18 023 751</b>	<b>17 362 091</b>

### Additional information

The details for individual councillors are set out in the related parties note 45.

### 31. Debt impairment

Allowance for impairment-Consumer debtors	77 313 588	142 361 895
Allowance for impairment-Traffic fines	4 789 967	5 876 033
Bad debts written off	-	195 285
	<b>82 103 555</b>	<b>148 433 213</b>

This expense relates to provision of Doubtful debt arising from non-paying Consumer debtors and none paying of ticket fines

### 32. Depreciation and amortisation

Property, plant and equipment	128 555 587	134 981 850
Intangible assets	5 276	46 129
	<b>128 560 863</b>	<b>135 027 979</b>

This expense relates to provision of Wear & Tear of Property, plant & Equipment.

### 33. Impairment loss

Impairments		
Property, plant and equipment	(45 930 237)	(4 256 257)

### 34. Gains/Losses on disposal of Assets

Loss on Disposal of Assets	(3 831 816)	(13 888 871)
	-	(172 878)
	<b>(3 831 816)</b>	<b>(14 061 749)</b>

### 35. Repairs and Maintenance

Plant, Machinery and Equipment	7 609 546	8 103 813
Motor Vehicles	5 810 454	5 060 760
Buildings	945 490	212 611
Electrical	45 579 151	19 757 659
Roads	11 787 499	1 869 390
Sanitation	3 222 473	640 701
Water Supply	28 357 980	14 607 083
	<b>103 312 593</b>	<b>50 252 017</b>

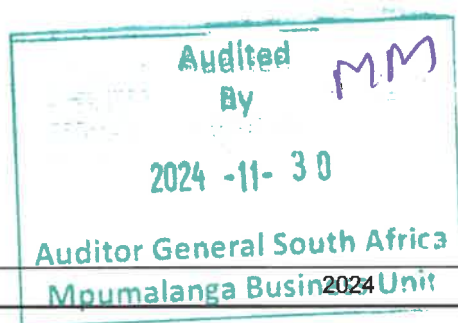
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### 36. Finance costs

Trade and other payables	116 448 491	82 495 226
Finance leases	32 960	39 215
Landfill site	6 328 689	8 213 247
Employee benefits	9 726 000	8 284 000
	<b>132 536 140</b>	<b>99 031 688</b>

The amount incurred on the interest expense relates to charges on late payment to Eskom and Department of Water and Sanitation. The other interest relates to provision of Landfill sites and Employee benefit.

### 37. Inventory Consumed

<b>Description</b>		
Water consumed	73 895 897	71 482 037

The following is the value of water sold versus the value lost; for more information, please refer to the note on distribution losses 54.

<b>Description</b>		
Water sold	23 987 114	17 461 404
Water losses	49 909 736	54 020 633
	<b>73 896 850</b>	<b>71 482 037</b>

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#### 38. Contracted services

##### Outsourced Services

Accounting services	4 855 087	8 069 370
Debt Collectors	4 247 704	528 094
Electrical	8 028 352	3 557 282
Maintenance of equipment	175 675	10 263
Prepaid electricity - Commission	3 017 158	3 210 014
Security services	39 621 441	33 076 949

##### Consultants and Professional Services

Infrastructure and Planning	2 053 173	1 733 980
Legal Cost	9 291 236	12 655 656
	<b>71 289 826</b>	<b>62 841 608</b>

This expenditure relates to expenses incurred to Municipal Contractors

#### 39. General expenses

Advertising	932 831	442 108
Audit Fees	6 888 632	6 663 173
Bank charges	3 154 563	2 606 037
Materials & Installation cost	19 957 263	3 055 795
Consulting and professional fees	5 011 178	428 614
Consumables	499 368	12 004
Insurance	5 839 316	5 459 914
Conferences and seminars	348 827	108 637
Fuel and oil	21 697 445	18 317 531
Printing and stationery	8 715 952	6 446 411
Protective clothing	1 652 432	1 999 555
Software expenses	10 176 067	6 777 164
Staff welfare	-	32 823
Subscriptions and membership fees	3 579 251	3 253 074
Training	2 251 430	496 452
Travel - local	5 256 734	3 635 790
Assets expensed	5 847 502	6 603 767
Miscellaneous expenditure	-	130 900
	<b>101 808 791</b>	<b>66 469 749</b>

This expenditure relates to any other expenses for the operation of the Municipality fro the provision of basic Municipal Services

#### 40. Fair value adjustments

Investment property (Fair value model)	(1 719 103)	3 377 545
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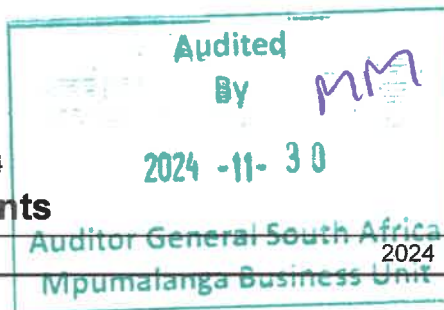
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### 41. Cash generated from operations

(Deficit) surplus	(276 631 500)	44 137 395
<b>Adjustments for:</b>		
Depreciation and amortisation	128 560 863	135 027 979
Losses on Disposal of Assets	3 831 816	14 061 750
Fair value adjustments	1 719 103	(3 377 545)
Finance costs - Finance leases	132 536 140	-
Impairment deficit	45 930 237	4 256 257
Debt impairment	82 103 555	148 433 213
Movements in retirement benefit assets and liabilities	7 457 000	(1 006 999)
Movements in provisions	(27 547 103)	19 082 889
Inventory losses or write-downs	(2 064 312)	-
Donations received	(16 239 117)	(2 451 356)
Debt forgiven	(27 297 718)	(110 686 413)
<b>Changes in working capital:</b>		
Inventories	(8 185 673)	(10 585 457)
Receivables from exchange transactions	(144 234 552)	(129 645 965)
Receivables from non-exchange transactions	(35 537 746)	(46 496 853)
Payables from exchange transactions	390 349 115	242 889 521
VAT	(169 031 674)	(25 996 438)
Change in landfill valuation (Investing activities)	28 179 747	(5 173 597)
Unspent conditional grants and receipts	9 726 385	43 130 202
Consumer deposits	1 209 791	1 206 409
Employee benefit obligation	5 696 045	(5 696 045)
	<b>130 530 402</b>	<b>311 108 947</b>



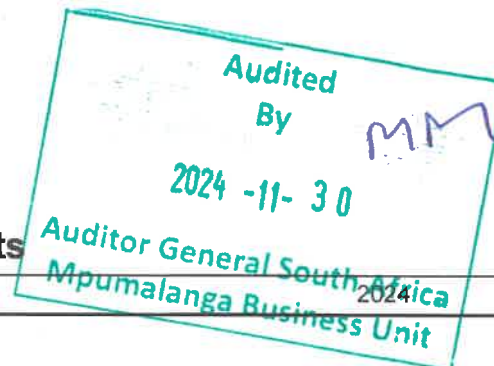
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### 42. Risk management

#### Financial risk management

The municipality is exposed to a variety of financial risks: market risk, fair value interest rate risk, cash flow interest rate risk and price risk, credit risk and liquidity risk, but the exposure is limited to the the municipality's management thereof. Due to largely, "non-trading nature" of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Generally, financial instruments play a much more limited role in creating or changing risks in entities that apply GRAP. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Budget and Treasury Office monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The municipality does not enter into or trade financial instruments for speculative purposes. Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports monthly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function

#### Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The Municipality managing of liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met. The tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay.

