



THEMBISILE HANI LOCAL MUNICIPALITY  
Annual Financial Statements  
for the 12 months ended 30 June 2024



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## General Information

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### Mayoral committee

Executive Mayor

Speaker

Chief whip

### Members of Executive Committee

### MPAC Chairperson

### Councillors

Cllr Dikgale Lesetja Jacob  
Cllr Msiza Maria Poppy  
Cllr Motanyane Thokozile Egnés  
Cllr Mthimunya Joseph Elias  
Cllr Mtsweni Lucky Xolani  
Cllr Ntuli Themba Julius  
Cllr Mzwandile Obed Sikosana  
Cllr Tshabangu Lillian Martha  
Cllr Malekane Eunice Martha  
Cllr Seswike Simon Chani Puleng  
Cllr Maphoso Lucky Matlhatsi  
Cllr Mahlangu Steven Citha  
Cllr Radebe Namntungwa Elizabeth  
Cllr Ntuli Vusi Michael  
Cllr Sindana Simon Bangiswani  
Cllr Dlamini Bongani Ntokozo  
Cllr Masanabo Khanyi Leah  
Cllr Ntuli Mmelisizwe Terance  
Cllr Sepogwana Moses Mmoisetsi  
Cllr Jiyane Richard Bongani  
Cllr Masombuka Simon Vusi  
Cllr Mnguni Simon Sipho  
Cllr Dube Tenboy Butitjie  
Cllr Mogoboya Samuel Bongani  
Cllr Mgayi Fikile Violet  
Cllr Mokoena David Sello  
Cllr Mnguni Nomvula Sister  
Cllr Jiyane Class Menzelwa  
Cllr Nhlapho Sonto Rose  
Cllr Msibi Bongani Victor  
Cllr Mtshaise Bernard Vusi  
Cllr Mahlangu Poppie  
Cllr Nduli Masotja Petros  
Cllr Mabhena Bawinile Simon  
Cllr Sithole Mkhululi Jacob  
Cllr Kgomo Rose Martha  
Cllr Mahlangu Godfrey Nkosinathi  
Cllr Skosana Solomon Fickson  
Cllr Nkosi Thabile Prunella  
Cllr Nobela Maria Thruddy  
Cllr Mampuru Dipolelo Sinah  
Cllr Mahlangu Christinah Ndlelehle  
Cllr Rahlogo Tsanky Michael  
Cllr Motaung Ntombi Mitta  
Cllr Mahlangu Thabiso Klass  
Cllr Rampisa Motlalepule Sweetness  
Cllr Mokwena Augustine Renny  
Cllr Shiburi Busisiwe Maria  
Cllr Sithole Abram Glen





# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## General Information

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Cllr Molefe Remenky Stephinah  
Cllr Mokolo Matalanyane Lucas  
Cllr Gulube Lindiwe Kate  
Cllr Khumalo Eliot Sunday  
Cllr Nyalunga Xolani Clement  
Cllr Mokwena Masontaga Adelaide  
Cllr Sibanyoni David Mabuzwa  
Cllr Tibane Thabo John  
Cllr Mtsweni Samuel Mazungwe  
Cllr Skhosana Andries Mphatlalashane  
Cllr Mnguni Zenaye Jantjie  
Cllr Mabelane Margaret  
Cllr Mnguni Moses Thabo  
Cllr Mtsweni Rubber Qaliwe



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## General Information

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### Audit committee members

Chairperson

Adv Thubakgale (Acting)

Members

Mr L Monama

Mr M Mathabathe

Mr A Ntuli

Adv L Thubakgale

Mr T Boltman

Chairperson of Risk Management Anti-Fraud and Anti-Corruption Committee

Grading of local authority

Grade 4

Accounting Officer

Mr DJD Mahlangu

Chief Finance Officer (CFO)

Ms JG Mahlangu

Business address

24 Kwaggafontein C  
Kwaggafontein  
0458

Postal address

Private Bag X4041  
Empumalanga  
0458

Bankers

Nedbank

Auditors

AGSA - Mpumalanga

Telephone number

(013) 986 9100

Fax number

(013) 986 0995

Web

[www.thembisilehanilm.gov.za](http://www.thembisilehanilm.gov.za)



# THEMBISILE HANI LOCAL MUNICIPALITY

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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APC	Audit and Performance Committee
COID	Compensation for Occupational Injuries and Diseases
COGTA	Cooperative Governance Traditional Affairs
CIDB	Construction Industry Development Board
CRR	Capital Replacement Reserve
COVID-19	Coronavirus Disease 2019
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officers
DLTC	Driving Licence Testing Centre
DWS	Department of Water and Sanitation
EEDM	Energy Efficiency and Demand Site Management Grant
EPWP	Expanded Public Works Program Grant
FAR	Fixed Asset Register
FMG	Finance Municipal Grant
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
INEP	Integrated National Electrification Program
IPSAS	International Public Sector Accounting Standards
MDRG	Municipal Disaster Relief Grant
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MPRA	Municipal Property Rates Act
MSA	Municipal Systems Act
PPE	Property, Plant and Equipment
PPR	Preferential Procurement Document
PSI	Product, Sales and Inventory
RUL	Remaining Useful Life
SALGBC	South African Local Government Bargaining Council
SAPS	South African Police Services
SCM	Supply Chain Management

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WSIG

Water Service Infrastructure Grant





# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

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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.

As the Accounting Officer (accounting authority), I acknowledge that I am 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 me to meet these responsibilities, I have set 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.

I'm 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

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, I'm 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 Thembisile Hani Local Municipality (THLM) has neither the intention nor the need to liquidate or curtail materially the scale of the Municipality.

Although, I'm primarily responsible for the financial affairs of the Municipality, this is supported by the Municipality's external auditors.

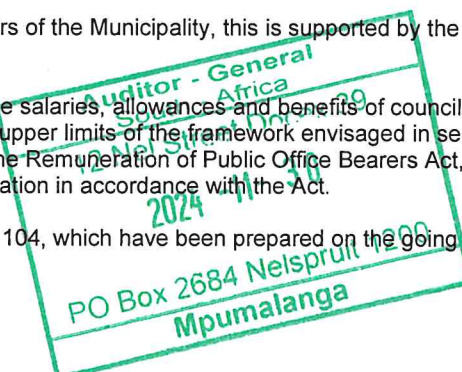
I would like to bring to your attention that I certify that the salaries, allowances and benefits of councillors as disclosed in note 29 to these Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The Annual Financial Statements set out on pages 1 to 104, which have been prepared on the going concern basis, were approved on 31 August 2024:

**DocuSigned by:**



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# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Report of the Audit and Performance Committee

### ANNUAL REPORT OF THE AUDIT AND PERFORMANCE COMMITTEE (APC) (REPORT FROM THE CHAIRPERSON OF AUDIT AND PERFORMANCE COMMITTEE)

We are pleased to submit the report of the Audit Committee for the year ended 30 June 2024.

#### 1. Background

Thembisile Hani Local municipality amongst other local municipalities is under Nkangala District Shared audit and performance committee. The Audit committee was established in terms of section 166 of the Municipal Finance Management Act (MFMA), Act 56 of 2003. The Audit committee has adopted its terms of reference.

#### Statutory requirements

Section 166 of the MFMA stipulates that each municipality must establish an Audit committee.

The Audit committee is an independent advisory body that advises council, political office bearers, accounting officer, and the staff of the municipality on the following

- \* Internal financial control and internal audit;
- \* Risk management;
- \* Accounting policies
- \* The adequacy, reliability and accuracy of financial reporting and information;
- \* Performance management;
- \* Compliance with the MFMA, the Division of Revenue Act (DoRa) and any other applicable legislation;
- \* Performance evaluation
- \* Any other issues referred to it by the municipality;
- \* Review annual financial statements so as to provide authoritative and credible view of the financial position, on overall compliance with MFMA, DoRa, ect
- \* Respond to Council on any matter raised by the Auditor- General (AGSA); and
- \* Carry out such investigation into financial affairs of the municipality as may be prescribed



#### 2. Attendance of meetings

Name of the member	Ordinary meetings	Performance meetings	Special Meeting	Total	Attendance
Mrs. FJ Mudau (Chairperson)	3	3	2	8	8
Ms. J Masite (Member)	3	3	2	8	7
Ms. M Moloi Chamane (Member) (Newly appointed)	2	2	2	6	4
Ms. P Ntuli1 (Member)	2	2	2	6	6
Adv L Thubakgale (Member)	2	2	0	4	4
Mr L Monama (Member)	1	1	0	2	2
Mr M Mathabathe (Member)	1	1	0	2	2

The following although not members of the Audit and Performance Committee, have standing invitation to APC meetings:

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Report of the Audit and Performance Committee

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- \* The Accounting Officer;
- \* The Chief Financial Officer;
- \* The chairperson of the Risk committee
- \* The Section 56 Managers/Departmental Heads
- \* Chief Risk Officer
- \* The Auditor- General
- \* The National Treasury
- \* Mpumalanga Provincial Treasury
- \* Mpumalanga Department of Cooperative Governance
- \* South African Local Government Association (SALGA)
- \* Internal Audit (Secretariat function)
- \* Chairperson of Risk Management Anti-Fraud and Anti-corruption Committee



### 3. Internal Audit

The internal audit of Thembisile Hani Local Municipality is in-house and has discharge its mandate in terms of its charter and managed to execute all projects for 2021/22 financial year. The APC would like to commend the Council and management for the dedication in strengthening the Corporate Governance.

The APC is of the opinion that Internal Audit unit is operating effectively to meet its mandate and has considered the risk pertinent to the municipality in its audit plans. The following documents were approved by the Audit Committee and performance committee and recommended to Council for adoption

- \* Internal Audit charter
- \* Internal Audit methodology
- \* Three year rolling strategic and Annual Audit Plan
- \* Combined Assurance framework

### 4. Effectiveness of Internal controls

The system of internal control was not entirely effective during the year under review as compliance with prescribed policies and procedures were lacking in certain instances and this was evident with the investigation of irregular expenditure that was conducted by the Council during the year under review.

The following Internal audit reports are among others that were presented to the Audit Committee

- \* Audit of quarterly performance information;
- \* Compliance;
- \* Supply chain management;
- \* ICT audit;
- \* Follow-up Governancet;
- \* Asset management;
- \* Local Economic Development;

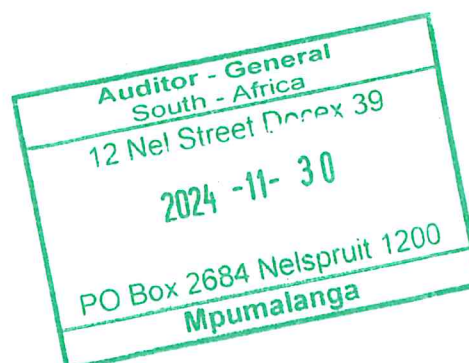
# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Report of the Audit and Performance Committee

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- \* Water and Sanitation;
- \* Waste and Environment
- \* Occupation Health and Safety;
- \* Follow up Buildings and Facilities;
- \* Land and Buildings
- \* Risk management
- \* Revenue management;



There has been improvement by management in responding to internal audit reports and this can be attributed to measures that have been implemented by the Accounting officer. Audit committee has also urged management to draw up action plan to address issues raised by the Auditor- General in the management letters and audit report and to ensure that all matters raised by the Auditor General are resolved by Management.

### 5. Risk Management

The municipality has an effective risk unit that consist of one staff members and Risk management, anti-fraud and anti-corruption committee that is chaired by the chairperson of Risk management, anti-fraud and anti-corruption.

Four (4) risk committee meetings were held for the year under review

The following policies were reviewed

- \* Risk Management strategy
- \* Risk Management policy
- \* Whistle blowing policy
- \* Fraud Prevention Plan and Fraud Prevention policy
- \* Risk Management Anti-corruption and Anti-fraud risk charters
- \* Risk appetite

### 6. Performance Management

Management has cascaded performance up to level five and plans have been put in place to cascade performance to other levels as well.

The Audit committee has reviewed the Annual Performance Information report in the meeting held on the 28 August 2023 and performance department has shown significant improvement

### 7. Year-end reporting

The APC has reviewed the Annual Performance Information report before the report was submitted to the Auditor-General and the quality of the quarterly reports submitted by management during the year were of acceptable standard.

### 8. Evaluation of annual financial statements

The APC, on its meeting held on the 29 August 2024 to discuss the draft annual financial statements and unaudited annual report with the Accounting Officer, before submitting to the Auditor General.

The Audit committee wishes to indicate that it performed a review on the draft financial statements focusing among others:

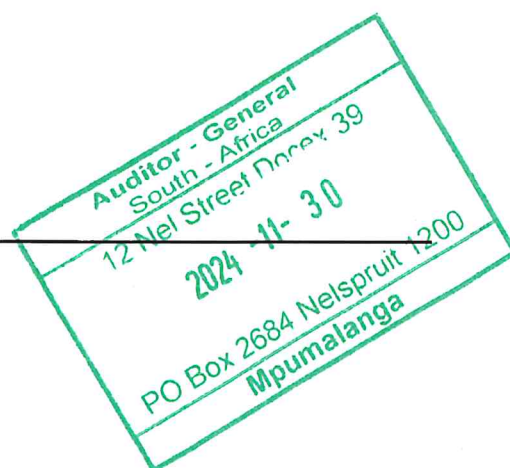
- \* Significant financial reporting adjustments and estimates contained in the Annual FinancialStatements
- \* Alignment of Closing and Opening balances



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Report of the Audit and Performance Committee



- \* Clarity and completeness of disclosures has been set properly
- \* Quality and acceptability of and any changes in accounting policies and practice.
- \* Significant adjustments arising from the audit
- \* Reasons for major year to year fluctuations

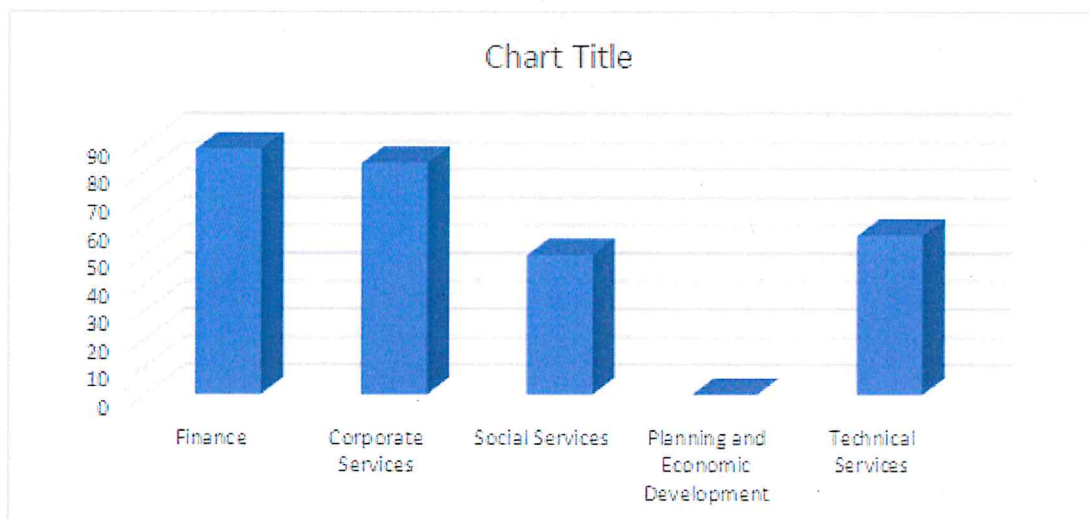
The Audit and Performance Committee (APC) has:

- \* Further reviewed the audited financial statements to be included in the Annual Report with the Accounting Officer.
- \* Reviewed the Auditor General Management report and management response thereof
- \* Reviewed the municipality compliance with legal and regulatory provision and;
- \* Reviewed significant adjustments resulting from the audit.

The Audit and Performance Committee (APC) concurs and accepts the conclusions of the Auditor-General on the Annual Financial Statements be accepted and read together with the report of the Auditor-General.

### 9. Internal audit recommendations

Audit and Performance Committee would like to appreciate the level of implementation of internal audit recommendations by management as that is the indication of commitment from the side of management



### 10. Conclusion

The APC acknowledges the co-operation and assistance by the Thembisile Hani Local Municipality for coordinating the activities of the Committee. We also acknowledge the commitment of the Accounting Officer and management of Thembisile Hani Local Municipality in strengthening corporate governance and working in maintaining the clean audit.

The Audit and Performance Committee (APC) further acknowledge the commitment by Entire Management team and the foundation on good governance that has been laid by Honorable Executive Mayor Councillor L Dikgale and his Council and further express gratitude to the Chief Audit Executive, Mr. AS Malope and his staff for the support and commitment to the work of the Audit and Performance Committee. The Chairperson of the Audit and performance committee remain confident that all matters that have been raised by the Internal Audit and Auditor General are receiving due consideration and intervention. We are committed to fully execute our oversight function to strengthening corporate governance.

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Report of the Audit and Performance Committee

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Mr L Thubakgale

Date 30 August 2024

Acting Chairperson of Audit and Performance committee



# THEMBISILE HANI LOCAL MUNICIPALITY

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	6	49,210,063	48,728,630
Receivables from exchange transactions	7&10	39,351,912	47,698,247
Receivables from non-exchange transactions	8&10	8,465,809	11,561,595
Cash and cash equivalents	11	228,069,890	185,395,572
		<b>325,097,674</b>	<b>293,384,044</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	3	2,579,591,663	2,435,232,960
Intangible assets	4	263,922	801,384
		<b>2,579,855,585</b>	<b>2,436,034,344</b>
<b>Total Assets</b>		<b>2,904,953,259</b>	<b>2,729,418,388</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	14	81,772,730	70,362,502
VAT payable	15	57,482,046	42,911,006
Unspent conditional grants and receipts	12	-	1,150,000
Provisions	13	55,331,508	14,965,069
Employee benefit obligation - current portion	5	196,000	1,320,492
		<b>194,782,284</b>	<b>130,709,069</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	5	15,272,000	10,775,035
Provisions	13	-	37,860,860
Payables from exchange transactions - non-current portion	14	42,083,610	37,062,314
		<b>57,355,610</b>	<b>85,698,209</b>
<b>Total Liabilities</b>		<b>252,137,894</b>	<b>216,407,278</b>
<b>Net Assets</b>		<b>2,652,815,750</b>	<b>2,513,011,110</b>
<b>Accumulated surplus</b>		<b>2,652,815,748</b>	<b>2,513,011,109</b>



\* See Note 43

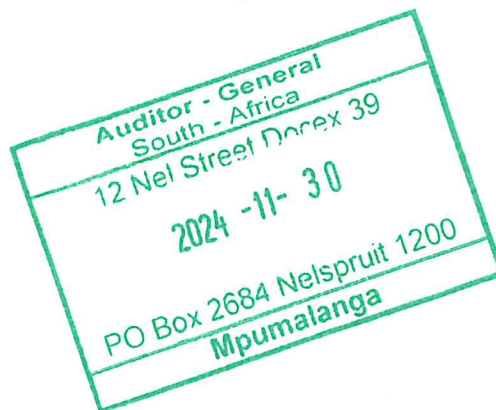


# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	17	148,423,686	129,372,457
Rental of facilities and equipment	18	1,593,069	1,250,252
Agency services	20	13,319,103	10,331,899
Licences and permits	21	2,564	-
Other income	23	905,565	2,308,878
Interest received	24	144,440,801	128,575,803
<b>Total revenue from exchange transactions</b>		<b>308,684,788</b>	<b>271,839,289</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	25	61,390,137	57,317,894
Licences and Permits: Trading licences	22	266,159	149,635
<b>Transfer revenue</b>			
Government grants & subsidies	26	836,962,000	716,823,000
Donations received	27	22,521,494	5,330,309
Fines, penalties and forfeits	19	3,056,250	2,665,900
<b>Total revenue from non-exchange transactions</b>		<b>924,196,040</b>	<b>782,286,738</b>
<b>Total revenue</b>	16	<b>1,232,880,828</b>	<b>1,054,126,027</b>
<b>Expenditure</b>			
Employee related costs	28	(181,581,575)	(163,130,619)
Remuneration of councillors	29	(28,180,918)	(26,067,813)
Depreciation and amortisation	30	(80,952,964)	(94,135,166)
Lease rentals on operating lease	38	(8,829,958)	(6,445,416)
Debt Impairment	31	(312,990,258)	(225,658,934)
Consumed inventory	34	(126,216,932)	(122,469,899)
Grants and subsidies paid	33	-	(197,125)
Inventories losses/write-downs	36	(26,300,048)	(24,570,525)
Gain/(Loss) on Property, plant and equipment derecognised	37	(14,523,700)	(6,043,488)
Amnesty: Consumer debtors written off	32	(3,545,433)	(4,543,428)
General Expenses	35	(312,977,624)	(243,949,585)
<b>Total expenditure</b>		<b>(1,096,099,410)</b>	<b>(917,211,998)</b>
<b>Surplus for the year</b>		<b>136,781,418</b>	<b>136,914,030</b>



\* See Note 43

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	2,513,051,420	2,513,051,420
<b>Balance at 01 July 2023</b>	<b>2,513,051,420</b>	<b>2,513,051,420</b>
Opening balance as previously reported and audited	2,513,051,420	2,513,051,420
Adjustments		
Correction of Prior years rounding-off differences and WIP register	(4,557)	(4,557)
Correction of errors 2022-2023 - for unbundled detail refer Note 43	14,141,930	14,141,930
Prior year adjustments 2021-2022	(14,177,684)	(14,177,684)
<b>Restated* Balance at 01 July 2023 as restated*</b>	<b>2,513,011,109</b>	<b>2,513,011,109</b>
Changes in net assets		
Surplus for the year	136,781,418	136,781,418
PPE - Work in progress additions and Consumer debtors Credit note	3,023,221	3,023,221
Total changes	139,804,639	139,804,639
<b>Balance at 30 June 2024</b>	<b>2,652,815,748</b>	<b>2,652,815,748</b>
Note(s)	43	



\* See Note 43

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates		37,026,467	40,411,114
Government grants and subsidies - Operational		602,053,953	545,395,100
Government grants and subsidies - Capital		233,758,047	172,577,950
Interest income: Current bank accounts		4,273,574	3,940,921
Other receipts		24,218,625	33,970,117
VAT refund		82,010,148	63,060,491
		<u>983,340,814</u>	<u>859,355,693</u>
<b>Payments</b>			
Employee costs		(209,111,752)	(189,976,140)
Suppliers		(538,682,684)	(334,852,931)
Transfers and subsidies		-	(197,125)
		<u>(747,794,435)</u>	<u>(525,026,196)</u>
<b>Net cash flows from operating activities</b>	<b>39</b>	<b><u>235,546,379</u></b>	<b><u>334,329,497</u></b>
<b>Cash flows from investing activities</b>			
Purchase of Property, plant and equipment	<b>3</b>	(216,792,699)	(295,600,230)
Interest Income: Investments accounts		23,920,638	14,408,728
<b>Net cash flows from investing activities</b>		<b><u>(192,872,061)</u></b>	<b><u>(281,191,502)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>42,674,318</b>	<b>53,137,995</b>
Cash and cash equivalents at the beginning of the year		185,395,572	132,257,576
<b>Cash and cash equivalents at the end of the year</b>	<b>11</b>	<b><u>228,069,890</u></b>	<b><u>185,395,571</u></b>



\* See Note 43

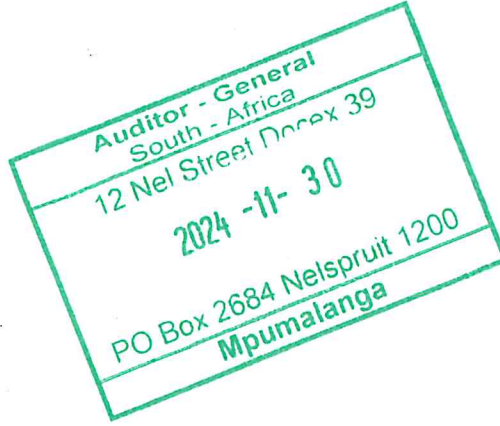
# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual 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 Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	138,580,000	6,674,000	145,254,000	148,423,686	3,169,686	Due to the data cleansing made on consumer accounts more accounts were opened and affected the actual monthly billing
Rental of facilities and equipment	1,056,000	(343,000)	713,000	1,593,069	880,069	More facilities were booked and utilised by the community than anticipated
Agency services	12,526,000	(1,915,000)	10,611,000	13,319,103	2,708,103	More bookings were made on Driving and learners licences and also more funds were received as 20% collection from the Department.
Licences and permits	4,000	(1,000)	3,000	2,563	(437)	Less renewal of licence and permits by business because other business are closed
Other income	2,380,000	(1,159,000)	1,221,000	866,895	(354,105)	Less actual collected by the municipality because less redering of services were needed by the community on the various services than anticipated
Interest received - External Investments	8,625,000	3,343,000	11,968,000	28,194,212	16,226,212	More funds were invested than anticipated during the adjustment budget
Interest received - Outstanding Debtors	88,762,000	120,998,000	209,760,000	116,246,589	(93,513,411)	Non payment of services by consumers resulted to an increase of interest charged on outstanding debtors





# THEMBISILE HANI LOCAL MUNICIPALITY

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>Total revenue from exchange transactions</b>	<b>251,933,000</b>	<b>127,597,000</b>	<b>379,530,000</b>	<b>308,646,117</b>	<b>(70,883,883)</b>	
<b>Revenue from non-exchange transactions</b>						
Taxation revenue						
Property rates	61,555,000	-	61,555,000	61,390,137	(164,863)	There reconciliation between the GVR and billing, the accounts which were not ligitible for billing were attended to and closed
Licences and Permits (Non-exchange)	196,000	113,000	309,000	266,159	(42,841)	Less actual collected because less licence and permits were issued than anticipated
<b>Transfer revenue</b>						
Government grants & subsidies - Operational & Capital grants	830,823,000	6,139,000	836,962,000	836,962,000	-	- All grants that were due to the municipality were fully paid
Donations received	-	-	-	22,521,494	22,521,494	The municipality does not provide budget for donations received
Fines, Penalties and Forfeits	2,588,000	599,000	3,187,000	3,056,250	(130,750)	Less traffic fines were issued by the traffic officers during the year than anticipated
<b>Total revenue from non-exchange transactions</b>	<b>895,162,000</b>	<b>6,851,000</b>	<b>902,013,000</b>	<b>924,196,040</b>	<b>22,183,040</b>	
<b>Total revenue</b>	<b>1,147,095,000</b>	<b>134,448,000</b>	<b>1,281,543,000</b>	<b>1,232,842,157</b>	<b>(48,700,843)</b>	<b>-</b>

Auditor - General  
 South - Africa  
 12 Nel Street Dorcx 39  
 2024 -11- 30  
 PO Box 2684 Nelspruit 1200  
 Mpumalanga

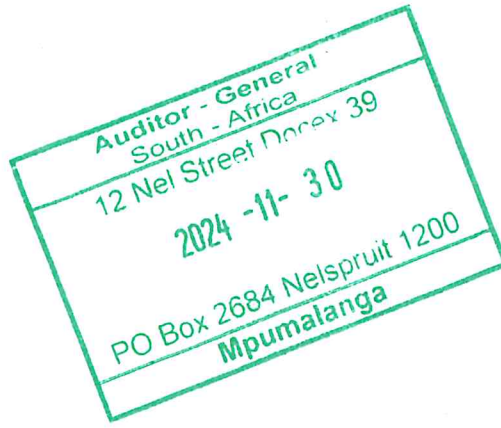
# THEMBISILE HANI LOCAL MUNICIPALITY

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>Expenditure</b>						
Personnel	(195,660,000)	(1,331,000)	(196,991,000)	(181,581,575)	15,409,425	Less expenditure incurred because of vacant position not filled
Remuneration of councillors	(29,258,000)	-	(29,258,000)	(28,180,918)	1,077,082	Less expenditure incurred because there was no annual increase given by CoGTA to councillors
Depreciation and amortisation	(88,821,000)	-	(88,821,000)	(80,952,964)	7,868,036	Less expenditure incurred because of less projects that are being capitalised than anticipated
Lease rentals on operating lease	(8,305,830)	(1,589,444)	(9,895,274)	(8,829,958)	1,065,316	Less expenditure incurred because of less usage of rented vehicles and photocopy machine than anticipated
Debt Impairment	(242,880,000)	-	(242,880,000)	(312,990,258)	(70,110,258)	Due to non-payments of services by the communities, business and government departments resulted to higher debt
Amnesty written off	(3,005,000)	(2,318,000)	(5,323,000)	(3,545,433)	1,777,567	Less applications for amnesty were received than anticipated
Inventory consumed	(176,089,000)	(3,860,000)	(179,949,000)	(126,216,932)	53,732,068	Less expenditure incurred because less water was consumed at year end than anticipated, the water which was not consumed was credited to Inventory account.
Transfers and Subsidies paid	(200,000)	-	(200,000)	-	200,000	No expenditure incurred because no responds were received on the public notice issued in order to appoint the service provider(s)



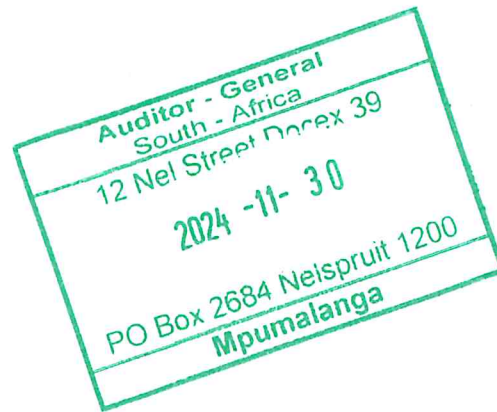


# THEMBISILE HANI LOCAL MUNICIPALITY

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	-	-	-	(26,300,048)	(26,300,048)	The municipality does not provide budget for inventory losses/write-downs
Gain/(Loss) on Property, plant and equipment derecognised	-	-	-	(14,523,700)	(14,523,700)	
General Expenses	(268,772,000)	(62,835,726)	(331,607,726)	(312,977,624)	18,630,102	Less expenditure incurred than anticipated on the following segments Leave and Bonus provision, medical actuaries, landfill site provision and contracted services
Total expenditure	(1,012,990,830)	(71,934,170)	(1,084,925,000)	(1,096,099,410)	(11,174,410)	
Operating surplus	387,573,170	43,838,830	431,412,000	136,742,747	(59,875,253)	-



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Reportable Segment information

### General information

#### Identification of segments

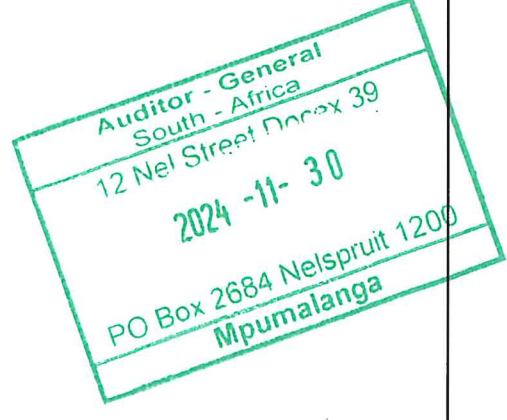
The municipality is organised and reports to management on the basis of seven major functional areas: Council General, Municipal Managers Office, Corporate Support, Financial Services, Social Services, Technical Services and Planning and Economic development. The segments were organised around the type of service delivered. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

The components described below have been identified as individually significant segments for purposes of reporting according to these service objectives:

- **Council General** - Executive Mayor, Speaker, Chief Whip, Member of the Mayoral Committee, MPAC Chairperson and Council.
- **Municipal Manager** - Performance Management System, Communication, Youth, Public participation, Risk Management, Internal Audit and ICT.
- **Corporate Services** - Human Resource Management, Legal Services and Records Management.
- **Financial Services** - Budget and Reporting, Supply Chain Management, Expenditure Management, Assets Management, Financial Reporting and Fleet Management.
- **Social Services** -Community development, Safety, Waste removal and facilities
- **Technical Services** - Electricity, Roads & Stormwater, Water, Waste management and Project Management Unit.
- **Planning and Economic Development** - Local Economic Development, Town Planning and Integrated Development planning

The separate segments discussed above as part of the financial performance are disclosed as follows.