The table includes both interest and principal cash flows

At 30 June 2024	Less than 1 year	Between 2 and 5 years	Over 5 years
Payable from exchange transactions	1, 839, 343, 944		
Finance lease obligation	234,693	2,400,696	
At 30 June 2023	Less than 1 year	Between 2 and 5 years	Over 5 years
Payable from exchange transactions	1,545,160,116		

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

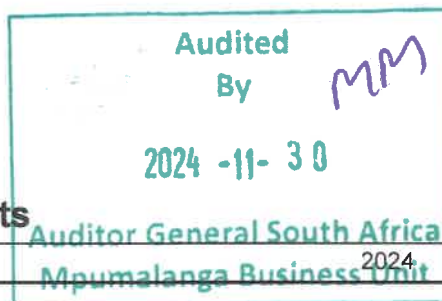
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### 42. Risk management (continued)

#### Credit risk

Credit risk is the risk of financial loss to the Municipality or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Municipality from customers and investment securities. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Each class of financial instrument is disclosed separately. Maximum exposure to credit risk not covered by collateral is specified. Financial instruments covered by collateral are specified. Credit risk consists mainly of cash deposits, cash equivalents. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with its investment policy.

Consequently, the municipality is not exposure to any significant credit risk. Consumer debtors and other debtors are individually evaluated annually at statement of financial position date for impairment or discounting. Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. There were material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review.

The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, and is not concentrated in any particular sector. The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

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

Financial instrument	2024	2023
Receivables from exchange transactions	241 332 693	167 834 179
Bank balances and cash	59 336 240	78 704 867

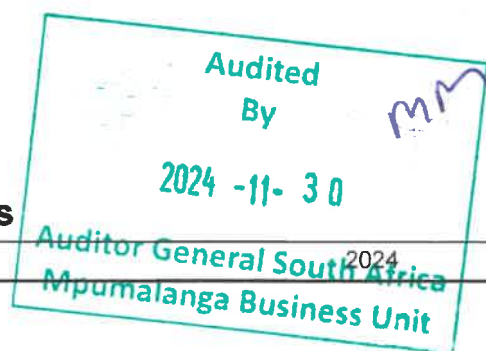
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### 43. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Electrical	12 184 474	3 921 986
• Roads	49 379 340	7 942 661
• Sanitation	125 105 803	834 280
• Water supply	41 079 437	7 106 219
• Land and Building	755 004	-
	<b>228 504 058</b>	<b>19 805 146</b>

##### Total capital commitments

Already contracted for but not provided for	228 504 058	19 805 146
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#### Authorised operational expenditure

##### Already contracted for but not provided for

• Consulting and Professional Fees	22 833 656	7 100 232
• Security (Guarding of municipal property)	10 036 451	38 934 092
• Supply and delivery	6 466 357	5 896 568
• Repairs and maintenance	4 183	-
	<b>39 340 647</b>	<b>51 930 892</b>

##### Total operational commitments

Already contracted for but not provided for	39 340 647	51 930 892
---	------------	------------

#### Total commitments

##### Total commitments


Authorised capital expenditure	228 504 058	19 805 146
Authorised operational expenditure	39 340 647	51 930 892
	<b>267 844 705</b>	<b>71 736 038</b>

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**44. Contingencies**

	2024	2023
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### 44. Contingencies (continued)

#### Contingent liabilities

##### Issue under consideration

This issue involves land that was earmarked for business and churches but was later disposed of or allocated in a manner which was not in line with the development and the agreement reached in 1995. NEWCHO as the developer is intending to sue the Municipality for damages. The Municipality was served with summons in 2015.

Potential liability  
6 483 579

##### Status

Summons were issued Notice of intention to defend was filed Plea was filed Discovery has been done The matter is at the pre-trial stage The attorneys of NEWCHO have submitted a settlement proposal which has been discussed and the amount was reduced to R 1 Million as per the letter dated 02 July 2020. Then on the 21 of July 2020 the Municipality has further proposed the settlement of R 500 000 and we are still awaiting the response thereto.

##### Attorney

TMN Kgomo and Associates

An Employee of the Municipality was electrocuted while on duty on the 27th of May 2011. He is claiming damages alleging that he was injured as a result of the sole negligence of the Municipality.

1 220 500

Summons were issued

TMN Kgomo and Associates

Action was taken by SAMWU on behalf of Hlophe and others against the municipality for losses due to unlawful variation of the terms of the employment in 2011. The municipality is opposing the claims and pleadings are currently still exchanged, the matter has not been set down for a trial date.

586 707

This matter is still pending in the labour Court. However an information was supplied to our attorneys that we were paying the employees 1.5 prior to 2011 and from 2013. Then further information will be provided on the amount outstanding for that period. A meeting has been held on the 13th of November 2014 with a view to have an amicable solution on this matter. As the Municipality we need to do a calculation. A detailed report will be presented to Council on this matter.

Sefalafala Attorneys

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2024 2023

### 44. Contingencies (continued)

The Plaintiff is suing the Municipality together with the Minister of Police for pain and suffering as a result of injuries sustained when he was detained in custody as a result of the case of theft of the machine of the Municipality.

This matter comes from the procurement processes on debt collection wherein the Plaintiff submitted a tender for that service. The Plaintiff realised that they were appointed after seeing their name on the website as part of those who were awarded the tender. They are suing the Municipality for future loss of income.

A vehicle belonging to the resident was involved in the accident as a result of the negligence of the Municipality not to mark the area where it was working with the red tape in 2014.

The employees of the Municipality went on a protest which turned violent and there was damage to property of the Municipality in 2013. As result there were employees who were arrested for that. Some of the employees were withdrawn from the case and others were acquitted. Then one of the employees is suing the Municipality for unlawful arrest.

Children were playing in Thusville and one of them was electrocuted by an electricity line in 2015 and he suffered damages in the form of the pain and suffering and future loss of income.

A resident's motor vehicle was involved in an accident in 2014 and as a result the resident suffered damages.

The Municipality is sued for negligence as a result of not maintaining the electricity infrastructure which resulted in the damage of properties of the residents when the electricity was switched on in 2010.

The Municipality is sued for the damage caused on the Telkom lines when the employees were fixing the damages water pipes.

Damages to vehicle to due to potholes in the road.

The Municipality is being sued for the amount outstanding after the contract on the provision of security services expired.

6 000 000

Summons were issued

Mhlongo Khumalo Attorneys

50 000 000

The notice of intention to defend has already been filed and the matter is pending in the High Court.

Julie Mahommed Attorneys

162 385

Summons were issued

TMN Kgomo and Associates

65 000

Summons were issued and the matter is defended

TMN Kgomo and Associates

25 000 000

Summons were issued

Mohlala Attorneys

600 000

Summons were issued

Mohlala Attorneys

311 467

Summons were issued

TMN Kgomo and Associates

230 423

Summons were issued

Mohlala Attorneys

83 800

Summons were issued

Mhlongo Khumalo Attorneys

8 778 153

Summons were issued

Mhlongo Khumalo Attorneys

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### 44. Contingencies (continued)

The Municipality is being sued for the amount outstanding after the contract on the provision of security services expired.

The Municipality is being sued as result of the motorist hitting a pothole on Little street in Ermelo which resulted in the damage to his vehicle

The Municipality has been served with summons for the breach of contract on the tender that was withdrawn for the maintenance of the Ermelo Landfill site. The company is claiming for the future loss of income.

The Municipality has been served with summons claiming an amount in respect of services rendered relating to fire-fighting.

The Municipality has been served with summons for the damages caused on the house of the resident allegedly when the municipal staff was fixing a water pipe.

The Municipality has been served with summons for vehicle damages allegedly caused by a pothole.

The Municipality has been served with the summons claiming damages as a result of the breach of contract. The Plaintiff is claiming for future loss of income.

The Municipality received the notice of motion to comply with the court order to ensure that the employee does not suffer financial loss on the money deducted by SARS and the accrual on the pension fund.

The Municipality received summons for the outstanding amount to Rand water for the 2013 operation and maintenance project.

4 539 707

26 400

20 000 000

1 142 061

500 000

156 509

74 352 398

953 473

12 208 162

**213 400 724**

Notice of intention to defend was filed

Summons were issued and the matter is being defended

The Municipality is defending the matter and the answering affidavit was filed.

An application in terms of rule 35 has been served by the Defendant to the Plaintiff.

The Municipality has filed the notice of intention to defend and will raise a special plea.

The Municipality has filed the notice of intention to defend and will raise a special plea.

The Municipality has filed a notice of intention to defend the claim.

Notice of intention to defend was filed

The Municipality has filed the notice of intention to defend and the parties are exchanging the pleadings.