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### Reportable segments for the 12 months ended 30 June 2024

	Council general	Municipal managers' office	Corporate services	Financial services	Social services	Technical services	Planning and economic development	Total Entities
<b>REVENUE</b>								
<b>Revenue from exchange transactions</b>								
Service charges	-	-	-	1,332,912	40,612,979	107,810,707	-	148,423,686
Rental of facilities	-	-	-	-	260,157	-	-	1,593,069
Agency services	-	-	-	-	13,319,103	-	-	13,319,103
Licences and permits	-	-	-	-	2,564	-	-	-
Other income	-	-	532,598	133,257	29,428	2,076	208,206	905,565
Interest received	-	-	-	18,747,792	27,899,183	97,793,827	-	144,440,802
<b>Revenue from non-exchange transactions</b>								
Property rates	-	-	-	61,390,137	-	-	-	61,390,137
Licences and permits: Trading	-	-	-	-	-	-	266,159	266,159
Government grants and subsidies	-	-	-	559,272,000	5,166,000	272,524,000	-	836,962,000
Donations received	-	-	-	22,521,494	-	-	-	22,521,494
Fines, penalties and forfeits	-	-	-	-	3,056,250	-	-	3,056,250
<b>Total revenue</b>	-	-	<b>532,598</b>	<b>663,397,592</b>	<b>90,345,664</b>	<b>478,130,610</b>	<b>474,367</b>	<b>1,232,880,831</b>
<b>EXPENDITURE</b>								
Employee related costs	-	(14,483,833)	(27,885,761)	(27,446,627)	(44,439,429)	(59,507,239)	(7,818,686)	(181,581,575)
Remuneration of councillors	(28,180,918)	-	-	-	-	-	-	(28,180,918)
Depreciation and amortisation	-	-	-	(80,952,964)	-	-	-	(80,952,964)
Lease rental on operating lease	-	(1,990,075)	-	(6,839,883)	-	-	-	(8,829,958)
Debt impairment	-	-	-	(310,188,261)	(2,801,997)	-	-	(312,990,258)
Consumed inventory	-	-	-	-	-	(126,216,932)	-	(126,216,932)
Grants and subsidies paid	-	-	-	-	-	-	-	-
Inventory losses/write-downs	-	-	-	(26,300,048)	-	-	-	(26,300,048)
Gains/(loss) on Property, plant and equipment	-	-	-	(14,523,700)	-	-	-	(14,523,700)
Amnesty: Consumer debtors written-off	-	-	-	(3,545,433)	-	-	-	(3,545,433)
General expenses	(8,926,462)	(71,848,052)	(16,681,523)	(51,387,895)	(23,587,068)	(134,919,161)	(5,627,463)	(312,977,624)
<b>Total Expenditure</b>	<b>(37,107,380)</b>	<b>(88,321,960)</b>	<b>(44,567,284)</b>	<b>(521,184,811)</b>	<b>(70,828,494)</b>	<b>(320,643,332)</b>	<b>(13,446,149)</b>	<b>(1,096,099,410)</b>
<b>Total segmental surplus/(deficit)</b>	<b>(37,107,380)</b>	<b>(88,321,960)</b>	<b>(44,034,686)</b>	<b>142,212,781</b>	<b>19,517,170</b>	<b>157,487,278</b>	<b>(12,971,782)</b>	<b>136,781,421</b>



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

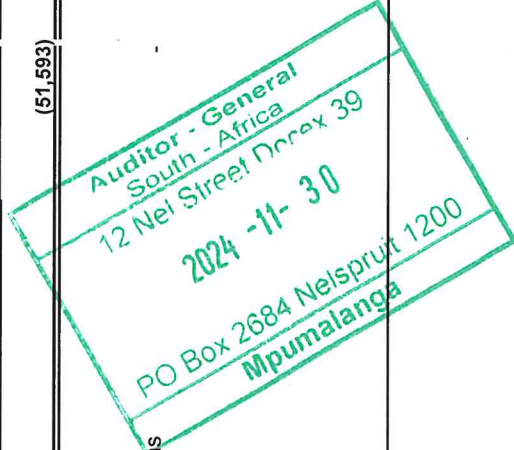
## Notes to the Annual Financial Statements

Figures in Rand

Other information	Council general	Municipal managers' office	Corporate services	Financial services	Social services	Technical services	Planning and economic development	Total Entities
<b>Segment assets:</b>								
- Inventories	-	350	21,673,386	25,705,513	-	1,830,816	-	49,210,065
- Receivables from exchange	-	-	-	(1,760,970,445)	464,127,586	1,336,194,771	-	39,351,912
- Receivables from non-exchange transactions	-	-	-	(34,772,801)	43,105,017	133,594	-	8,465,810
- Cash and cash equivalent	(56,311,690)	(155,548,986)	(56,082,757)	3,023,279,866	(340,645,690)	(2,174,133,336)	(12,487,520)	228,069,887
- Property, plant and equipment	696,002	13,121,459	4,021,020	1,505,278,530	(9,867,445)	1,066,342,098	-	2,579,591,664
- Intangible assets	-	263,922	-	-	-	-	-	263,922
<b>Total Segment Assets</b>	<b>(55,615,688)</b>	<b>(142,163,255)</b>	<b>(30,388,351)</b>	<b>2,758,520,663</b>	<b>156,719,468</b>	<b>230,367,943</b>	<b>(12,487,520)</b>	<b>2,904,953,260</b>
<b>Segment liabilities</b>								
Payables from exchange transactions	37,879	(13,315)	(360,890)	(12,694,283)	(11,387,502)	(99,433,332)	(4,898)	(123,856,341)
VAT Payable	(89,472)	18,817,806	3,546,697	(325,378,089)	(1,827,327)	246,159,884	1,288,453	(57,482,048)
Provisions	-	-	-	(10,175,677)	(45,155,832)	-	-	(55,331,509)
Employee benefit obligation	-	-	-	(15,468,000)	-	-	-	(15,468,000)
<b>Total Liabilities</b>	<b>(51,593)</b>	<b>18,804,491</b>	<b>3,185,807</b>	<b>(363,716,049)</b>	<b>(58,370,661)</b>	<b>146,726,552</b>	<b>1,283,555</b>	<b>(252,137,898)</b>

Property, plant and equipment additions

- 1,312,212 1,083,727 7,043,611 - 207,353,149 - 216,792,699



# THEMBISILE HANI LOCAL MUNICIPALITY

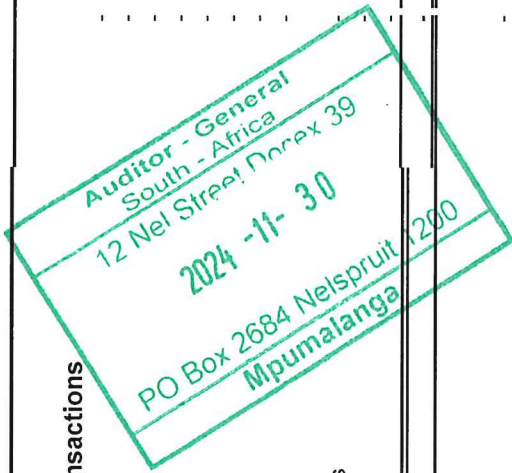
Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### Reportable segments for the 12 months ended 30 June 2023

	Council general	Municipal managers' office	Corporate services	Financial services	Social services	Technical services	Planning and economic development	Total Entities
<b>REVENUE</b>								
Revenue from exchange transactions	-	-	-	-	-	91,795,339	-	129,372,457
Service charges	-	-	-	-	37,577,118	-	-	129,372,457
Rental of facilities	-	-	-	996,186	254,066	-	-	1,250,252
Agency services	-	-	-	-	10,331,899	-	-	10,331,899
Licences and permits	-	-	-	-	-	-	-	-
Other income	-	-	1,495,094	214,182	3,996	182,103	413,504	2,308,879
Interest received	-	-	-	18,349,650	28,330,960	81,895,194	-	128,575,804
Interest received	-	-	-	-	-	-	-	-
Property rates	-	-	-	57,317,894	-	-	-	57,317,894
Licences and permits: Trading	-	-	-	515,427,000	3,735,000	197,661,000	149,635	149,635
Government grants and subsidies	-	-	-	5,330,309	-	-	-	716,823,000
Donations received	-	-	-	-	-	-	-	5,330,309
Fines, penalties and forfeits	-	-	-	-	2,665,900	-	-	2,665,900
<b>Total revenue</b>	-	-	1,495,094	597,635,221	82,898,939	371,533,636	563,139	1,054,126,029
<b>EXPENDITURE</b>								
Employee related costs	-	-	(27,817,104)	(29,871,092)	(37,681,972)	(49,288,789)	(6,920,476)	(163,130,620)
Remuneration of councillors	(26,067,813)	(11,551,187)	-	-	-	-	-	(26,067,813)
Depreciation and amortisation	-	-	-	(94,135,166)	-	-	-	(94,135,166)
Lease rental on operating lease	-	(2,209,463)	(528)	(4,200,148)	-	(35,277)	-	(6,445,416)
Debt impairment	-	-	-	(222,636,365)	(3,022,570)	-	-	(225,658,935)
Consumed inventory	-	-	-	-	-	(122,469,899)	-	(122,469,899)
Grants and subsidies paid	-	-	(197,125)	-	-	-	-	(197,125)
Inventory losses/write-downs	-	-	-	(24,570,524)	-	-	-	(24,570,524)
Gains/(loss) on Property, plant and equipment	-	-	-	(6,043,488)	-	-	-	(6,043,488)
Amnesty: Consumer debtors written-off	-	-	-	(4,543,428)	-	-	-	(4,543,428)
General expenses	(8,002,156)	(26,421,893)	(10,283,103)	(47,141,627)	(44,174,899)	(106,312,005)	(1,613,903)	(243,949,486)
<b>Total Expenditure</b>	(34,069,969)	(40,182,543)	(38,297,860)	(433,141,838)	(84,879,441)	(278,105,970)	(8,534,379)	(917,211,998)
<b>Total segmental surplus/(deficit)</b>	(34,069,969)	(40,182,543)	(36,802,766)	164,493,383	(1,980,502)	93,427,666	(7,971,240)	136,914,031



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

Other information	Council general	Municipal managers' office	Corporate services	Financial services	Social services	Technical services	Planning and economic development	Total Entities
<b>Segment assets:</b>								
- Inventories	-	350	21,643,686	25,302,644	(89,400)	1,871,350	-	48,728,630
- Receivables from exchange	-	-	-	(1,670,113,053)	383,190,408	1,334,620,893	-	47,698,248
- Receivables from non-exchange transactions	-	-	-	(37,352,501)	48,780,502	133,594	-	11,561,595
- Cash and cash equivalent	(46,552,961)	(114,124,574)	(45,844,930)	2,593,052,347	(301,165,376)	(1,888,525,039)	(11,443,899)	185,395,568
- Property, plant and equipment	1,836,123	11,272,178	3,154,122	1,482,155,485	(15,551,474)	952,366,526	-	2,435,232,960
- Intangible assets	-	801,384	-	-	-	-	-	801,384
<b>Total Segment Assets</b>	<b>(44,716,838)</b>	<b>(102,050,662)</b>	<b>(21,047,122)</b>	<b>2,393,044,922</b>	<b>115,164,660</b>	<b>400,467,324</b>	<b>(11,443,899)</b>	<b>2,729,418,385</b>
<b>Segment liabilities</b>								
Payables from exchange transactions	(4,012)	18,097	1,424,084	(24,934,259)	(3,968,344)	(79,960,382)	-	(107,424,816)
VAT Payable	(189,785)	9,166,472	3,144,179	(251,855,435)	730,510	194,860,532	1,232,523	(42,911,004)
Unspent conditional grant	-	-	-	-	-	(1,150,000)	-	(1,150,000)
Provisions	-	-	-	(9,496,952)	(43,328,977)	-	-	(52,825,929)
Employee benefit obligation	-	-	-	(12,095,527)	-	-	-	(12,095,527)
<b>Total Liabilities</b>	<b>(193,797)</b>	<b>9,184,569</b>	<b>4,568,263</b>	<b>(298,382,173)</b>	<b>(46,566,811)</b>	<b>113,750,150</b>	<b>1,232,523</b>	<b>(216,407,276)</b>
Property, plant and equipment additions	-	936,537	695,687	-	438,366	161,579,569	-	163,650,159



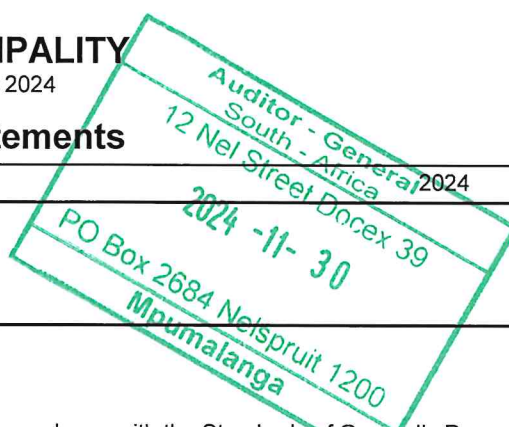
# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024 2023



### Accounting policies

#### 1. Presentation of Annual Financial Statements

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

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

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

##### 1.1 Presentation currency

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

#### Going Concern

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

#### Operating lease commitments

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

#### Cash-generating assets

The municipality is not a profit-oriented entity as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continue financial sustainability. No profit element is included in the determination of the tariff. As such, management has determined that the municipality does not control assets that meet the definition of cash-generating assets, and that the GRAP standard for the impairment of non-cash-generating assets will apply to all assets of the municipality.

#### Residual value of property, plant and equipment

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

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

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

#### Traffic 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.

#### Budget information

The Municipality is 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.

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

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

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

The 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

.All material differences are explained in the notes to the annual financial statements.

## Material losses

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

## Service charges

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

## 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 judgemental 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:

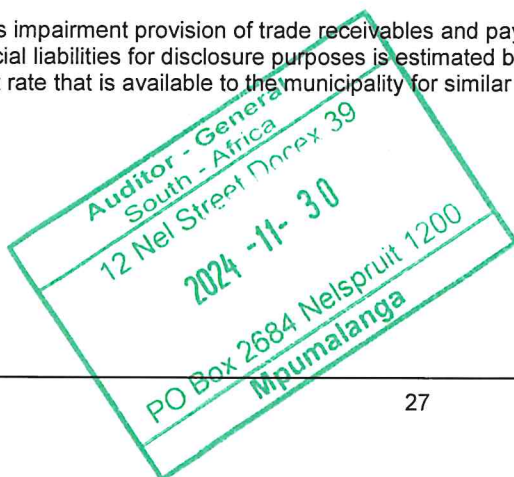
### Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. The write down is included in the operation surplus note.

### Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

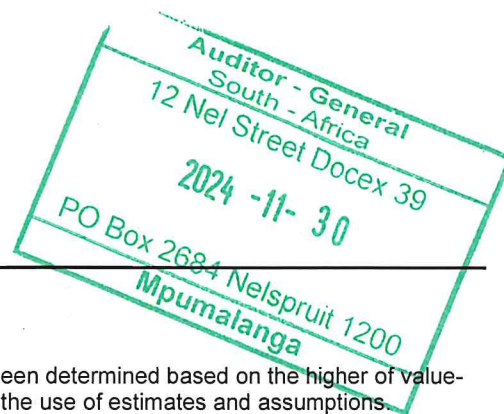




# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies



### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

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. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

### 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 13 - Provisions.

### Contingencies

Contingencies recognised in the current year required estimates and judgments, refer to note 41 on entity combinations.

### 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.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 5.

### Effective interest rate

The municipality used the effective 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.

### 1.4 Property, plant and equipment

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

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

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

Property, plant and equipment 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.

# THEMBISILE HANI LOCAL MUNICIPALITY

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## Accounting policies

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.

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	50 years
Furniture and fixtures	Straight line	3-5 years
Transport assets	Straight line	5-15 years
Office equipment	Straight line	3-5 years
IT equipment	Straight line	3-5 years
Community	Straight line	2-100 years
Solid Waste Infrastructure	Straight line	15-18 years
Water network - Boreholes	Straight line	3-80 years
Water Supply Distribution	Straight line	2-100 years
Roads Infrastructure	Straight line	2-100 years
Water Supply Bulk Mains	Straight line	15-80 years
Pumpstations	Straight line	5-100 years
Sanitation Infrastructure	Straight line	5-100 years
Water Network Reservoirs	Straight line	5-100 years

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

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

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

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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.

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

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

### 1.5 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.

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.

### 1.6 Intangible assets

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

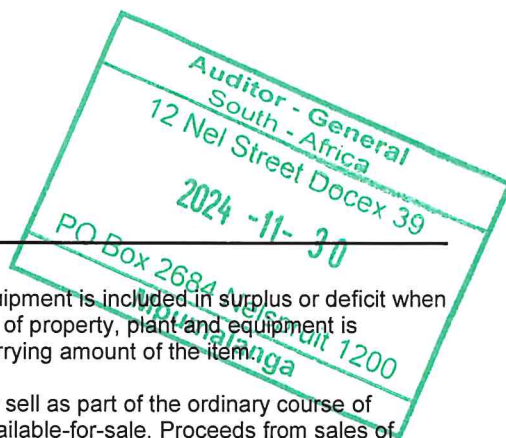
Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

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

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

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



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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	3-5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

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

### 1.7 Financial instruments

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

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

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

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

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

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



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity 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 entity'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 entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:  
the entity designates at fair value at initial recognition; or  
are held for trading.

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

### Classification

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

#### Financial assets

Receivables from exchange transactions  
Retention

#### Category

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:

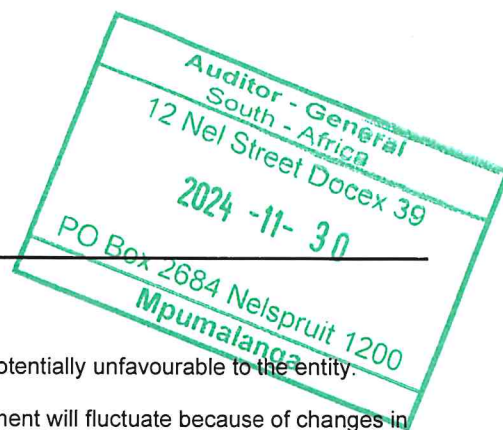
#### Financial liabilities

Payables from exchange transactions

#### Category

Financial liability measured at amortised cost

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



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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### Initial recognition

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

### Initial measurement of financial assets and financial liabilities

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

### Subsequent measurement of financial assets and financial liabilities

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

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

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

### Gains and losses

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

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

### Impairment and uncollectibility of financial assets

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

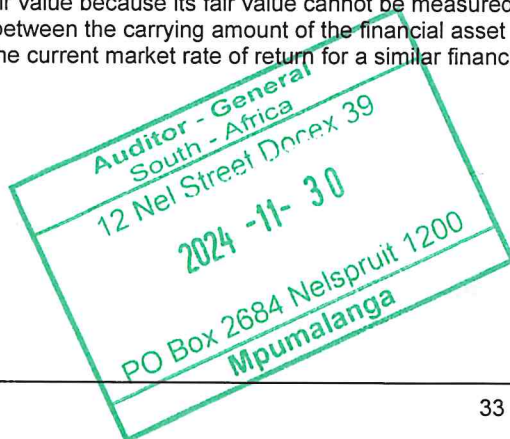
Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.





# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

### Derecognition

#### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

#### Financial liabilities

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

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.

### Presentation

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

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

### 1.8 Statutory receivables

#### Identification

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

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.

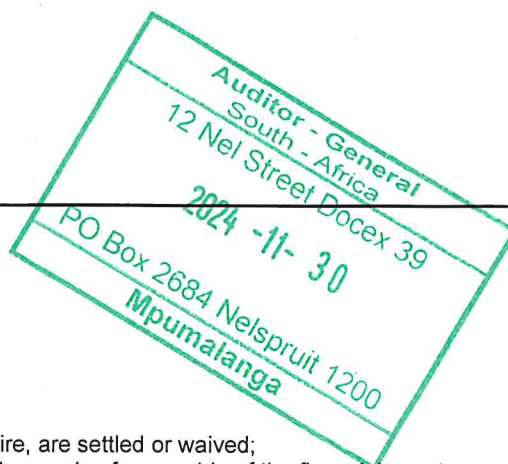
The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

#### 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.

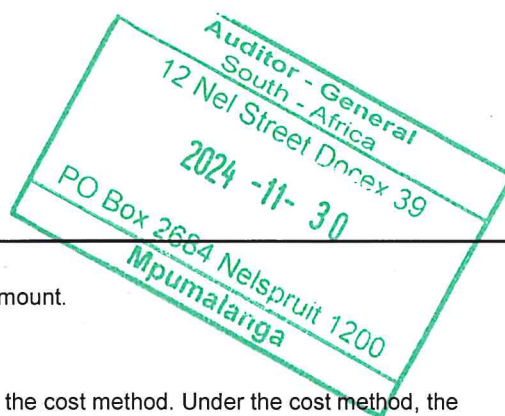
#### Initial measurement



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies



The municipality initially measures statutory receivables at their transaction amount.

### Subsequent measurement

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

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

### Accrued interest

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

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

### Other charges

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

### Impairment losses

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

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

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

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

### 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;



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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.

### 1.9 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.

#### 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.

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

### 1.10 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.

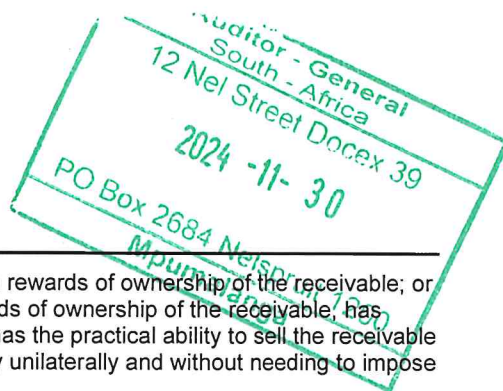
Inventories are measured at the lower of cost and current replacement cost where they are held for;  
distribution at no charge or for a nominal charge; or  
consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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./



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense. The same 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.

The municipality does not have any inventories pledged as security for liabilities.

### 1.11 Cash and cash equivalents

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

### 1.12 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

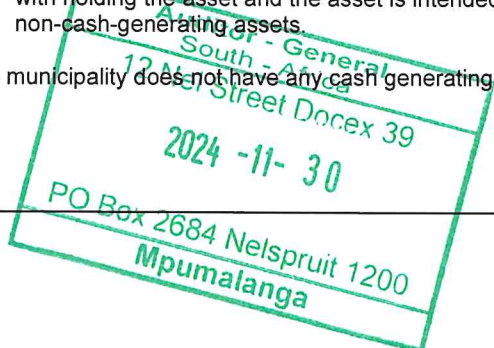
Useful life is either:

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

The municipality is not a profit-oriented entity as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure financial sustainability. No profit element is included in the determination of the tariff. As such, management has determined that the municipality does not control assets that meet the definition of cash-generating assets, and that the GRAP standard for the impairment of non-cash-generating assets will apply to all assets of the municipality.

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

The municipality does not have any cash-generating assets, as its primary objective is service delivery.





# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

### 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.

### 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)

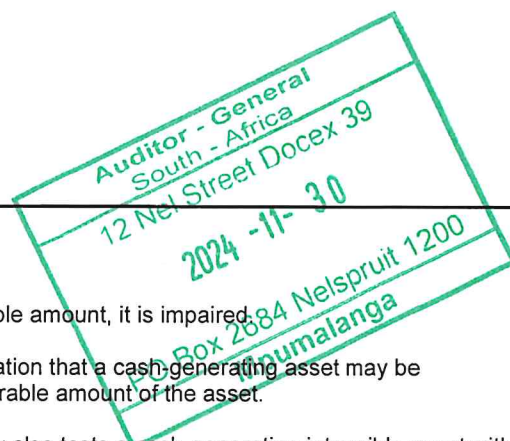
If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

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.



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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### 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.





# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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### 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.

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

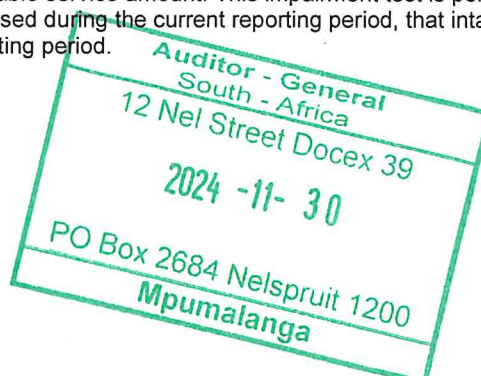
Non-cash-generating assets are assets other than cash-generating assets.

#### 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.



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

### 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.

### 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.

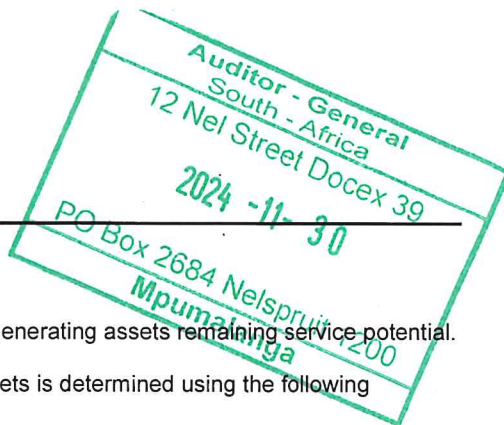
A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

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.

### 1.14 Employee benefits

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





# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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

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

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

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

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

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

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

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

### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

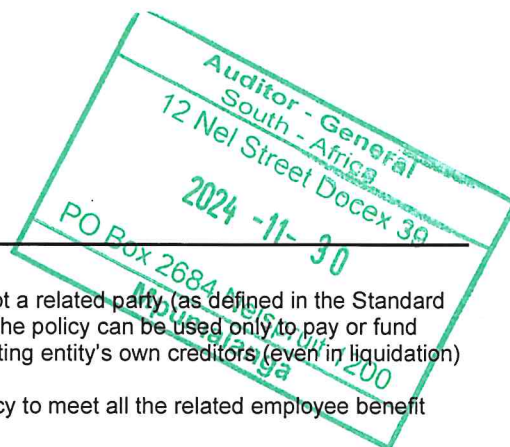
The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount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

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

### Post-employment benefits

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

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



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:

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

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

### 1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

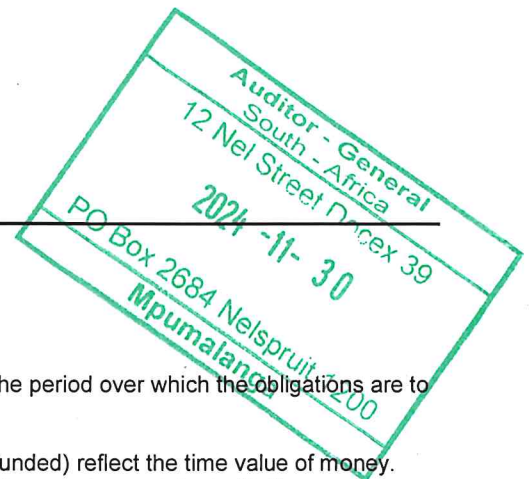
Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

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

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

Provisions are not recognised for future operating surplus.

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.





# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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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.

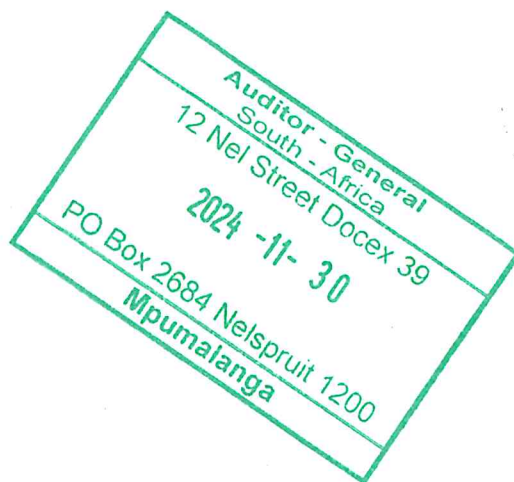
A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:  
necessarily entailed by the restructuring; and  
not associated with the ongoing activities of the municipality

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 41.





# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

### 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 test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.13.

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.

### 1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

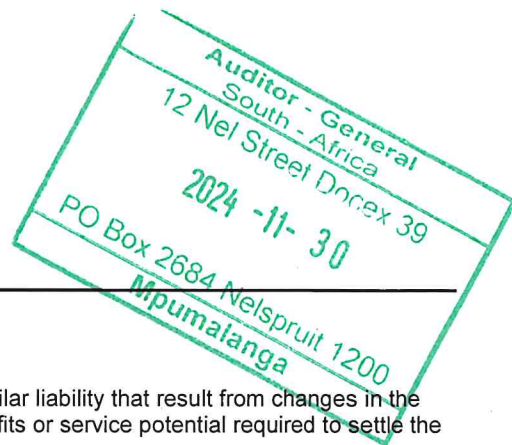
Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

Contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and  
Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.17 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.



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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.

### Revenue Recognition of Unallocated Deposits – exchange revenue.

Unclaimed deposits older than three years are recognised as revenue.

### Measurement

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

### Sale of goods

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

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

### Rendering of services

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

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

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

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

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

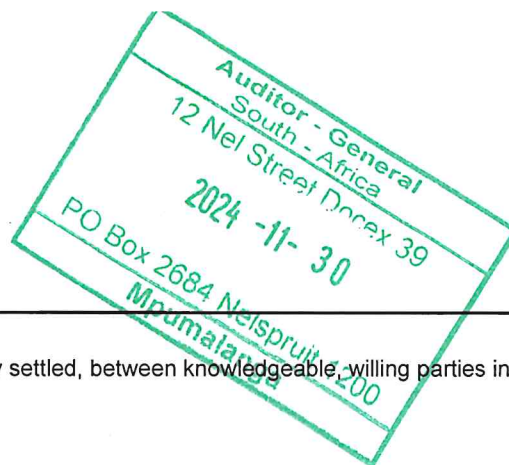
### Interest,

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

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

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

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

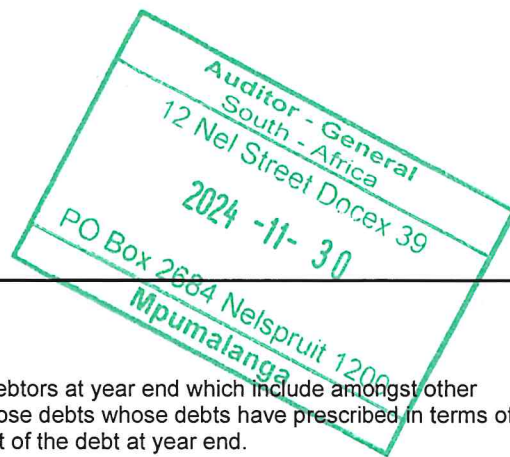




# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies



### Debt written off and provision for debt impairment

The municipality's debt write off procedure include the assessment of all debtors at year end which include amongst other things those who qualify for amnesty in terms of council resolutions and those debts whose debts have prescribed in terms of the Prescription Act. Debts written off are measured at the carrying amount of the debt at year end.

Provision for impairment takes into account the estimates for the recovery of debts at year end and the movement between the provision of last year and the provision for the current year is disclosed in the statement of financial performance as a reliable estimate.

### 1.18 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.

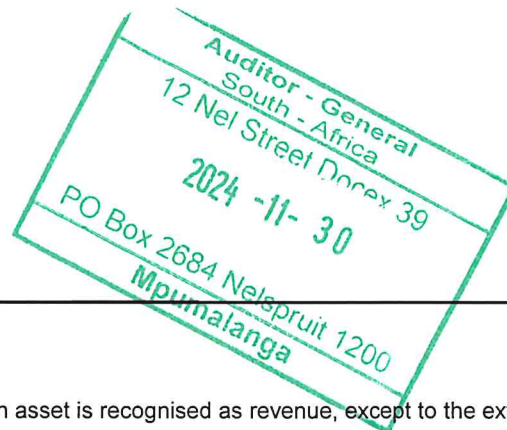


# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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### 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.

### Property rates.

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

Rates are levied on a monthly basis; interest is levied on outstanding account if paid after due date.

### Donations and Contributions.

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

### Transfers and subsidies.

#### Unconditional Grants.

Equitable share allocations are recognised in revenue when they are appropriated and received by the municipality.

#### Conditional Grants.

Conditional grants recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

### Services Received in-kind.

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

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

### 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.

### Transfers

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

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

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

### Fines

Fines are recognised as revenue when it is probable that future economic benefits will flow to the entity, the costs can be reliably measured and all restrictions have been complied with. Revenue is recognised when fines or summons are issued. The amount due by a particular offender is specified on the notice, summons or equivalent document. The municipality issuing the traffic fine may indicate that reductions are available, subject to further processes being undertaken.

Fines reduction are not within the municipality's discretion, they are subject to a further judicial process which is outside the municipality's control, then these reductions are not considered in measuring the asset (receivable) on initial recognition. This is because of the high degree of uncertainty in estimating the likely outcome of this process.

Relevant disclosures should be made on the assumptions used to estimate revenue and any other relevant information. The municipality is able to reliably measure the fair value of fines issued. The value of the fine can be imposed on the offender is usually stipulated in legislation, regulation or equivalent, and will vary depending on the nature and severity of the offence. The amount due by a particular offender is usually indicated on the notice, summons or similar document issued, in these instances, the asset (receivable) can be measured reliably.

Impairment on all traffic fines outstanding is calculated on a basis of average of uncollectable rate over the full period of traffic fines per type of traffic fine.