The Municipality has filed the notice of intention to defend and the parties are exchanging the pleadings.

Mhlongo Khumalo Attorneys

None (Own defence)

Mohlala Attorneys

Motimele Attorneys

Maphanga Attorneys

None (Own Defence)

Lusenga Attorneys

Sibeko Incorporated

Guzana Attorneys

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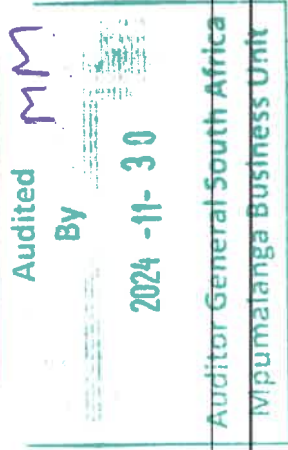
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<b>44. Contingencies (continued)</b>		
<b>Contingent assets</b>		
<b>Issue under consideration</b> The service providers are considered to have performed substandard work in the construction of a water reservoir which resulted in the reservoir bursting. At that stage the service providers had already been paid a certain sum of money for the job. The Municipality is claiming back the money already paid to the service providers (consultants and the contractor).	Potential Asset 5 687 831	Status Summons were issued by the Municipality.  Gildenhuys Malatjie Attorneys Attorney
	<b>5 687 831</b>	

# Msukaligwa Local Municipality

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### 45. Related parties

#### Members of Mayoral Committee

Executive Mayor

Speaker

Chief Whip

MMC - Corporate Services

MMC - Technical Services

MMC - Finance

MMC - Community and Social Services

MMC - Planning & Economic Development

Members of Key Management

Municipal Manager

Chief Financial Officer

Director Corporate Services

Director Technical Services

Director Planning & Economic Development

Director Community and Social Services

Cllr. M.P Nkosi

Cllr. N.S Xaba

Cllr P.T Sibeko

Cllr. T.J Madlala

Cllr. T.C Motha

Cllr. EC Msezane

Cllr. S.E Ngovene

Cllr. BG Motha

Mr M Kunene

Mr P.J Nhlabathi

Mr P.S Mabuza

Ms Z.P Duma

Ms. H Maganya

Mr M.S Lukhele

The Member of the Msukaligwa Council Ms A Mahlalela is the founding member of **sikhulisigwa womens reunion primary co-operative limited** with the Director of Co & Cv Pty Ltd , which has been awarded a contract for the supply and delivery of Motor Vehicles and Oils Msukaligwa LM. it should be noted that the Director of Co & Cv Pty Ltd is a sole director and its operation has not direct link to or shareholding the sikhulisigwa womens reunion primary co-operative limited, The Member of the Msukaligwa Council had not direct or indirect influence in awarding the service to Co & Cv Pty Ltd

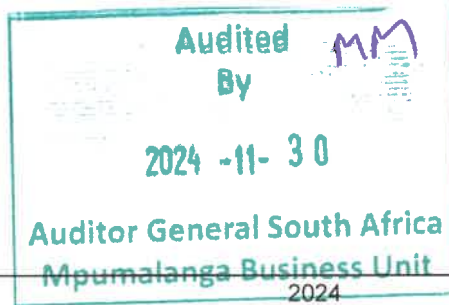
# Msukaligwa Local Municipality

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### 45. Related parties (continued)

#### Remuneration of management

##### Management class: Mayoral Committee Members

2024

Name	Annual Remuneration	Travel Allowance	Contributions to Medical Aid and Pension Fund	Cell Phone and Data Allowance	Total
Cllr. M.P Nkosi (Executive Mayor)	670 247	230 166	93 487	46 353	1 040 253
Cllr. NS Xaba (Speaker)	536 839	184 133	74 790	46 353	842 115
Cllr PT Sibeko (Chief Whip)	490 986	172 625	86 762	46 353	796 726
Cllr TJ Madlala (MMC Corporate Services)	503 172	172 625	70 126	46 353	792 276
Cllr BG Motha (MMC Planning and Economic Development)	503 173	172 625	70 126	46 353	792 277
Cllr TC Motha (MMC Technical Services)	503 173	172 625	70 126	46 353	792 277
Cllr EC Msezane (MMC Finance)	503 169	172 628	70 125	46 353	792 275
Cllr SE Ngovene (MMC Community and Social Services)	503 105	172 702	70 116	46 353	792 276
	<b>4 213 864</b>	<b>1 450 129</b>	<b>605 658</b>	<b>370 824</b>	<b>6 640 475</b>

2023

Name	Annual Remuneration	Car Allowance	Contributions to UIF, Medical Aid and Pension	Telephone Allowance	Total
Cllr. MP Nkosi (Executive Mayor)	614 477	232 000	92 172	44 400	983 049
Cllr. NS Xaba (Speaker)	486 450	185 770	78 888	44 400	795 508
Cllr. PT Sibeko (Chief Whip)	459 645	175 109	76 085	44 400	755 239
Cllr. TJ Madlala (MMC Corporate Services)	455 663	174 576	73 908	44 400	748 547
Cllr .BG Motha (MMC Planning and Economic Development)	454 770	172 206	73 738	44 400	745 114
Cllr. TC Motha (MMC Technical Services)	458 444	174 476	74 362	44 400	751 682
Cllr. EC Msezane (MMC Finance)	462 397	174 871	75 004	44 400	756 672
Cllr. SE Ngovene (MMC Community and Social Services)	509 205	115 135	81 992	44 400	750 732
	<b>3 901 051</b>	<b>1 404 143</b>	<b>626 149</b>	<b>355 200</b>	<b>6 286 543</b>

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### 45. Related parties (continued)

Management class: Councillors

2024

	Annual Remuneration	Car Allowance	Contribution to Medical aid and Pension Fund	Cellphone and data allowance	Total
DVF Arnoldi	214 334	72 839	29 585	46 353	363 111
JDA Blignaut	197 795	93 478	115 716	46 353	453 342
Z Breydenbach	214 334	72 839	29 585	46 353	363 111
SSS Buthelezi	214 334	72 839	29 585	46 353	363 111
SS Cindi	355 418	-	50 161	46 353	451 932
SP Khalishwako	355 418	-	50 161	46 353	451 932
BI Mabuza	214 334	72 839	29 585	46 353	363 111
SM Mabuza	277 672	-	39 086	46 353	363 111
VCN Madini	277 671	-	39 086	46 353	363 110
TJ Maduna	308 718	-	43 743	46 353	398 814
BA Mahlalela	239 983	-	77 504	46 353	363 840
MS Malaza	277 672	-	39 086	46 353	363 111
VJ Maseko	274 134	93 477	37 968	46 353	451 932
SC Mathebula	277 672	-	39 086	46 353	363 111
MM MkhaliPhi	355 418	-	50 161	46 353	451 932
BL Ndlazi	277 672	-	39 086	46 353	363 111
MFJ Ndlovu	214 334	72 839	29 585	46 353	363 111
SF Ngwenya	214 334	72 839	29 585	46 353	363 111
LL Nhlapho	214 334	72 839	29 585	46 353	363 111
BJ Nkosi	277 672	-	39 086	46 353	363 111
MZ Nkosi	214 334	72 839	29 585	46 353	363 111
NR Nkosi (Late)	9 677	3 709	1 452	1 763	16 601
T Nkosi	214 334	72 839	29 585	46 353	363 111
MA Nzimande	296 049	93 477	41 255	46 353	477 134
RT Nzimande	255 757	-	35 799	46 353	337 909
JJ Scholtz	214 334	72 839	29 585	46 353	363 111
PH Sibiya	353 051	-	49 805	46 353	449 209
MR Yende	214 334	72 839	29 585	46 353	363 111
TP Zulu (Late)	40 100	-	6 015	5 310	51 425
ZE Zulu	277 672	-	39 086	46 353	363 111
KJ Makhubu	202 556	-	30 383	30 553	263 492
NL Masuku	171 509	-	25 726	30 553	227 788
	<b>7 716 960</b>	<b>1 085 370</b>	<b>1 214 886</b>	<b>1 366 063</b>	<b>11 383 279</b>