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,

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

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

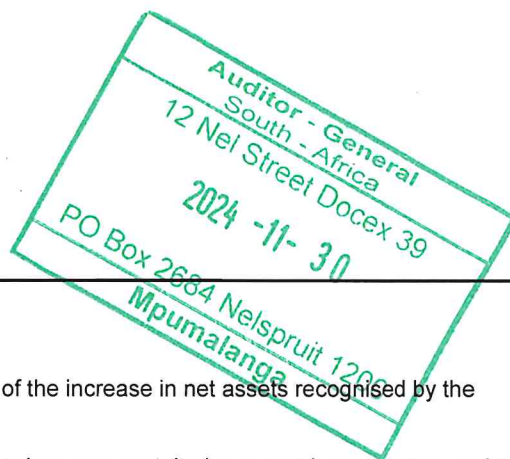
Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

#### 1.19 Investment income

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

#### 1.20 Accounting by principals and agents

### Identification





# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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.

### 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.

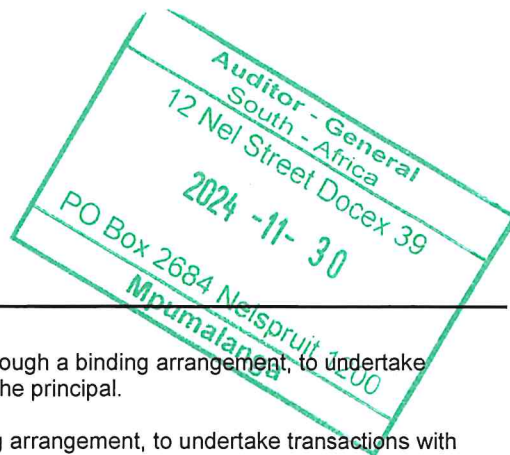
#### 1.21 Comparative figures

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

#### 1.22 Unauthorised expenditure

Unauthorised expenditure means:

overspending of a vote or a main division within a vote; and





# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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.

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

### 1.23 Fruitless and wasteful expenditure

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

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

### 1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

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

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

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

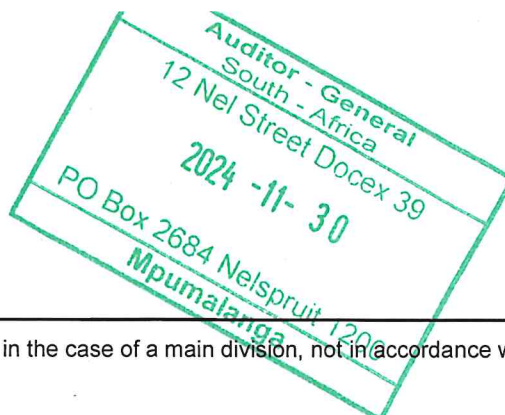
Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to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

Irregular expenditure is 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 excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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

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# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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### 1.25 Segment information

A segment is an activity of an entity:

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

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

### Measurement

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

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

### 1.26 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 accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2020/07/01 to 2021/06/30.

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.

Municipalities are required to prepare to adjustments budgets during October for approval by council after mid year performance review

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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Comparative information is not required.

### 1.27 Related parties

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

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

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

### 1.28 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.

### 1.29 Value Added Tax (VAT)

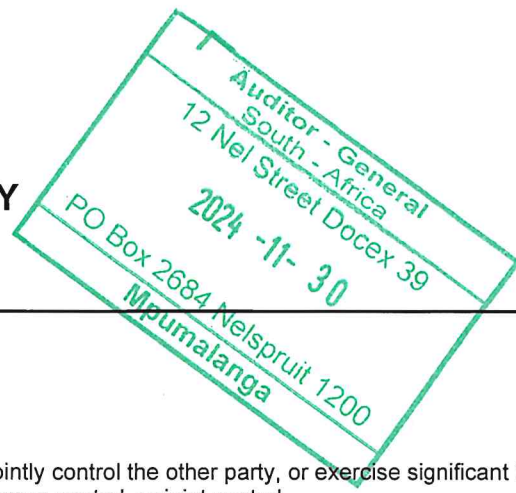
The municipality is registered with the South Africa Revenue Services (SARS) for VAT on the cash basis, in accordance with section 15 (2) of the VAT Act (Act. No 89 of 1991)

### 1.30 Trade payables

A liability is a present obligation of an entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

Payables are liabilities to pay for goods or services that have been received or supplied and have been received or supplied and have been invoiced or formally agreed with the supplier (and include payments in respect of social benefits where formal agreements for specified amounts exist).

Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees.



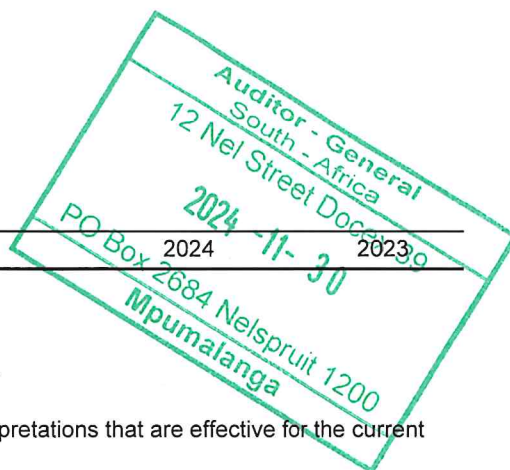


# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand



### 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:

The definition of 'minority interest' has been amended to 'non-controlling interest', and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the amendment for the first time in the 2,018/2019 annual financial statements.

This Directive was originally issued by the Accounting Standards Board (the Board) in December 2009. Since then, it has been amended by:

Consequential amendments when the following Standards of GRAP were amended to clarify some of the principles:

- GRAP 105 Transfer of Functions Between Entities Under Common Control
- GRAP 107 Mergers

Consequential amendments arising from GRAP 110 *Living and Non-living Resources* issued in December 2017.

Consequential amendments arising from the following Standards of GRAP in May 2018:

- GRAP 34 *Separate Financial Statements*
- GRAP 35 *Consolidated Financial Statements*
- GRAP 36 *Investments in Associates and Joint Ventures*
- GRAP 37 *Joint Arrangements*
- GRAP 38 *Disclosure of Interests in Other Entities*

The effective date of this Directive coincides with the effective dates of the applicable Standards of GRAP, as determined by the Minister of Finance. If an entity has assets that it previously could not recognise and/or measure in accordance with the Standards of GRAP on their initial adoption on the transfer date or the merger date because information about the acquisition cost of the assets was not available, an entity applies this Directive to those assets. The fair value of those assets is determined at the date of adopting the Standards of GRAP on the transfer date or the merger date in accordance with the Directive's Appendix paragraph A3.

The effective date of this revised directive is for years beginning on or after 01 April 2019.

The municipality expects to adopt the directive for the first time in the 2018/2019 annual financial statements.

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

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

Standard/ Interpretation:

Effective date:  
Years beginning on or  
after

Expected impact:

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

GRAP 25 (as revised): Employee Benefits	01 April 2023	The impact of this is not material
GRAP 2020: Improvements to the Standards of GRAP 2020s	01 April 2023	The impact of this is not material

The effective date of the interpretation is for years beginning on or after 01 April 2020.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

### 2.3 Standards and interpretations not yet effective or relevant

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 later periods:

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

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

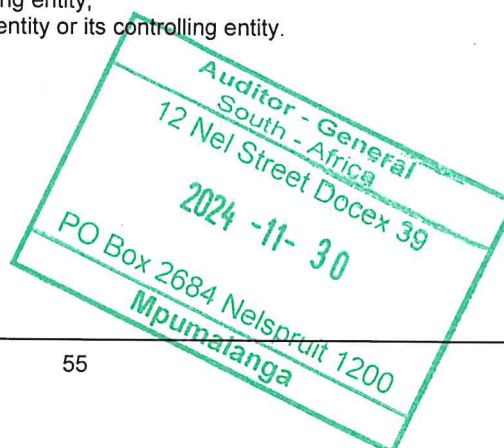
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that 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. As a minimum, the following are regarded as related parties of the reporting entity:

A person or a close member of that person's family is related to the reporting entity if that person:

- has control or joint control over the reporting entity;
- has significant influence over the reporting entity;
- is a member of the management of the entity or its controlling entity.





# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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An entity is related to the reporting entity if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
- both entities are joint ventures of the same third party;
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
- the entity is controlled or jointly controlled by a person identified in (a); and
- a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that 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.

The standard elaborates on the definitions and identification of:

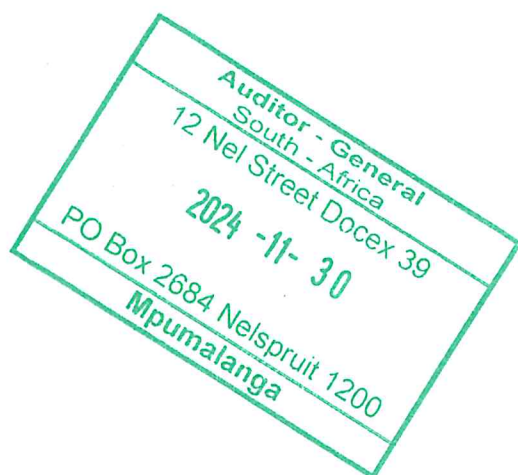
Close member of the family of a person;  
Management;  
Related parties;  
Remuneration; and  
Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

Control;  
Related party transactions; and  
Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2019 annual financial statements.





# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment

	2024		2023	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
Land - General plant	522,510,968	-	530,299,587	530,299,587
Machinery and equipment	15,245,811	(7,914,510)	8,265,530	(6,189,198)
Furniture and office equipment	9,440,291	(6,731,775)	8,361,120	(6,316,867)
Transport assets	96,420,300	(80,409,624)	16,010,676	(69,207,381)
IT equipment	18,640,695	(11,284,846)	7,355,849	(9,763,907)
Community assets	543,531,590	(319,360,329)	224,171,261	(312,584,659)
Solid waste	71,000,720	(3,722,350)	67,278,370	(1,892,457)
Storm water Infrastructure	183,329,769	(66,171,328)	117,158,441	(61,899,327)
Water network - Boreholes	78,130,087	(31,786,468)	46,343,619	(30,923,105)
Sanitation Infrastructure	152,387,006	(63,703,890)	88,683,116	(60,581,590)
Road Infrastructure	1,218,394,560	(707,007,978)	1,206,317,914	(691,435,156)
Water Supply Distribution	812,808,801	(330,524,922)	482,283,879	(321,099,590)
Water Supply Bulk mains	220,921,705	(182,606,721)	219,316,047	(181,844,980)
Pumpstations	281,150,486	(27,842,709)	253,307,777	(20,960,604)
Reservoirs	320,874,467	(126,128,138)	194,746,329	(116,644,407)
<b>Total</b>	<b>4,544,787,256</b>	<b>(1,965,195,588)</b>	<b>4,326,576,192</b>	<b>(1,891,343,232)</b>
				<b>2,435,232,960</b>



# THEMBISILE HANI LOCAL MUNICIPALITY

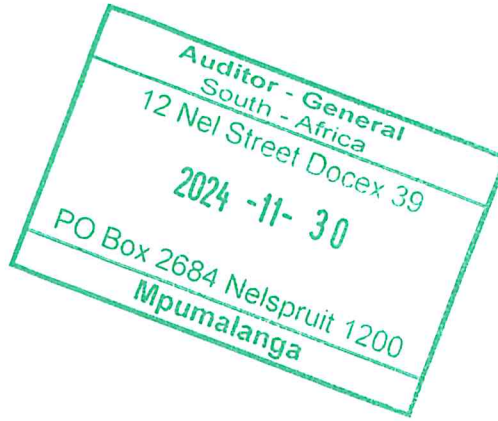
Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### Reconciliation of property, plant and equipment - 30 June 2024 FAR including WIP allocation

	Sum of Carrying Value 30 June 2024 (FAR)	WIP register 30 June 2024 allocation to PPE	Total
Land - General Plant	522,510,909	-	522,510,968
Machinery and Equipment	7,331,296	-	7,331,295
Furniture and office equipment	2,708,518	-	2,708,518
Transport assets	16,010,676	-	16,010,676
IT equipment	3,401,434	3,954,415	7,355,849
Community assets	188,540,959	35,630,302	224,171,261
Solid Waste	67,278,370	-	67,278,370
Storm Water	117,100,974	57,467	117,158,441
Water network - Boreholes	30,630,562	15,713,057	46,343,619
Sanitation Infrastructure	49,564,090	39,119,026	88,683,116
Road Infrastructure	491,833,386	19,553,196	511,386,582
Water Supply Distribution	413,271,708	69,012,172	482,283,879
Water Supply Bulk Mains	36,186,601	2,128,383	38,314,984
Pump Stations	253,307,779	-	253,307,777
Reservoirs	194,746,334	-	194,746,334
	<b>2,394,423,596</b>	<b>185,168,018</b>	<b>2,579,591,663</b>



# THEMBISILE HANI LOCAL MUNICIPALITY

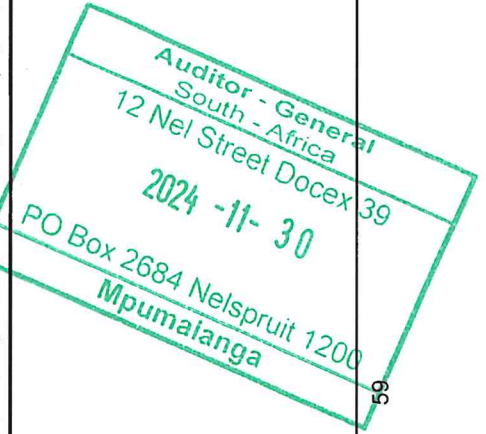
Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### Reconciliation of property, plant and equipment - 30 June 2024

	Opening balance	Additions	Donations	Transfers in/ Transfers out	Derecogniti on: Cost	Derecogniti on: Accumulated depreciation	Derecogni tion Accumulated depreciation	Depreciatio n	Impairme nt loss	Subtotal	Assets under construction	Total
Land - General plant	530,299,528	-	-	-	(7,788,619)	-	-	-	-	522,510,909	-	522,510,909
Machinery and equipment	2,076,327	7,043,611	-	-	(63,336)	27,270	-	(1,752,580)	-	7,331,296	-	7,331,296
Furniture and office equipment	2,044,287	1,083,727	-	-	(4,471)	4,446	-	(413,983)	(5,371)	2,708,518	-	2,708,518
Transport assets	27,212,922	-	-	-	-	-	-	(11,202,243)	-	16,010,679	-	16,010,679
IT equipment	3,685,599	1,312,212	-	-	(75,486)	38,556	1	(1,559,506)	-	3,401,377	3,954,415	7,355,849
Community assets	176,732,289	-	22,521,494	-	(3,936,851)	2,428,205	138,773	(8,881,238)	(461,715)	188,541,110	35,630,302	224,171,261
Solid waste	69,108,262	-	-	-	-	-	-	(1,829,893)	-	67,278,369	-	67,278,369
Storm water	97,996,016	-	-	23,376,960	-	-	-	(4,272,001)	-	117,100,975	57,467	117,158,441
Water network - Boreholes	33,189,826	-	-	2,274,377	(3,970,276)	1,685,126	395,523	(2,133,413)	(810,598)	30,630,564	15,713,057	46,343,619
Sanitation Infrastructure	52,696,419	-	-	-	(10,027)	9,837	72	(2,689,252)	(442,958)	49,564,092	39,119,026	88,683,116
Roads Infrastructure	468,753,967	-	-	39,703,979	(1,051,738)	682,813	-	(16,255,635)	-	491,833,386	19,553,196	511,386,582
Water Supply Distribution	348,652,946	-	-	74,044,092	-	-	-	(9,425,332)	-	413,271,554	69,012,172	482,283,729
Water Supply Bulk Mains	36,948,343	-	-	-	-	-	-	(761,741)	-	36,186,602	2,128,383	38,314,984
Pumpstations	204,890,842	-	-	56,464,784	(1,165,744)	286,587	250,918	(7,406,314)	(13,296)	253,307,777	-	253,307,777
Reservoirs	198,555,143	-	-	8,711,075	(3,036,156)	615,022	-	(8,029,283)	(2,069,471)	194,746,329	-	194,746,329
	2,252,842,716	9,439,550	22,521,494	204,575,267	(21,102,704)	5,777,862	785,287	(76,612,435)	(3,803,408)	2,394,423,596	185,168,018	2,579,591,663





# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

Reconciliation of property, plant and equipment - 30 June 2023 FAR including WIP allocation

	Sum of Carrying Value 30 June 2023 (FAR Restated)	WIP additions/(tra nsfers out)	Total
Land - General Plant	530,299,528	-	530,299,587
Machinery and Equipment	2,076,334	-	2,076,333
Furniture and office equipment	2,044,218	-	2,044,218
Transport assets	27,212,919	-	27,212,919
IT equipment	3,685,663	3,954,414	7,640,077
Community assets	176,732,292	22,075,912	198,808,204
Solid Waste	69,108,262	-	69,108,262
Storm Water	97,996,017	57,467	98,053,484
Water network - Boreholes	33,189,825	4,098,131	37,287,956
Sanitation Infrastructure	52,696,419	8,259,528	60,955,947
Road Infrastructure	468,753,966	46,128,792	514,882,758
Water Supply Distribution	348,652,948	70,139,261	418,792,208
Water Supply Bulk Mains	36,948,342	522,725	37,471,067
Pump Stations	204,890,844	27,153,904	232,044,746
Reservoirs	198,555,150	-	198,555,150
	<b>2,252,842,727</b>	<b>182,390,135</b>	<b>2,435,232,932</b>



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### Reconciliation of property, plant and equipment - 30 June 2023

	Opening balance	Additions	WIP additions/(transfers received)	Derecognition costs	Derecognition accumulated depreciation	Depreciation	Impairment loss	Subtotal	Assets under construction	Total
Land - General Plant	530,639,360	-	(339,832)	-	-	-	(59)	530,299,528	-	530,299,587
Machinery and Equipment	3,150,720	-	-	-	-	(1,074,391)	-	2,076,333	-	2,076,333
Furniture and office equipment	1,741,635	695,687	(16,671)	14,610	-	(391,043)	-	2,044,218	-	2,044,218
Transport assets	38,821,840	-	-	-	-	(11,608,918)	-	27,212,922	-	27,212,922
IT equipment	4,817,694	936,537	-	-	-	(2,069,336)	-	3,684,896	3,954,415	7,640,077
Community assets	190,953,603	438,366	(2,244,766)	2,030,483	14,621	(9,530,305)	(4,929,712)	176,732,289	22,075,912	198,808,204
Solid Waste	70,938,155	-	-	-	-	(1,829,893)	-	69,108,262	8,259,528	69,108,262
Storm Water	85,554,350	16,534,816	(190,458)	59,157	-	(3,961,849)	-	97,996,016	57,467	98,053,484
Water network - Boreholes	36,190,394	380,662	(1,518,238)	666,432	351,744	(2,170,672)	(710,496)	33,189,826	4,098,131	37,287,956
Sanitation Infrastructure	62,542,636	-	(280,451)	280,451	-	(3,143,716)	(6,702,501)	52,696,419	8,259,528	60,955,947
Road Infrastructure	436,258,366	54,136,567	(5,788,109)	4,323,060	231	(15,591,102)	(4,585,046)	468,753,967	46,128,792	514,882,758
Water Supply Distribution	297,708,321	59,964,427	(152)	121	-	(8,678,123)	(341,648)	348,652,946	70,139,261	418,792,208
Water Supply Bulk Mains	37,710,084	-	-	-	-	(761,741)	-	36,948,343	522,725	37,471,067
Pump Stations	213,305,697	-	(10,928,858)	10,022,361	14,230	(7,193,502)	(329,086)	204,890,842	27,153,904	232,044,746
Reservoirs	203,509,390	3,115,860	(421,225)	268,477	-	(7,873,267)	(44,093)	198,555,142	-	198,555,150
	<b>2,213,842,245</b>	<b>136,202,922</b>	<b>(21,728,760)</b>	<b>17,665,152</b>	<b>380,826</b>	<b>(75,877,858)</b>	<b>(17,642,641)</b>	<b>2,252,842,727</b>	<b>182,390,135</b>	<b>2,435,232,932</b>

Auditor - General  
South - Africa  
12 Nel Street Docex 39  
2024 -11- 30  
PO Box 2684 Nelspruit 1200  
Mpumalanga

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### Change in accounting estimates

A change in the estimated useful life of various assets of the municipality has resulted in the following:

	Depreciation 2024 (With RUL adjustments)	Depreciation 2024 (Without RUL adjustments)	Effect / impact of adjustments
Community assets	8,546	(37,237)	(28,691)
Libraries	186,404	(528,457)	(342,053)
Roads Infrastructure	611,925	(1,331,595)	(719,670)
Water Supply Infrastructure: Boreholes	190	(290)	(100)
Water Supply Infrastructure: Distribution	68,339	(380,931)	(312,592)
Water Supply Infrastructure: Reservoirs	47	(94)	(47)
	<b>875,451</b>	<b>(2,278,604)</b>	<b>(1,403,153)</b>

### 30 June 2024

The remaining useful lives of all asset classes were adjusted during 2023/2024 to more accurately reflect the period of economic benefits or service potential derived from these assets. The effect of changing the remaining useful life of assets for the Municipality during the 2023-2024 has decreased the depreciation charge for the current by R 1 403 154 and an equal increase for future periods.





# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>Property, plant and equipment in the process of being constructed or developed</b>		
<b>Cumulative expenditure recognised in the carrying value of property, plant and equipment</b>		
Community	35,630,302	21,094,773
Roads Infrastructure	19,553,196	46,186,259
Solid waste	57,467	-
Sanitation Infrastructure	39,119,026	8,259,528
Water network Boreholes	15,713,057	-
Water supply - Distribution	69,012,172	65,490,469
Water supply - Bulk Mains	2,128,383	36,465,936
ICT system upgrade to improve operation, security and continuity	3,954,415	3,954,415
Electricity	-	938,755
	<b>185,168,018</b>	<b>182,390,135</b>

### Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

Construction of Mathyzensloop Bus Route - Ward 7 MIG	694,966	694,966
Construction of Moloto South Bus Route - Ward 1 MIG	904,545	904,545
Construction of Zakehni Bus Route - Ward 4 MIG	-	1,098,722
Construction of Kwaggafontein A Link Road-ward 27	869,278	-
Construction of Multi-Purpose Centre in Moloto North (MIG)	1,640,040	-
Rehabilitation of bridge Rietfontein	-	57,467
Upgrade of Moloto South KwaMhlanga & Kameelpoort W2 32 19	522,723	522,713
Construction of Stalls	1,392,207	-
	<b>6,023,759</b>	<b>3,278,413</b>

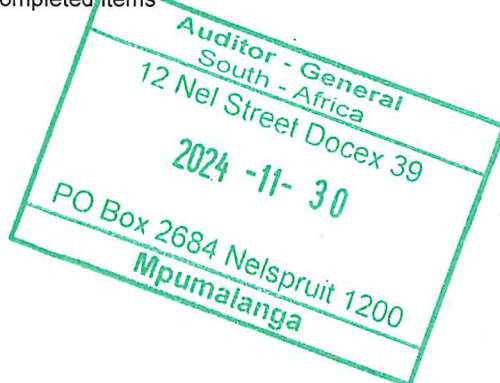
### 30 June 2023:

The projects are been designed/assesses whereby the construction implementation has been halted either during the current and previous years. The details of the challenges are low yield not feasible for equipping with motorised pump for the boreholes, poor water quality and the contract has lapsed /expired as a result of lack of budget to implementation of the project. None of the halted projects were affected by impairment for 2022-2023 financial period.

Council has resolved that Boreholes must be written-off as redundant in 2022-2023 amounting to R2 360 979.

### Reconciliation of Work-in-Progress 30 June 2024

	Restated opening balance WIP	Included within Other PPE	Total
Opening balance	182,390,135	-	182,390,135
Additions/capital expenditure	-	207,353,149	207,353,149
Transferred to completed items	-	(204,575,267)	(204,575,267)
	<b>182,390,135</b>	<b>2,777,882</b>	<b>185,168,017</b>



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand 2024 2023

### Reconciliation of Work-in-Progress 30 June 2023

	Included within Infrastructure	Prior period error	Restated balance
Opening balance	157,103,095	-	157,103,095
Additions/capital expenditure	161,579,569	-	161,579,569
WIP write-off - redundant	(2,360,979)	-	(2,360,979)
Transferred to completed items	(127,058,131)	-	(127,058,131)
WIP correction to repairs and maintenance	-	(4,691,157)	(4,691,157)
WIP transferred to completed items	-	(2,182,262)	(2,182,262)
	<b>189,263,554</b>	<b>(6,873,419)</b>	<b>182,390,135</b>

### 30 June 2023:

Prior period error correction has been made on items incorrectly classified under Work in Progress but needed to be classified as Repairs and Maintenance amounting to R3 991 984.

### Other information

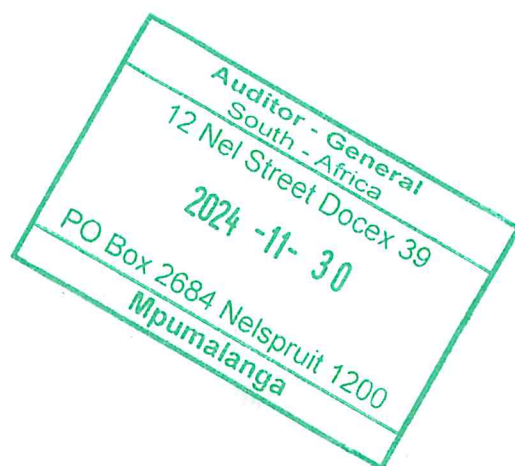
#### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Community assets	10,829,808	633,063
Roads infrastructure	30,001,027	13,478,176
IT equipment	8,754,642	5,000,799
Water supply - Bulk mains & Distribution	15,831,086	25,056,691
Machinery and equipment	10,370,107	6,769,500
Buildings	-	5,896,479
Solid waste	195,200	-
	<b>75,981,870</b>	<b>56,834,708</b>

### 30 June 2023:

Prior period error correction has been made on items incorrectly classified under Work in Progress but needed to be classified as Repairs and Maintenance amounting to R3 991 984 and R3 850 505 as Consulting and professional fees.

\*\* 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.



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 4. 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	2,540,037	(2,276,115)	263,922	2,540,037	(1,738,653)	801,384

#### Reconciliation of intangible assets - 30 June 2024

	Opening balance	Amortisation	Total
Computer software, other	801,384	(537,462)	263,922

#### Reconciliation of intangible assets - 30 June 2023

	Opening balance	Amortisation	Total
Computer software, other	1,413,327	(611,943)	801,384

### 5. Employee benefit obligations

#### Other long-term employee benefits

The municipality's employee benefit obligation consist of an obligation to pay out a bonus in the year of the employee attaining the required service. The obligation represents a liability to the municipality and the value is represented by the actuarial valuation obtained and is presently being implemented as per the municipality's policy.

The municipality offers bonuses for every 5 years of completed service from 10 years to 45 years.

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

#### Carrying value

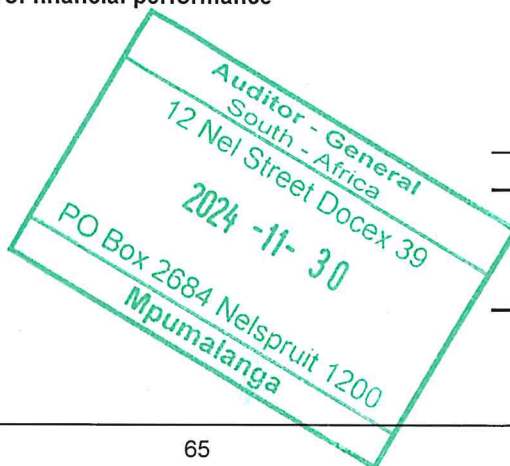
Present value of the defined benefit obligation-partly or wholly funded	15,468,000	12,095,527
Non-current liabilities: > 1 year	15,272,000	10,775,035
Current liabilities: < 1 year	196,000	1,320,492
	<b>15,468,000</b>	<b>12,095,527</b>

#### Net expense recognised in the statement of financial performance

Current service cost	1,017,162	1,196,000
Interest cost	1,270,460	1,514,000
Actuarial (gains) losses	1,782,283	(1,811,873)
Settlement	(697,432)	(1,983,600)
	<b>3,372,473</b>	<b>(1,085,473)</b>

#### Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(1,782,283)	(1,811,873)
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# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### Key assumptions used

Assumptions used at the reporting date:

	63	63
Discount rates used	10.99 %	11.11 %
Expected rate of return on assets	5.96 %	5.60 %
Expected increase in salaries	6.96 %	6.60 %
Other material actuarial assumptions [provide details]	3.77 %	4.23 %

### Sensitivity analysis

The valuation basis assumes that the salary inflation rate (which manifests itself as the annual increase in employees' salaries which determines the bonuses payable will be 3,94% less than the corresponding discount rate, in the long term. The effect of a 1% increase and decrease in the salary inflation rate is as follows:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	3,047,000	2,663,000
Effect on defined benefit obligation	16,479,000	14,586,000

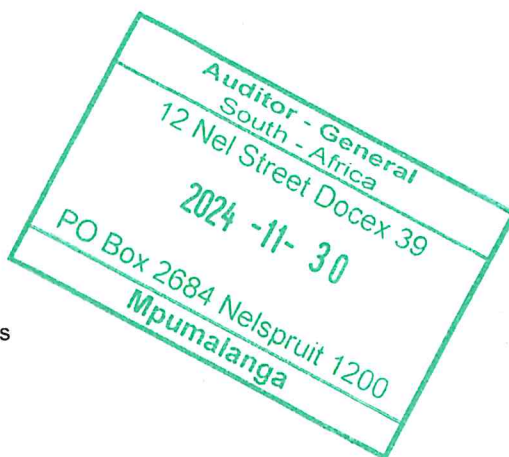
As per the table above, a 1% increase in the salary increase rate results in a 6,5% increase in the accrued liability whilst a 1% decrease in salary increase rate will result result in a 6,0% decrease in the accrued liability.

### 6. Inventories

Inventories Land held for sale	46,056,215	46,056,215
Water for distribution	1,795,906	1,717,340
Stores and materials	1,357,942	955,075
	<b>49,210,063</b>	<b>48,728,630</b>

#### Water for distribution

Opening balance	1,717,340	1,595,034
System input volume	159,735,219	150,756,347
Authorised consumption	(126,216,932)	(122,469,899)
Water losses	(26,300,048)	(24,672,115)
Data transfer and management errors	(7,139,673)	(3,492,027)
Closing balance	<b>1,795,906</b>	<b>1,717,340</b>



#### Water losses

Actual return on plan assets	<b>21 %</b>	<b>19 %</b>
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### 7. Receivables from exchange transactions

Debtors shortages	138,206	138,206
Sundry debtors - Rentals	1,124,216	582,275
Overpayments	1,384,440	1,568,353
Consumer debtors - Water	25,284,164	31,380,721
Consumer debtors - Sewerage	479,351	535,211
Consumer debtors - Refuse	10,941,535	13,493,481
	<b>39,351,912</b>	<b>47,698,247</b>

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>Reconciliation of provision for impairment of trade and other receivables</b>		
Opening balance	(1,849,590,085)	(1,627,357,323)
Provision for impairment	(310,188,259)	(222,232,762)
	<u>(2,159,778,344)</u>	<u>(1,849,590,085)</u>

### 30 June 2023:

Reclassification (correction of incorrect mapping) Unauthorised, Irregular, Fruitless and wasteful to Sundry debtor (ASSET vote) amounting to R8 036 in 2021-2022.

Reclassification of Overpayments of creditors from Receivables from non-exchange transactions to Receivables from exchange transactions amounting to R706 639.

### 8. Receivables from non-exchange transactions

#### Statutory receivables

Consumer debtors - Property Rates  
Traffic fines

8,308,274	11,390,808
157,535	170,787
<u>8,465,809</u>	<u>11,561,595</u>

#### Traffic fines - Impaired

Gross balance  
Less: Allowance for impairment

41,815,197	39,026,451
(41,657,662)	(38,855,664)
<u>157,535</u>	<u>170,787</u>

The Traffic Fines are administrated as per iGrap01 and the Traffic Regulation Act.

#### Property rates - Impaired

Gross balance  
Less: Allowance for impairment

402,861,132	382,499,540
(394,552,858)	(371,108,732)
<u>8,308,274</u>	<u>11,390,808</u>

Property Rates is charged to the consumers as per the MPRA, MSA (Chapter 09) and the adopted Tariff Structure.

### 9. VAT receivable

See note 15 for detail on VAT receivable and VAT payable.