2023

	Annual Remuneration	Car Allowance	Contribution to Medical aid and Pension Fund	Cellphone and data allowance	Total
DVF Arnoldi	193 581	74 206	31 522	44 400	343 709
JDA Blignaut	178 723	94 838	112 322	44 400	430 283
Z Breydenbach	195 319	74 206	31 798	44 400	345 723
SSS Buthelezi	196 220	75 218	31 954	44 400	347 792
SS Cindi	330 708	-	52 681	44 400	427 789
SP Khalishwako	330 184	-	52 598	44 400	427 182
BI Mabuza	193 582	74 206	31 522	44 400	343 710
SM Mabuza	265 194	-	42 288	44 400	351 882
VCN Madini	262 097	-	41 797	44 400	348 294
TJ Maduna	258 749	-	41 266	44 400	344 415
BA Mahlalela	228 760	-	77 362	44 400	350 522



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### 45. Related parties (continued)

MS Malaza	258 108	-	41 164	44 400	343 672
VJ Maseko	248 031	95 078	40 331	44 400	427 840
SC Mathebula	258 109	-	41 164	44 400	343 673
MM Mkhaliphi	330 708	-	52 681	44 400	427 789
BL Ndlazi	258 749	-	41 266	44 400	344 415
MFJ Ndlovu	215 883	48 559	34 861	44 400	343 703
SF Ngwenya	215 883	48 559	34 869	44 400	343 711
LL Nhlapho	211 742	48 559	34 198	43 800	338 299
BJ Nkosi	258 109	-	41 164	44 400	343 673
MZ Nkosi	194 463	73 193	31 659	44 400	343 715
NR Nkosi	248 031	95 078	40 335	44 400	427 844
T Nkosi	193 581	74 206	31 532	44 400	343 719
MA Nzimande	256 493	77 898	41 747	44 400	420 538
RT Nzimande	257 494	-	41 067	44 400	342 961
JJ Scholtz	193 581	74 206	31 522	44 400	343 709
PH Sibiya	321 351	-	51 196	44 400	416 947
MR Yende	193 581	74 206	31 532	44 400	343 719
TP Zulu	330 993	-	52 726	44 400	428 119
ZE Zulu	260 290	-	41 510	44 400	346 200
	<b>7 338 297</b>	<b>1 102 216</b>	<b>1 303 634</b>	<b>1 331 400</b>	<b>11 075 547</b>

Refer to note Remuneration of councillors 30.

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**45. Related parties (continued)**

**Management class: Key management (officials)**

**2024**

<b>Name</b>	<b>Annual remuneration</b>	<b>Car Allowance</b>	<b>Phone Allowance</b>	<b>Contributions to UIF, Medical Aid and Pension</b>	<b>Other Allowance</b>	<b>Total</b>
Mr M Kunene (Municipal Manager)	1 168 866	187 323	30 000	188 770	-	1 574 959
Mr PJ Nhlabathi ( Chief Financial Officer)	828 533	248 012	24 000	184 287	-	1 284 832
Mr PS Mabuza - Director Corporate Services	957 986	187 741	24 000	226 647	3 661	1 400 035
Ms ZP Duma - Director - Technical Services	841 515	239 333	24 000	126 720	-	1 231 568
Ms H Maganya - Director - Planning and Economic Development	876 883	185 866	24 000	212 310	-	1 299 059
Mr MS Lukhele - Director - Community and Social Services	839 676	247 401	24 000	175 356	-	1 286 433
	<b>5 513 459</b>	<b>1 295 676</b>	<b>150 000</b>	<b>1 114 090</b>	<b>3 661</b>	<b>8 076 886</b>

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#### 45. Related parties (continued)

2023

Name	Annual remuneration	Car Allowance	Phone Allowance	Contributions to UIF, Medical Aid and Pension	Acting Allowance	Other long-term benefits	Total
M Kunene (Municipal Manager)	853 527	151 575	26 371	172 728	-	-	1 204 201
CJ Lisa (Acting Municipal Manager)	253 847	-	5 000	2 943	-	-	261 790
PJ Nhabathi (Chief Financial Officer)	382 147	140 000	14 000	102 524	-	-	638 671
SM Phiri(Acting Chief Financial Officer)	338 051	65 999	10 000	78 388	89 209	-	581 647
PS Mabuza - Director Corporate Services	853 250	181 575	24 000	214 570	-	-	1 273 395
MS Lukhele (Director Community and Social Services)	418 113	135 000	14 000	110 828	-	-	677 941
FS Maseko (Acting Director Community and Social Services)	196 558	43 717	7 000	54 904	37 283	65 936	405 398
SI Malaza (Director Community and Social Services)	226 076	8 000	2 000	13 610	-	-	249 686
D Maake (Director Planning and Development)	311 889	8 000	2 000	18 076	-	-	339 965
H Maganya (Acting Director Planning and Economic Development)	418 534	99 677	13 290	119 038	-	-	650 539
ZP Duma (Director Technical Services)	39 359	20 000	-	731	-	-	60 090
FR Ntekele (Director Technical Services)	860 109	120 675	16 000	120 920	-	-	1 117 704
KT Zitha (Acting Director Technical Services)	117 935	32 571	3 000	25 871	58 958	-	238 335
	<b>5 269 395</b>	<b>1 006 789</b>	<b>136 661</b>	<b>1 035 131</b>	<b>185 450</b>	<b>65 936</b>	<b>7 699 362</b>

Refer to note Employee related costs 29.

#### 46. Accounting by principals and agents

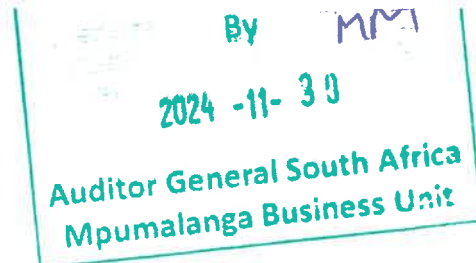
The entity is a party to a principal-agent arrangement(s).

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### 46. Accounting by principals and agents (continued)

Details of the arrangement(s) is/are as follows:

The entity is the agent. Refer to note for significant judgements applied in making this assessment.

#### Municipality as principal: Pre-paid electricity

The municipality entered in to an arrangement with Cigicell Pty Ltd to distribute, collect, process and manage the sales of prepaid electricity on behalf of the municipality. A fee of 3% of the total revenue collected is payable by the municipality for the prepaid sales of electricity directly through their platform. Where part of the receipt is used to settle outstanding debt of the consumer, this also attracts commission.

The agent does not hold any assets of the municipality in conducting its functions. If this function were to be terminated, it is possible that the sale of pre-paid electricity would decrease due to the increased inconvenience of visiting the municipality to purchase electricity. While there would be a saving on commission, it is likely that additional resources would need to be employed (cashiers, tills, terminals), in order for the municipality to accommodate the increase in consumer transactions each day. It is not practicable to quantify these costs or benefits.

The aggregate funds received by the municipality, and commission paid to the agent were as follow:

	2024	2023
Net funds received		
Funds collected	R68,700,564.94	R60,758,373.69
Agent fees	R 3, 019,065.41	R3,210, 013.69

The resources have been recognised/have not been recognised by the agent in its financial statements.  
[Choose as appropriate]

The remittance of resources during the period [State details].

The expected timing of remittance of remaining resources by the agent to the entity, are [State timing and details].

The expected timing of remittance of remaining resources by the agent to third parties, are [State timing and details].

Resource or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]

The resource and/or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]

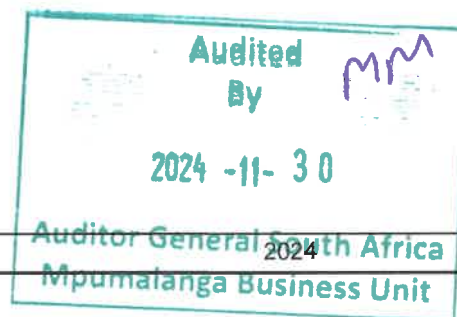
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### 47. Going concern

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 senior management echelon of the municipality is fully constituted as all vacant director posts were filled by year end.