### 10. Consumer debtors- Disclosure

#### Consumer debtors - Gross

Consumer debtors - Rates  
Consumer debtors - Water  
Consumer debtors - Sewerage  
Consumer debtors - Refuse

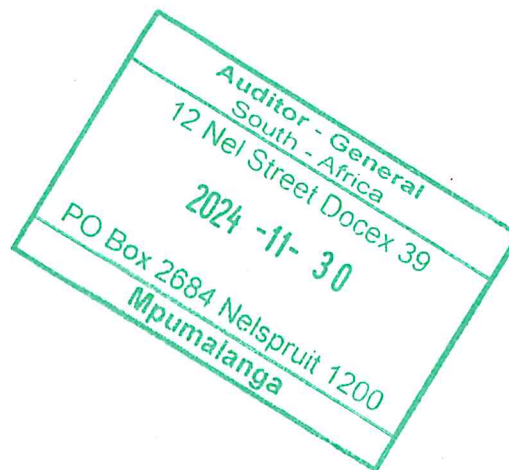
402,861,132	382,499,540
1,248,545,158	1,054,242,228
23,243,304	20,330,143
530,545,672	449,721,992
<u>2,205,195,266</u>	<u>1,906,793,903</u>

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>Less: Allowance for impairment</b>		
Consumer debtors - Rates	(394,552,858)	(371,108,732)
Consumer debtors - Water	(1,223,260,994)	(1,022,861,507)
Consumer debtors - Sewerage	(22,763,953)	(19,794,932)
Consumer debtors - Refuse	(519,604,137)	(436,228,511)
	<b>(2,160,181,942)</b>	<b>(1,849,993,682)</b>
<b>Net balance</b>		
Consumer debtors - Rates (Note 8)	8,308,274	11,390,808
Consumer debtors - Water (Note 7)	25,284,164	31,380,721
Consumer debtors - Sewerage (Note 7)	479,351	535,211
Consumer debtors - Refuse (Note 7)	10,941,535	13,493,481
	<b>45,013,324</b>	<b>56,800,221</b>
<b>Included in above is receivables from exchange transactions</b>		
Water	25,284,164	31,380,721
Sewerage	479,351	535,211
Refuse	10,941,535	13,493,481
	<b>36,705,050</b>	<b>45,409,413</b>
<b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b>		
Rates	8,308,274	11,390,808
<b>Net balance</b>	<b>45,013,324</b>	<b>56,800,221</b>
<b>Rates</b>		
Current (0 -30 days)	170,320	227,816
31 - 60 days	142,902	227,816
61 - 90 days	38,218	227,816
91 - 120 days	155,365	251,630
121 - 365 days	1,057,643	1,480,805
> 365 days	6,743,826	8,974,925
	<b>8,308,274</b>	<b>11,390,808</b>
<b>Water</b>		
Current (0 -30 days)	1,027,774	1,255,229
31 - 60 days	306,529	313,807
61 - 90 days	234,405	313,807
91 - 120 days	3,073,019	3,765,687
121 - 365 days	1,872,661	2,196,650
> 365 days	18,769,776	23,535,541
	<b>25,284,164</b>	<b>31,380,721</b>
<b>Sewerage</b>		
Current (0 -30 days)	15,339	16,056
31 - 60 days	5,656	5,352
61 - 90 days	4,506	5,352
91 - 120 days	74,156	80,282
121 - 365 days	36,095	42,817
> 365 days	343,599	385,352
	<b>479,351</b>	<b>535,211</b>



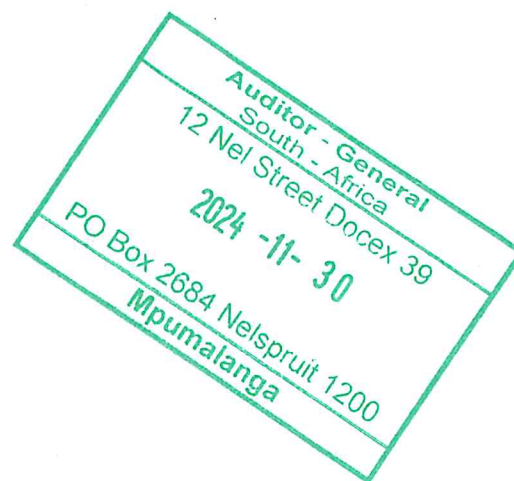


# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>Refuse</b>		
Current (0 -30 days)	512,064	674,674
31 - 60 days	149,899	134,935
61 - 90 days	110,510	134,935
91 - 120 days	1,880,850	2,293,892
121 - 365 days	893,923	1,079,478
> 365 days	7,394,289	9,175,567
	<b>10,941,535</b>	<b>13,493,481</b>

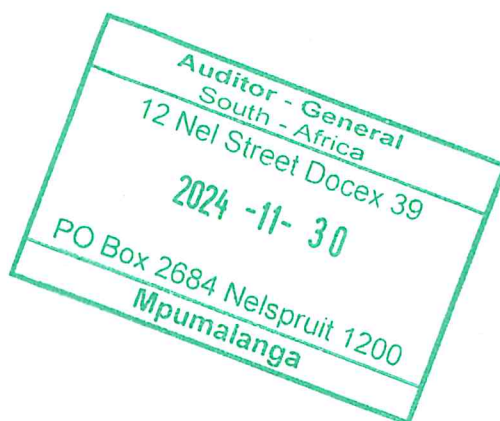


# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>Gross balances</b>		
Households	2,051,272,961	1,773,318,329
Industrial/Commercial	22,056,699	19,067,939
National and Provincial Government	132,340,191	114,407,634
	<b>2,205,669,851</b>	<b>1,906,793,902</b>
<b>Summary of receivables by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	66,666,371	53,199,549
31 - 60 days	28,512,694	17,733,183
61 - 90 days	20,717,857	17,733,183
91 - 120 days	182,153,039	159,598,650
121 - 365 days	180,922,275	159,598,650
> 365 days	1,572,300,725	1,365,455,113
	<b>2,051,272,961</b>	<b>1,773,318,328</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	348,496	381,359
31 - 60 days	498,481	381,359
61 - 90 days	355,113	381,358
91 - 120 days	725,665	572,038
121 - 365 days	2,911,484	2,478,832
> 365 days	17,217,367	14,872,992
	<b>22,056,606</b>	<b>19,067,938</b>
<b>National and provincial government</b>		
Current (0 -30 days)	238,212	1,144,076
31 - 60 days	238,212	1,144,076
61 - 90 days	158,808	1,144,076
91 - 120 days	238,212	1,144,076
121 - 365 days	8,258,028	6,864,458
> 365 days	123,208,718	102,966,870
	<b>132,340,190</b>	<b>114,407,632</b>
<b>Total</b>		
Current (0 -30 days)	67,253,079	54,724,985
31 - 60 days	29,249,388	19,258,618
61 - 90 days	21,231,778	19,258,618
91 - 120 days	183,116,917	161,314,764
121 - 365 days	192,091,787	168,941,940
> 365 days	1,712,726,810	1,483,294,976
	<b>2,205,669,759</b>	<b>1,906,793,901</b>
Less: Allowance for impairment	(2,160,181,942)	(1,849,993,681)
	<b>45,487,817</b>	<b>56,800,220</b>



### Receivables from exchange transactions (continued)

#### Statutory receivables general information

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

The estimate were determined by the judgement of the management of the municipality, supplemented by experience of past practices and statistics in relation to uncollectable debt. The effects of the time value of money has been ignored due to the

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

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fact that the debt is immediately payable.

In assessing if statutory receivables are impaired, management assessed whether there are any indications that:

- a) Individually significant receivables are impaired; and/or
- b) Groups of similar, individually insignificant, receivables are impaired,

The following accounts are specifically excluded from the assessment of impairment:

Receivable accounts with a total credit balance at reporting date;

Receivable accounts where the total balance at reporting date is zero;

Receivable accounts where the municipality is the owner, as this is raised on the debtor system and rebated accordingly; and

Receivable accounts that have not been outstanding for more than 30 days at reporting date as these accounts balances are considered not to be past due.

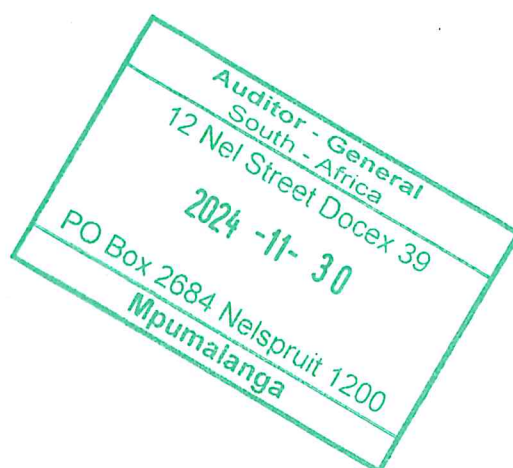
In estimating the future cash flow, management considered both the amount and timing of the cash flows that it will receive in future. In line with par 12 of Credit Control Policy, the municipality does not see itself as a credit provision institution and hence the effect of the time value of money is not considered as all outstanding amounts are immediately payable.

In determining the amount impaired, management estimates the cash flow that it expects to collect based on facts and circumstances at the reporting date.

The future cash flows of a group of receivables that were individually or collectively evaluated for impairment were estimated using historical experience. For this purpose management adopted the payment pattern of each receivable.

Individual receivable impairment shall identify individual receivable accounts that meet any one of the following criteria:

- A debtor that has been placed under or applied for liquidation or sequestration
- Debtors where the last payment date by the consumer was before 31 March of the financial year;
- Accounts handed over to debt collectors and/or power of attorney;
- All accounts indicated as in-active accounts of the system;
- When a formal arrangement is made on arrears debt, and the debtor has defaulted on this arrangement for a period in excess of 30 days during the financial year.





# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>11. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	5,000	5,000
Bank balances	228,064,890	184,272,405
Short-term deposits	-	1,118,167
	<b>228,069,890</b>	<b>185,395,572</b>

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
First National Bank - Current account: 620-262-96427	227,739,008	178,493,112	127,878,707	227,738,807	178,493,113	127,878,707
First National Bank - Call deposit: 621-470-52427	-	-	-	-	859,037	-
Nedbank - Current account 100422-2378	316,200	5,774,005	4,423,325	326,080	5,779,290	4,373,869
Standard Bank - Call deposit: 338589783017	-	-	-	-	259,130	-
<b>Total</b>	<b>228,055,208</b>	<b>184,267,117</b>	<b>132,302,032</b>	<b>228,064,887</b>	<b>185,390,570</b>	<b>132,252,576</b>

Kindly note that the reconciliation on the bank accounts above excludes the R5 000 cash on hand.

### 30 June 2024

Nedbank Current account reconciliation between bank statement and cash book balance:

- Deposits made on 30 June 2024 at the cashiers not cleared from the bank to the amount of R9 860,62.
- Payments not on bank statement to the amount of -R633,77

### 30 June 2023:

Nedbank current account reconciliation between the bank statement and cash book balances:

- Deposits made on 30 June 2023 at the cashiers not cleared from the bank to the amount of R5 282,10.

### 30 June 2022:

Nedbank current account reconciliation between the bank statement and cash book balances:

- Deposits in 2021-2022 not cleared from the bank to the amount of R49 454.02.

## 12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

### Unspent conditional grants and receipts

MDRG	-	1,150,000
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Municipal Disaster Response Grant had been received on the 15th June 2023 from COGTA, the approved grant should be spent within 6 months from June 2023 to November 2023 relating to the 2023/2024 financial period.

See note 26 for reconciliation of grants from National/Provincial Government.

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

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### 13. Provisions

#### Reconciliation of provisions - 30 June 2024

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Environmental rehabilitation	43,328,977	1,826,855	-	-	45,155,832
Provision for Bonuses	9,496,952	10,175,676	(9,255,815)	(241,137)	10,175,676
	<b>52,825,929</b>	<b>12,002,531</b>	<b>(9,255,815)</b>	<b>(241,137)</b>	<b>55,331,508</b>

#### Reconciliation of provisions - 30 June 2023

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	44,337,390	-	-	-	(1,008,413)	43,328,977
Provision for Bonuses	8,629,265	9,496,952	(8,557,801)	(71,464)	-	9,496,952
	<b>52,966,655</b>	<b>9,496,952</b>	<b>(8,557,801)</b>	<b>(71,464)</b>	<b>(1,008,413)</b>	<b>52,825,929</b>
Non-current liabilities					-	37,860,860
Current liabilities					55,331,508	14,965,069
					<b>55,331,508</b>	<b>52,825,929</b>

#### Environmental rehabilitation:

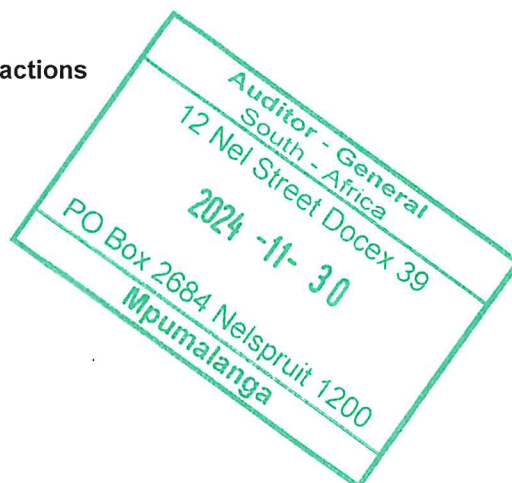
The municipality has two dumping sites, one in Kwaggafontein which is 7,2 hectares and the other one in KwaMlanga which is 5,7 hectares. The remaining useful lives of these dumping sites are 6 years and 5 years respectively. Each year the dumping sites remaining useful lives are assessed and the provision is adjusted accordingly.

#### Bonuses:

The municipality raises a provision for 13th cheque bonuses that staff members receive after twelve months after savings. The provision is based on the appointment month and the most recent effective salary notches of individual employees.

### 14. Payables from exchange transactions

Payables and accruals	40,373,323	33,830,882
Accrued leave pay	16,874,360	15,524,459
Retention	6,680,947	4,119,618
Debtors with credit balances	17,551,665	16,500,687
Unallocated deposits	292,435	386,856
	<b>81,772,730</b>	<b>70,362,502</b>

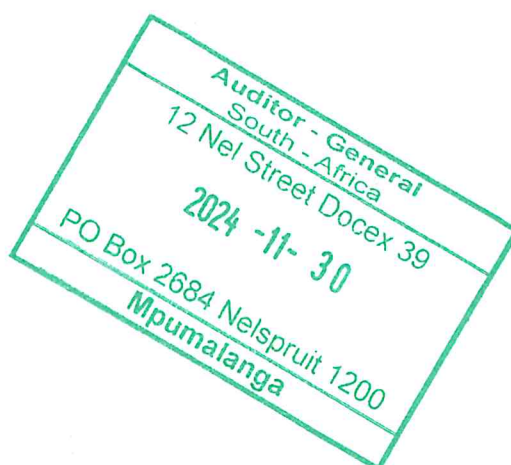


# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>Payables from exchange transactions: Non-current liabilities</b>		
Advance payments: Land	7,769,207	6,886,716
Retention	33,808,768	29,689,150
Deposits received	505,635	486,448
	<b>42,083,610</b>	<b>37,062,314</b>
 Current liabilities: Payables from exchange transactions	 81,772,730	 70,362,502
Non-current liabilities: Payables from exchange transactions	42,083,610	37,062,314
	<b>123,856,340</b>	<b>107,424,816</b>
 <b>15. VAT payable</b>		
VAT payable	313,815,883	306,743,159
VAT receivable	(256,333,837)	(263,832,153)
	<b>57,482,046</b>	<b>42,911,006</b>
 <b>16. Revenue</b>		
Service charges	148,423,686	129,372,457
Rental of facilities and equipment	1,593,069	1,250,252
Agency services	13,319,103	10,331,899
Licences and permits	2,564	2,444
Other income	905,565	2,308,878
Interest received	144,440,801	128,575,803
Property rates	61,390,137	57,317,894
Government grants & subsidies	836,962,000	716,823,000
Donations received	22,521,494	5,330,309
Fines, Penalties and Forfeits	3,056,250	2,665,900
	<b>1,232,614,669</b>	<b>1,053,978,836</b>
 <b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	148,423,686	129,372,457
Rental of facilities and equipment	1,593,069	1,250,252
Agency services	13,319,103	10,331,899
Licences and permits	2,564	2,444
Other income	905,565	2,308,878
Interest received	144,440,801	128,575,803
	<b>308,684,788</b>	<b>271,841,733</b>
 <b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	61,390,137	57,317,894
Licences or permits	266,159	149,635
<b>Transfer revenue</b>		
Government grants & subsidies	836,962,000	716,823,000
Public contributions and donations	22,521,494	5,330,309
Fines, Penalties and Forfeits	3,056,250	2,665,900
	<b>924,196,040</b>	<b>782,286,738</b>





# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>17. Service charges</b>		
Sale of water	104,897,738	89,896,840
Sewerage and sanitation charges	2,912,969	1,898,499
Refuse removal	40,612,979	37,577,118
	<b>148,423,686</b>	<b>129,372,457</b>
<b>18. Rental of facilities and equipment</b>		
<b>Facilities and equipment</b>		
Rental of facilities	1,593,069	1,250,252
<b>19. Fines, Penalties and Forfeits</b>		
Traffic Fines - Municipal and Court	3,056,250	2,665,900
<b>20. Agency services</b>		
Driver's Licenses	13,319,103	10,331,899
<p>The municipality is a party to a principal-agent arrangement. The municipality act as an agent for the Mpumalanga Department of Transport, whereby it administers the registration of vehicles and collection of funds thereof, on behalf of the department within the municipality's jurisdictions.</p> <p><b>Entity as agent</b></p> <p>Revenue recognised:</p> <p>The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R13 319 103 (2023: R10 331 899)</p>		
<b>21. Licences and permits (exchange)</b>		
Road and Transport:Activities on Public Roads	2,564	-
<b>22. Licences and permits (non-exchange)</b>		
Trading licences	266,159	149,635