However, there are indicators of operational and financial distress.

The municipality has material contingent liabilities of R213 400 724, as well as trade and other payables of R1 933 602 488 against receivables of R330 692 315, which may pose a risk to future operations.

Although, at 30 June 2024, the municipality had an accumulated surplus of R 1 359 983 071 and that the municipality's total assets exceed its liabilities by R 1 359 983 071, this is largely due to non-current assets such as Property, plant and equipment, rather than working capital. In terms of current assets and liabilities, the Municipality has net liabilities of R1 292 480 427 (2022: R1 237 122 053).

The Municipality reported a Deficit of R (276 631 500) for the period (2023: surplus R 44 137 395);.

The ability of the Municipality to continue its operations for the foreseeable future is supported by the following:

Approved budget for the Medium Term Expenditure Revenue Framework ending 2024

Approved Division of Revenue Act with estimated allocation of equitable share and capital the next 3 years (2024/25FY R462 397 000, 2025/26FY R 526, 710, 000, 2026/27FY R565,632,000)

The municipality has approved a funding plan which is intended to restore the financial viability of the municipality.

### 48. Events after the reporting date

Management has been made aware of the resignation of an Ordinary Ward 7 Councillor and the term of office for the Audit committee Members and Risk Management Chairperson ended on the 31st of August 2024

### 49. Unauthorised expenditure

Opening balance as previously reported	648 380 884	413 255 590
Add: Unauthorised expenditure - current	233 344 123	235 125 294
Less: Written-off	(648 380 884)	-
<b>Closing balance</b>	<b>233 344 123</b>	<b>648 380 884</b>

Management submitted the unauthorised expenditure to MPAC for investigation, on the council sitting dated the 28th of June 2024 council considered and approved the write-off of the Unauthorised Expenditure as recommended by MPAC.

### 50. Fruitless and wasteful expenditure

Opening balance as previously reported	220 373 976	162 400 386
Add: Fruitless and wasteful expenditure identified - current	119 238 062	23 526 159
Add: Fruitless and wasteful expenditure identified - prior period	-	58 995 400
Less: Amount written off - current	(220 373 976)	-
Less: Amount written off by Eskom - current	(17 424 597)	-
Less: Amount written off by DCSSL - prior period	-	(24 547 969)
<b>Closing balance</b>	<b>101 813 465</b>	<b>220 373 976</b>

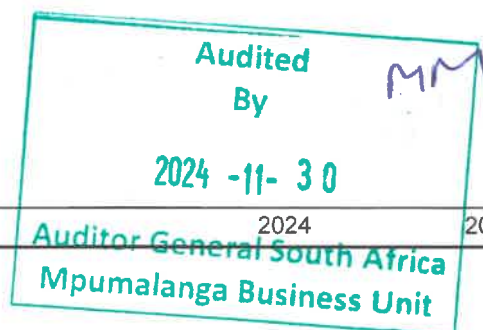
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### 50. Fruitless and wasteful expenditure (continued)

Management submitted the Fruitless and wasteful expenditure to MPAC for investigation, on the Council sitting dated the 28th of June 2024 council considered and approved the write-off of the fruitless and wasteful Expenditure as recommended by MPAC. Over and above the Municipality was approved on the 29 September 2023 on the Eskom debt relief where the Municipality realised a reduction in interest incurred amounting to R17, 424, 596.73 by Eskom

### 51. Irregular expenditure

Opening balance as previously reported	437 508 523	371 377 358
Add: Irregular expenditure - Prior Period	-	27 326 797
Add: Irregular expenditure - current	24 826 432	38 804 368
Less: Amount written off - current	(437 508 522)	-
<b>Closing balance</b>	<b>24 826 433</b>	<b>437 508 523</b>

Management submitted the Irregular expenditure to MPAC for investigation, on the Council sitting dated the 28th of June 2024 council considered and approved the write-off of the Irregular Expenditure as recommended by MPAC.

### 52. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Current year subscription / fee	3 149 498	2 956 211
Amount paid - current year	(3 149 498)	(2 956 211)
	-	-

This relates to amount payable to SALGA which was settled during the year.

#### Audit fees

Opening balance	241 496	-
Current year subscription / fee	7 913 771	7 663 770
Amount paid - current year	(8 155 267)	(7 422 274)
	-	<b>241 496</b>

All amount billed by AGSA were settled during the year

#### PAYE and UIF

Opening balance	3 417 626	3 227 295
Current year subscription / fee	44 429 053	41 929 271
Amount paid - current year	(43 552 854)	(41 738 940)
	<b>4 293 825</b>	<b>3 417 626</b>

The unpaid amounts above represent June declarations, which are typically paid in the first week of July as permitted by SARS.

#### Pension and Medical Aid Deductions

Opening balance	-	5 291 483
Current year subscription / fee	79 173 804	72 990 983
Amount paid - current year	(72 308 896)	(72 990 983)
Amount paid - previous years	-	(5 291 483)
	<b>6 864 908</b>	-

The unpaid amounts above represent June contributions, which are typically paid in the first week of July.



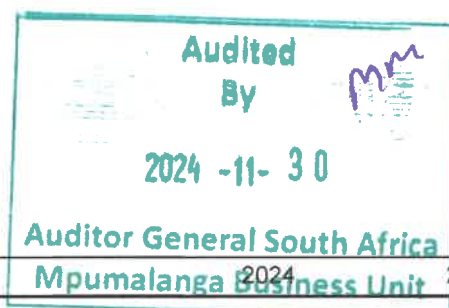
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### 52. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

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

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
MP Nkosi	23 098	-	23 098
NS Xaba	15 726	-	15 726
EC Msezane	6 496	-	6 496
TC Motha	3 639	-	3 639
Z Breydenbach	1 948	-	1 948
NR Nkosi	2 796	4 751	7 547
JDA Blignaut	14 435	-	14 435
DVF Arnoldi	8 214	-	8 214
VCN Madini	14 227	-	14 227
BA Mahlalela	93 256	29 650	122 906
VJ Maseko	38 031	-	38 031
MM MkhaliPhi	15	1 039	1 054
MFJ Ndlovu	69	9 877	9 946
JJ Scholtz	7 035	-	7 035
KJ Makhubu	1 779	28 851	30 630
BG Motha	407	-	407
BL Ndlazi	10 168	-	10 168
	<b>241 339</b>	<b>74 168</b>	<b>315 507</b>
30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
DVF Arnoldi	6 089	-	6 089
Z Breydenbach	1 865	-	1 865
BA Mahlalela	3 123	-	3 123
AM Mahlangu	2 164	30 001	32 165
VJ Maseko	2 344	64 567	66 911
SC Mathebula	140	8 818	8 958
MM MkhaliPhi	92	901	993
BG Motha	1 208	-	1 208
MFJ Ndlovu	66	9 604	9 670
MP Nkosi	2 785	4 659	7 444
NR Nkosi	50	-	50
JJ Scholtz	6 344	770	7 114
	<b>26 270</b>	<b>119 320</b>	<b>145 590</b>

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

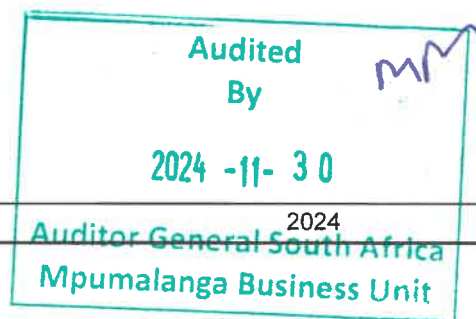
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#### 53. Deviation from supply chain management regulations

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

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

Supplier name	Deviation date	Reason for deviation	Description	Amount
TRUVELO MANUFACTURERS PTY LTD	08/08/2023	sole provider regulatiob 36 (1)(a)(ii) only supplier that can calibrate the Prolase 4 speed machine	calibrating of the prolaser 4 speed machine	5 352
MPC PTY LTD	29/09/2023	impartiacial to follow the procurement process regulation 36(1)(a)(v) responding to court order	Undertaking on non-complaint by MLM to take directive issued in term of section 19(3)	408 696
				<b>414 048</b>

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### Values - Rands

Electricity	254 235 339	181 820 328
Water	49 909 736	54 020 633
	<b>304 145 075</b>	<b>235 840 961</b>

Electricity	131 465 226	116 381 419
Water	4 833 425	7 497 142
	<b>136 298 651</b>	<b>123 878 561</b>

The municipality purchased 208, 143, 757 (2023: 193,793,81) units during the financial year and sold 76, 678, 501 (2023: 77,412,400) units during the financial year. This represents a loss of 63% (2023: 60%). Reasons for incurring electricity losses relates to the dissipation when electricity flows through the conductors, illegal connections, meter tampering and unmetered properties.

The municipality purchased 7, 156, 417 (2023: 9,815,960) units during the financial year, of which a total of 2, 322, 992 (2023: 2,318,818) units were sold. This represents a loss of 68% (2023: 76%). Reasons for incurring water losses relates to old infrastructure, resulting in the section experiencing water leaks and continuous pipe breakages. The availability of working material in time is an issue, resulting in prolonged reaction times for the sections with breakages. Furthermore insufficient staff, components and working vehicles which affect the reaction time.

### Property, plant and equipment

The useful life of all asset classes were adjusted during 2024 to more accurately reflect the period of economic benefits or service potential derived from these assets. the effect of the changing the remaining useful life of assets for the municipality during 2024 are as follows:

(Increase) / Decreases in depreciation per asset class	2024	2023
Community (Building)	(798 961)	9 718 693
Infrastructure Assets	144 998 768	110 700
Movables	2 622 022	723 680
	<b>146 821 829</b>	<b>10 553 073</b>

The details descriptions, component types of the assets in question are available in the Fixed Assets Register of the Municipality.

The effect in future periods is not disclosed because it is impractical estimating it.

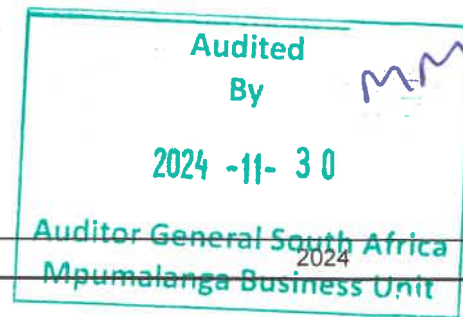
# Msukaligwa Local Municipality

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2023

### 56. Prior period errors

#### Error 1 Reclassification

Reclassification of property rates rebates from general expenditure to Revenue from Non-exchange Transactions (Property rates) R 2, 277, 378

Reclassification of contracted services classified as general Expenditure R956, 739.12.

Reclassification of Interest earned from exchange and non-exchange transactions R 9 002 911

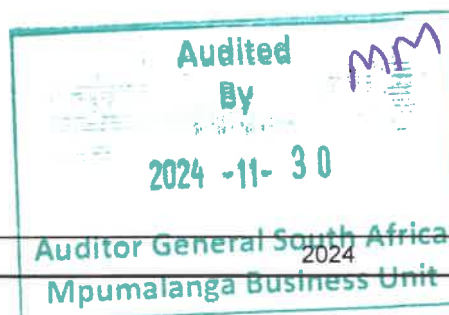
# Msukaligwa Local Municipality

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### 56. Prior period errors (continued)

Class of transaction	As previously reported	Reclassification on	Restated
Property rates	205 140 723	2 277 378	202 863 345
Contracted Services	61 884 869	956 739	62 841 608
General expenses	69 712 670	(3 234 117)	66 478 553
Interest: Revenue from exchange transactions	41 965 472	(9 002 911)	32 962 561
Interest: Revenue from non-exchange transactions	-	9 002 911	9 002 911
	<b>378 703 734</b>	<b>-</b>	<b>374 148 978</b>

Error 2 - Payables from exchange understated

Payables from exchange transactions listing did not agree to the creditors control vote and the listing were incomplete by R62 677 903,00t

Account balance	As previously reported	Prior period adjustment	Restated balance
Trade payables	1 482 482 313	62 677 903	1 545 160 216
	<b>1 482 482 313</b>	<b>62 677 903</b>	<b>1 545 160 216</b>

Error 3 - Payment received in advance/ Employee related accrual

Income received in advance was oversat by R43 309,00 due to misclassification of transactions relating to employee related accrual

Account balance	As previously reported	Reclassification on	Restated balance
Payment received in advance	33 564 652	(43 309)	33 521 343
Employee related accruals	7 333 641	43 309	7 376 950
	<b>40 898 293</b>	<b>-</b>	<b>40 898 293</b>

Error 4 Property plant and equipment, mistated by R10 289 876 due to ommission and various errors emanating to adjustment of different asset item

Account balance	As previously report	Prior year adjustment	Restated Amount
Property plant and Equipment	2 651 634 315	4 737 876	2 656 372 190
Investment Property	181 143 052	5 552 000	186 695 052
	<b>2 832 777 367</b>	<b>10 289 876</b>	<b>2 843 067 242</b>

Error 5 Irregular expenditure was mistated by R 27 326 796 due to incompleteness of the register in priviously financial years

Disclosures	As prviously reported	Prior year adjustment	Restated additions	Restated balance
Irregular expenditure	371 377 358	27 326 796	38 804 368	437 508 522
	<b>371 377 358</b>	<b>27 326 796</b>	<b>38 804 368</b>	<b>437 508 522</b>

### 57. Segment information

#### General information

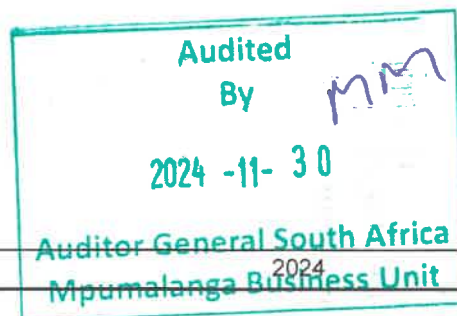
# Msukaligwa Local Municipality

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### 57. Segment information (continued)

#### Identification of segments

The municipality has five major segments linked to the primary services offered as this forms the basis for recording and reporting information within the municipality and with external stakeholders.

> Electricity is a key service department, and, through significant infrastructure holdings, links electricity generation to consumers, and, therefore, generates economic benefits and service potential to the community.

> Water is a key service department, and, through significant infrastructure holdings, reticulates water to the community, and, therefore, generates economic benefits and service potential to the community. |

> Sewerage is a key service department, and, through significant infrastructure holdings, removes and treats waste water, and, therefore, generates economic benefits and service potential to the community.

> The Community and Health department, which generates economic gains and service potential through refuse removal as well as the management of community assets and areas, including libraries, parks and landfill sites. Incidental to its activities, it generates fine revenue.

The Finance vote is administrative, however it generates economic benefits in the form of interest on invested funds, and sundry income from the sale of tender documents, etc. Further, the administration of property rates is co-ordinated by the finance department. The Finance department is responsible for most of the asymmetrical allocations in the segments: expenses and assets are allocated to the segments, but the related payables, VAT and interest expenses are allocated to the Finance department. Inventory is held under the Finance department.

The other segments are administrative in nature and any revenue generated by these is incidental to their operations; these have been aggregated. Vehicles, road infrastructure assets, and office furniture and equipment make up the majority of Property, plant and equipment allocated to other reportable segments.

#### Aggregated segments

Aggregation of segments is based on similarities in the service delivery object of the Municipality, in line with mSCOA which speaks to their economic characteristic. Information reported about these segments is used by management as a basis for evaluating the segments performance and for making decisions about the allocation of resources. Below indicates how the aggregation has been formulated

- |                         |   |
|-------------------------|---|
| 1. Electricity          | : Electricity and Streetlighting  |
| 2. Water Supply         | : Water Income, Water Network and water purification  |
| 3. Waste Water          | : Sewerage Income, Sewerage Network, and Sewerage Purification  |
| 4. Community and Social | : Director Community and Health, Disaster Management, Cemetery ,<br>: Park, Covid-19 Disaster, Fire brigade Services, Golf Course, Libraries,<br>: Parks and Ground, Refuse and Sanitary, Sport and recreation, Licensing,<br>: Sport field GeneralSwimming pool, Traffic, Caravan  |
| 5. Finance              | : Assessment rates, Director finance, Credit Control,<br>: Finance, Finance management Grant, Municipal Store   |
| 6. Other                | : Administration, Council General, Councillors, Director Corporate Services,<br>: Director town engineer, Expanded Public works programme, Housing,<br>: Human resources, IDP and Internal Audit, Integrated Development Planning,<br>: Integrated Management information system, ICT Division,<br>: Local Economic Development, Municipal Manager. Communication,<br>: OHS , PMU, Other Department, Public works, Risk Management,<br>: Staff flats, Sub economical department, Technical Department, Workshop |



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**57. Segment information (continued)**

Segment surplus or deficit, assets and liabilities

2024

	Electricity	Water Supply	Waste Water	Community and Social Services	Finance	Other Department	Total
<b>Revenue</b>							
Service Charges	258 527 636	73 096 350	60 289 752	51 500 951	-	-	443 414 689
Rental of Facilities and Equipment	-	-	-	138 597	-	2 694 791	2 833 388
Other Income	3 689 684	16 100	1 601	4 055 775	1 463 448	2 194 028	11 420 636
Interest Income	7 958 988	10 837 903	7 890 256	7 497 226	18 247 683	-	52 432 056
Property rates	-	-	-	-	203 786 254	-	203 786 254
Grants and subsidies	13 800 000	98 233 617	-	-	11 419 957	295 971 691	419 425 265
Fines	-	-	-	8 909 227	-	163 428	9 072 655
Debt Forgiven	27 297 718	-	-	-	-	-	27 297 718
Donations	-	702 514	-	-	-	15 536 603	16 239 117
<b>Total segment revenue</b>	<b>311 274 026</b>	<b>182 886 484</b>	<b>68 181 609</b>	<b>72 101 776</b>	<b>234 917 342</b>	<b>316 560 541</b>	<b>1 185 921 778</b>
<b>Entity's revenue</b>							<b>1 185 921 778</b>

Audited By  
2024 -11- 30


Auditor General South Africa  
Mpumalanga Business Unit

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Finance	Other
	Department
	Total

### 57. Segment information (continued)

Expenditure	Electricity	Water Supply	Waste Water	Community and Social Services	Finance	Other	Total
Employee Related Costs	27 618 388	20 817 930	18 061 974	74 800 414	46 421 383	108 232 158	295 952 247
Remuneration of Councillors	-	-	-	-	-	18 023 750	18 023 750
Depreciation	18 153 944	26 646 864	982 154	33 815 436	537 837	48 424 628	128 560 863
Impairment	-	-	-	45 930 237	-	-	45 930 237
Debt Impairment	17 536 983	19 753 464	13 563 202	17 277 861	12 515 559	1 456 486	82 103 555
Finance Costs	-	-	-	6 328 689	116 481 451	9 726 000	132 536 140
Bulk Purchases	401 588 086	-	-	-	-	-	401 588 086
Contracted Services	11 328 294	-	-	40 410 616	8 802 405	10 748 511	71 289 826
Repairs and Maintenance	46 604 007	38 418 459	3 756 242	4 881 053	49 289	9 603 543	103 312 593
Inventory Consumed	-	73 895 897	-	-	-	-	73 895 897
General Expenses	165 031	11 693 469	7 204 450	6 663 055	31 243 523	44 839 263	101 808 791
Actuarial Gain	-	-	-	(63 936)	-	-	(63 936)
Fair Value Adjustments	-	-	-	-	1 719 103	-	1 719 103
Gains/Losses on Disposal of Assets	-	-	-	-	3 831 816	-	3 831 816
Gains/Losses on Inventory	-	-	-	2 064 312	-	-	2 064 312
<b>Total segment expenditure</b>	<b>522 994 733</b>	<b>191 226 083</b>	<b>43 568 022</b>	<b>232 107 737</b>	<b>221 602 366</b>	<b>251 054 339</b>	<b>1 462 553 280</b>
<b>Total segmental surplus/(deficit)</b>	<b>(211 720 707)</b>	<b>(8 339 599)</b>	<b>24 613 587</b>	<b>(160 005 961)</b>	<b>13 314 976</b>	<b>65 506 202</b>	<b>(276 631 502)</b>
<b>Assets</b>							
Inventory	-	-	-	-	31 774 842	-	31 774 842
Receivable from exchange transactions	67 656 568	65 004 143	40 113 763	37 756 642	25 068 236	(8 369 353)	227 229 999
Receivable from non-exchange transactions	-	-	-	2 317 236	81 104 376	-	83 421 612
VAT Receivable	(17 426 813)	(19 863 903)	(15 289 019)	(12 763 258)	361 838 329	223 086	296 718 422
Cash and Cash Equivalent	-	-	-	-	59 336 340	-	59 336 340
Property, plant and Equipment	356 035 671	931 808 940	555 879 918	20 058 801	1 410 930	779 674 357	2 644 868 617
Investment Property	-	-	-	5 552 000	181 143 053	(16 503 882)	170 191 171
Intangible Assets	-	-	-	-	-	10 510	10 510
Heritage Assets	-	-	-	-	-	174 895	174 895
<b>Total segment assets</b>	<b>406 265 426</b>	<b>976 949 180</b>	<b>580 704 662</b>	<b>52 921 421</b>	<b>741 676 106</b>	<b>755 209 613</b>	<b>3 513 726 408</b>

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**Mpumalanga Business Unit**

### 57. Segment information (continued)

Total assets as per Statement of financial Position	Electricity	Water Supply	Waste Water	Community and Social Services	Finance	Other Department	Total
							3 513 726 408
<b>Liabilities</b>							
Provisions for landfill site	-	-	-	(67 772 273)	-	-	(67 772 273)
Consumer Deposits	(21 529 890)	-	-	-	(130 147)	-	(21 660 037)
Non-Current: Employee Benefit Obligation	-	-	-	-	(14 904 000)	(60 555 001)	(75 459 001)
Unspent Conditional Grants	(2 951 203)	378 382 976	-	-	42 849	(429 924 693)	(54 450 071)
Payables from exchange transactions	-	-	-	-	(1 936 365 975)	2 759 908	(1 933 606 067)
Current Finance lease obligation	-	-	-	-	(234 693)	-	(234 693)
Current: Employee Benefit Obligation	-	-	-	-	(4 793 000)	-	(4 793 000)
Non-Current Finance lease obligation	-	-	-	-	(2 400 696)	-	(2 400 696)
<b>Total segment liabilities</b>	<b>(24 481 093)</b>	<b>378 382 976</b>	<b>-</b>	<b>(67 772 273)</b>	<b>(1 958 785 662)</b>	<b>(487 719 786)</b>	<b>(2 160 375 838)</b>
<b>Total liabilities as per Statement of financial Position</b>							<b>(2 160 375 838)</b>

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

2023

Electricity	Water Supply	Waste Water	Community and Social Services	Finance	Other department	Total
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**57. Segment information (continued)**

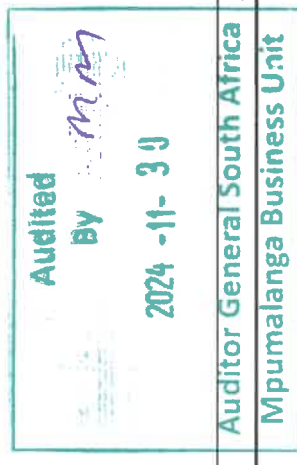
Revenue	223 631 678	74 234 690	57 676 547	49 297 438	-	2 620	404 842 973
Service Revenue	-	-	-	177 708	-	2 743 593	2 921 301
Rental of Facilities and Equipment	-	-	-	6 885 735	-	-	6 885 735
Agency Services	2 797 334	2 753	-	6 358 538	1 549 950	2 182 952	12 891 527
Other Income	6 353 352	9 018 114	6 180 015	5 900 630	14 513 361	-	41 965 472
Interest Income	-	-	-	-	202 863 345	-	202 863 345
Property rates	4 000 000	191 866 559	-	-	3 000 000	299 386 017	498 252 576
Grants	-	-	-	5 547 038	-	156 576	5 703 614
Fines	-	-	-	110 686 413	-	-	110 686 413
Debt Forgiven	-	-	-	-	-	-	-
Donations	-	2 213 667	-	-	-	237 689	2 451 356
<b>Total segment revenue</b>	<b>236 782 364</b>	<b>277 335 783</b>	<b>63 856 562</b>	<b>184 853 500</b>	<b>221 926 656</b>	<b>304 709 447</b>	<b>1 289 464 312</b>
<b>Entity's revenue</b>							<b>1 289 464 312</b>

Expenditure	25 304 111	19 173 573	15 029 679	77 621 142	40 311 981	95 276 243	272 716 729
Employee Related Costs	-	-	-	-	-	17 362 091	17 362 091
Remuneration of Councillors	18 242 597	26 367 010	23 409 357	8 932 127	611 034	57 465 855	135 027 980
Depreciation	80 709	-	7 265 966	154 329	(4 305 378)	1 060 633	4 256 259
Impairment	22 257 690	30 577 985	26 287 597	33 164 979	35 465 212	679 749	148 433 212
Debt Impairment	-	-	-	-	82 495 226	16 536 461	99 031 687
Finance Costs	317 779 412	-	-	-	-	-	317 779 412
Bulk Purchases	-	71 482 037	-	-	-	-	71 482 037
Inventory Consumed	6 767 296	-	-	33 087 211	9 232 755	13 754 346	62 841 608
Contracted Services	19 873 289	23 056 209	1 029 969	3 851 603	26 309	2 414 638	50 252 017
Repairs and Maintenance	(3 888 181)	12 307 349	734 438	9 184 512	12 110 304	36 021 327	66 469 749
General Expenses	-	-	-	(7 440 524)	-	-	(7 440 524)
Actuarial Gain	-	-	-	-	(3 377 545)	-	(3 377 545)
Fair Value Gains	3 545 936	2 632 094	4 564 038	377 159	-	2 942 523	14 061 750
Gains/Losses on Disposal of Assets	-	-	-	(3 569 547)	-	-	(3 569 547)
Gains/Losses on Inventory	-	-	-	-	-	-	-
<b>Total segment expenditure</b>	<b>409 962 859</b>	<b>185 596 257</b>	<b>78 321 044</b>	<b>155 362 991</b>	<b>172 569 898</b>	<b>243 513 866</b>	<b>1 245 326 915</b>
<b>Total segmental surplus/(deficit)</b>	<b>(173 180 495)</b>	<b>91 739 526</b>	<b>(14 464 482)</b>	<b>29 490 509</b>	<b>49 356 758</b>	<b>61 195 581</b>	<b>44 137 397</b>

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**57. Segment information (continued)**

	Electricity	Water Supply	Waste Water	Community and Social Services	Finance	Other department	Total
<b>Assets</b>							
Inventory	-	-	-	-	23 589 170	-	23 589 170
Receivable from exchange transactions	52 461 989	51 887 936	25 117 839	5 479 320	19 104 550	13 782 545	167 834 179
Receivable from non-exchange transactions	-	-	-	578 105	64 611 287	-	65 189 392
VAT Receivable	(15 500 792)	(18 555 321)	(13 330 654)	(11 222 055)	189 824 275	209 338	131 424 791
Cash and Cash Equivalent	-	-	-	-	78 704 966	-	78 704 966
Property, plant and Equipment	304 763 463	904 717 403	507 087 938	142 243 838	29 487 662	763 274 239	2 651 574 543
Investment Property	-	-	-	-	181 143 053	-	181 143 053
Intangible Assets	-	-	-	-	-	15 786	15 786
Heritage Assets	-	-	-	-	-	174 895	174 895
<b>Total segment assets</b>	<b>341 724 660</b>	<b>938 050 018</b>	<b>518 875 123</b>	<b>137 079 208</b>	<b>586 464 963</b>	<b>777 456 803</b>	<b>3 299 650 775</b>
<b>Total assets as per Statement of financial Position</b>							<b>3 299 650 775</b>
<b>Liabilities</b>							
Provisions	-	-	-	(81 932 532)	-	(13 386 844)	(95 319 376)
Consumer Deposits	(20 330 726)	-	-	-	(119 519)	-	(20 450 245)
Employee Benefit Obligation	-	-	-	-	-	(72 795 001)	(72 795 001)
Unspent Conditional Grants	(2 951 203)	335 505 809	-	-	1 566 397	(378 844 690)	(44 723 687)
Payables from exchange transactions	-	-	-	6 600 746	(1 635 921 280)	(5 506 085)	(1 634 826 619)
<b>Total segment liabilities</b>	<b>(23 281 929)</b>	<b>335 505 809</b>	<b>-</b>	<b>(75 331 786)</b>	<b>(1 634 474 402)</b>	<b>(470 532 620)</b>	<b>(1 868 114 928)</b>
<b>Total liabilities as per Statement of financial Position</b>							<b>(1 868 114 928)</b>

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

**Measurement of segment surplus or deficit, assets and liabilities**

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### 58. Budget differences

#### Material differences between budget and actual amounts

Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure.

#### EXPLANATION OF VARIANCES ON STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2024

- A. The under collection is due loadshedding, load reduction and illegal connection.
- B. The Civic centre community hall under renovation.
- C. This is due the vote mapped in an incorrect vote instead of the cashflow.
- D. This is a result of short term investment on grants not yet committed.
- D1. This is due the vote mapped in other revenue
- E. This is due to unspent conditional grants relating to multi- projects
- F. The Municipal has implemented an additional enforcement measures by installing speed Cameras
- G. This relates to donation made to the Municipality by various stakeholders
- H. In the 2023/24 the Council were not gazetted to receive increment
- I. This is due investment in new infrastructure and completed
- K. This is relates to interest Charged on long outstanding Department of Water and Sanitation debt
- L. The debt impairment increase as result of non-payment of service and traffic fines
- M. Eskom tariff increases exceeds provision to municipality and charge of winter tariffs not aligned
- N. The Municipality reduced reliance on consultancy
- O. The Municipality is experiencing theft during load reduction and load shedding
- P. The Municipality is charged on the agreed volume

#### EXPLANATION OF VARIANCES ON STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2023

- Q. Inventory maintained with the budget amount
- R. This due to non payment of service by consumers
- S. Since the implementation of the speed cameras, the municipality increased revenue through fines
- T. This increase is caused by vat input being higher than the vat output on the basis of creditors being more than the debtors
- U. This relates to unspent grant for multi-year capital projects
- V. There has been disposal of some part of investment property
- W. This was based on the depreciation and impairment loss incurred in the current year
- X. The intangible assets is carried amortised cost
- Y. There has been an increase in Department of water and sanitation and Eskom debt due to non-payment.
- Z. This was an error during adjustment budget.
- Za. This was an error during adjustment budget, mapping error on provision for employee benefit
- Zb. This relates to unspent grant for multi-year capital projects
- Zc. Based on the assessment, the provision on landfill site reduced

### Statement of Cashflows



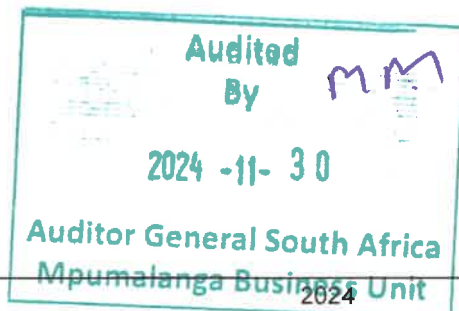
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2024 2023

### 59. Bulk purchases

Electricity	401 588 086	317 779 412
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### 60. Interest - Receivable from non-exchange revenue

Interest - Property rates	11 394 070	9 002 911
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The interest were charged on property rates which were levied and remained unpaid at a reporting date. Property owners incur interest on the late payments at an approved rate on the amount outstanding. Interest is recognised using the effective interest rate method on outstanding receivable from non-exchange.