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>23. Other income</b>		
Library fees & fines	15,280	6,471
Handling fees	20,209	21,464
Application fees	89,080	59,371
Building plan approval	62,360	279,707
Clearance certificates	7,766	6,895
Maps publications	3,689	2,313
Occupation certificates	958	1,304
Insurance refunds	65,665	194,250
Tender documents	2,076	174,589
Staff recoveries	592,424	1,507,931
Valuation services	2,567	1,388
Statutory services	7,972	37,376
Sale of other goods & rendering of services	35,519	15,819
	<b>905,565</b>	<b>2,308,878</b>
<b>24. Interest received</b>		
<b>Interest revenue</b>		
Current Bank	4,273,574	3,940,921
Interest charged on trade and other receivables	116,246,589	110,226,154
Interest on investments	23,920,638	14,408,728
	<b>144,440,801</b>	<b>128,575,803</b>
<b>25. Property rates</b>		
<b>Rates received</b>		
Property rates: Residential & other	61,390,137	57,317,894
<b>Valuations</b>		
Residential	7,511,853,000	1,274,186,000
Commercial	724,385,000	298,216,000
State	1,924,617,000	1,924,617,000
Municipal	673,468,800	7,741,719,800
Agricultural	411,350,000	411,350,000
Schools	524,446,000	524,446,000
Mining	7,140,000	7,140,000
Churches	2,011,000	2,011,000
PBO	4,700,000	4,700,000
PSI	35,000	35,000
Vacant	24,782,000	24,782,000
	<b>11,808,787,800</b>	<b>12,213,202,800</b>



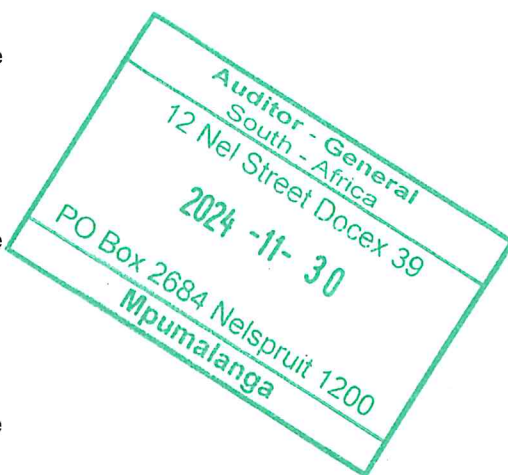
Valuations on land and buildings are performed every 5 years. The general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>26. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	557,502,000	513,707,000
FMG	1,770,000	1,720,000
EPWP	5,166,000	3,735,000
MIG	7,415,953	7,083,050
EEDSM	5,000,000	6,000,000
MDRG	1,150,000	-
INEP	25,200,000	12,000,000
	<b>603,203,953</b>	<b>544,245,050</b>
<b>Capital grants</b>		
MIG	145,758,047	134,577,950
WSIG	88,000,000	38,000,000
	<b>233,758,047</b>	<b>172,577,950</b>
	<b>836,962,000</b>	<b>716,823,000</b>
<b>Equitable Share</b>		
Current-year receipts	557,502,000	513,707,000
Conditions met - Operational expenditure	(557,502,000)	(513,707,000)
	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
<b>MIG</b>		
Current-year receipts	153,174,000	141,661,000
Conditions met - Capital expenditure	(145,758,047)	(134,577,948)
Conditions met - Operational expenditure	(7,415,953)	(7,083,052)
	-	-
<b>FMG</b>		
Current-year receipts	1,770,000	1,720,000
Conditions met - Operational expenditure	(1,770,000)	(1,720,000)
	-	-
<b>EPWP Grant</b>		
Current-year receipts	5,166,000	3,735,000
Conditions met - Operational expenditure	(5,166,000)	(3,735,000)
	-	-
<b>WSIG</b>		
Current-year receipts	88,000,000	38,000,000
Conditions met - Capital expenditure	(88,000,000)	(38,000,000)
	-	-
<b>EEDSM</b>		





# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
Current-year receipts	5,000,000	6,000,000
Conditions met - Operational expenditure	(5,000,000)	(6,000,000)
	-	-
<b>INEP</b>		
Current-year receipts	25,200,000	12,000,000
Conditions met - Operational expenditure	(25,200,000)	(12,000,000)
	-	-
<b>MDRG</b>		
Balance unspent at beginning of year	1,150,000	-
Current-year receipts	-	1,150,050
Conditions met - Operational expenditure	(1,150,000)	-
Transfer to unspent grant	-	(1,150,050)
	-	-

### 27. Donations received

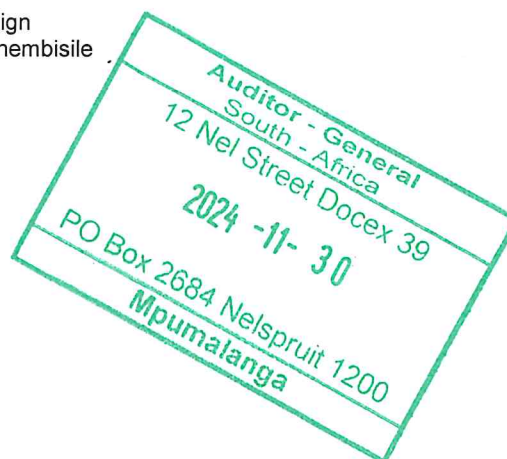
Nkangala District Municipality: Capital	22,521,494	5,330,309
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### 30 June 2024

Donations by way of assets were received from Nkangala District Municipality 2023-2024: R20 777 770 (2022-2023: R4 949 647); Department of Culture, Sport and Recreation 2023-2024 donation amounting to R1 743 723. Boreholes donation from Rand Water 2022-2023 amounting to R380 662.

Operational projects for the financial period on behalf of Thembisile Hani Local municipality incurred by Nkangala District Municipality on the following projects:

Land audit	-	830,000
HIV Aids Awareness Capaign	-	60,046
Disaster Management Awareness Campaign	-	43,798
Formalisation Township Establishment: Thembisile	1,687,145	64,916
Bundu Machipe Community Hall	1,200,811	-
	<b>2,887,956</b>	<b>998,760</b>



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>28. Employee related costs</b>		
Basic	120,400,204	108,366,771
Bonus	9,289,277	8,557,801
Medical aid - company contributions	10,496,893	9,330,169
UIF	821,203	767,990
SDL	1,458,057	1,313,138
Standby allowance	602,319	582,683
Leave pay provision charge	1,168,646	292,516
Travel, motor car, accommodation, subsistence and other allowances	5,009,547	4,478,720
Overtime and Shift allowance	5,251,986	3,882,535
Long-service awards	697,432	1,983,600
Acting allowances	1,550,377	1,207,056
Danger allowance	711,249	582,770
Housing benefits and allowances	145,032	136,587
Cellphone allowances	766,335	612,215
Pension contributions	23,160,212	20,928,926
SALGBC	52,806	47,142
Allowances:Service Related Benefits:Uniform/Special/Protective Clothing	-	60,000
	<b>181,581,575</b>	<b>163,130,619</b>

During the financial period 2018-2019 the municipality migrated from Grade 3 to 4

### Remuneration of Municipal Manager: Mr ON Nkosi 01 July 2017 to 30 June 2022

Annual Remuneration	-	37,753
Contributions to UIF, Medical and Pension Funds	-	378
	<b>-</b>	<b>38,131</b>

### 30 June 2023:

There was a salary increment for 2021-2022 paid in 2022-2023 amounting to R38 131

### Remuneration of Municipal Manager: DJD Mahlangu 01 September 2022 to 30 June 2024

Annual Remuneration	1,043,725	801,242
Car Allowance	180,000	100,000
Contributions to UIF, Medical and Pension Funds	184,316	185,126
	<b>1,408,041</b>	<b>1,086,368</b>

### Remuneration of Chief Finance Officer: Ms JG Mahlagu 01 May 2019 to 30 April 2024

Annual Remuneration	808,790	750,608
Car Allowance	100,000	120,000
Contributions to UIF, Medical and Pension Funds	250,915	205,723
	<b>1,159,705</b>	<b>1,076,331</b>

### Remuneration of Corporate Service Manager: Ms SA Nxumalo 01 July 2022 to 30 June 2024

Annual Remuneration	912,959	774,640
Car Allowance	120,000	120,000
Contributions to UIF, Medical and Pension Funds	133,642	138,904
	<b>1,166,601</b>	<b>1,033,544</b>

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand 2024 2023

### Remuneration of Social Services Manager: Mr AK Chego 01 August 2018 to 31 December 2023

Annual Remuneration	37,468	651,681
Car Allowance	-	90,000
Contributions to UIF, Medical and Pension Funds	375	83,062
	<b>37,843</b>	<b>824,743</b>

### Remuneration of Development Planning Manager: Mr MS Tsebe 01 May 2019 to 31 May 2024

Annual Remuneration	891,530	857,267
Car Allowance	100,000	120,000
Contributions to UIF, Medical and Pension Funds	160,475	132,139
	<b>1,152,005</b>	<b>1,109,406</b>

### Remuneration of Technical Service Manager: Mr WM Mtshweni 01 March 2023 to 30 June 2024

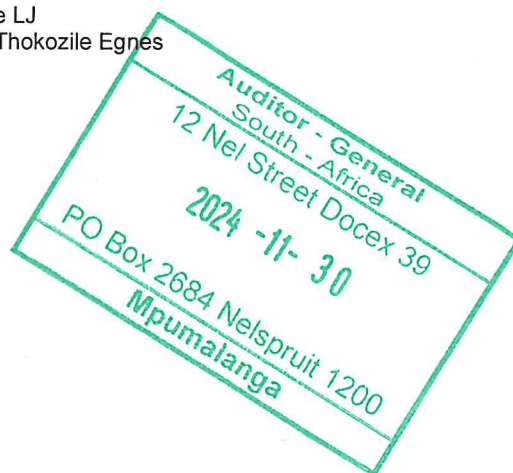
Annual Remuneration	850,684	243,132
Car Allowance	120,000	40,000
Contributions to UIF, Medical and Pension Funds	173,861	56,831
	<b>1,144,545</b>	<b>339,963</b>

### Remuneration for Acting allowances

SP Nkosi: Acting Technical Service Manager	-	12,432
TP Maphutha: Acting Technical Service Manager	-	22,666
BA Nkwanyana: Acting Social Services Manager	34,582	24,134
MA Aphane: Acting Social Services Manager	24,281	-
VM Mahlangu: Acting Social Service Manager	175,208	-
R Makhubele: Acting CFO	16,187	-
WS Msiza: Acting PDS Manager	16,187	-
	<b>266,445</b>	<b>59,232</b>

### 29. Remuneration of councillors

Executive Mayor: Cllr Dikgale LJ	1,054,083	972,870
Chief Whip: Cllr Motanyane Thokozile Egnés	822,577	757,280
Speaker: Cllr Msiza MP	853,927	805,848
Councillors	20,683,778	19,021,141
MPAC Chairperson	776,581	745,614
Executive committee	3,989,972	3,765,060
	<b>28,180,918</b>	<b>26,067,813</b>





# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### In-kind benefits

The Executive Mayor, Speaker, Chief whip and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of separate council vehicle for official duties and two VIP Protectors.

The Speaker has use of separate council vehicle for official duties and two VIP Protectors.

### Remuneration of Executive Mayor: Cllr Dikgale LJ - 01 December 2021 to 30 June 2024

Annual Remuneration	774,119	817,082
Travel Allowance	110,000	-
Contributions to UIF, Medical and Pension Funds	169,964	155,788
	<b>1,054,083</b>	<b>972,870</b>

### Remuneration of Chief Whip: Cllr Motanyane TE - 01 July 2021 to 30 June 2024

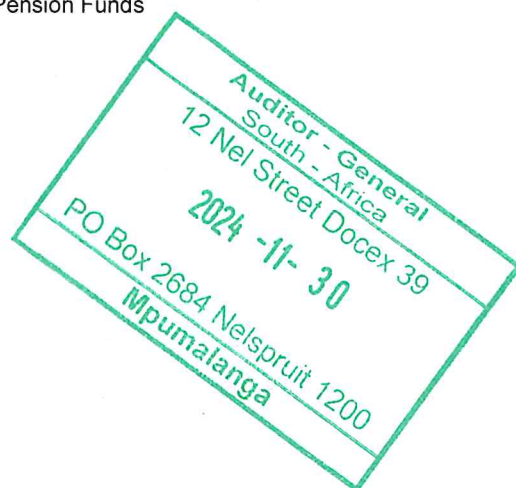
Annual Remuneration	457,936	408,977
Travel Allowance	172,832	177,807
Contributions to UIF, Medical and Pension Funds	191,809	170,496
	<b>822,577</b>	<b>757,280</b>

### Remuneration of Speaker: Cllr Msiza MP - 01 December 2021 to 30 June 2024

Annual Remuneration	509,575	640,980
Travel Allowance	165,000	40,800
Contributions to UIF, Medical and Pension Funds	179,352	124,068
	<b>853,927</b>	<b>805,848</b>

### Remuneration of MPAC Chairperson: Ms LM Tshabangu

Annual Remuneration	459,753	425,050
Travel Allowance	180,295	172,516
Contributions Medical and Pension Funds	136,533	148,048
	<b>776,581</b>	<b>745,614</b>



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>Remuneration of Executive committee</b>		
Annual Remuneration	2,383,380	2,076,602
Travel Allowance	727,284	882,704
Contributions to Medical and Pension Funds	879,308	805,754
	<b>3,989,972</b>	<b>3,765,060</b>
<b>Remuneration of other councillors</b>		
Annual Remuneration	20,683,778	19,021,141
<b>30. Depreciation and amortisation</b>		
Property, plant and equipment	1,752,584	1,074,391
Furniture and office equipment	418,501	393,827
Transport assets	11,202,243	11,608,918
IT Equipment	1,559,506	2,069,336
Community assets	9,342,952	14,460,017
Solid waste	1,829,893	1,829,892
Storm water	4,272,001	3,961,849
Water network - Boreholes	2,944,011	2,881,168
Sanitation infrastructure	3,132,210	9,846,217
Roads infrastructure	16,255,635	20,176,148
Water Supply: Distribution	9,425,332	9,019,771
Water Supply: Bulk Mains	761,741	761,741
Pumpstations	7,419,610	7,522,588
Reservoirs	10,099,282	7,917,360
Intangible assets	537,463	611,943
	<b>80,952,964</b>	<b>94,135,166</b>
<b>31. Debt impairment</b>		
Consumer debtors contribution to debt impairment provision	310,188,259	222,636,365
Traffic fines bad debt contribution to debt impairment provision	2,801,997	3,022,570
	<b>312,990,256</b>	<b>225,658,935</b>
<b>32. Amnesty and prescriptions written off - consumer debtors</b>		
Amnesty written off	3,545,433	4,543,428
<b>33. Grants and subsidies paid</b>		
Grants and subsidies paid	-	(197,125)
<b>34. Consumed inventory</b>		
Water inventory consumed	126,216,932	122,469,899



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>35. General expenses</b>		
Advertising	1,658,061	1,029,979
Auditors remuneration	8,158,900	9,380,817
Bank charges	68,415	134,575
Consulting and professional fees	21,521,556	24,662,271
Debt collection	2,033,789	3,981,472
Donations in kind	600,000	550,000
Entertainment	2,065,616	1,356,267
Flowers and plants	198,300	-
Achievement and rewards	272,683	-
Insurance	3,407,971	1,818,280
Conferences and seminars	2,228,767	2,373,175
Community development	7,559,280	5,729,700
Motor vehicle expenses	3,966,889	912,948
Pest control	-	297,598
Postage and courier	-	65
Printing and stationery	60,000	211,920
Infrastructure Projects: New Electrical Infrastructure - Eskom	26,253,028	15,649,629
Repairs and maintenance	75,981,870	56,834,708
Security (Guarding of municipal property)	36,270,354	30,832,756
Software expenses	13,228,638	8,239,304
Staff welfare	320,010	253,412
Subscriptions and membership fees	2,241,561	2,033,313
Telephone and fax	2,253,383	1,727,934
Workman's compensation	1,581,555	1,117,067
Travel - local	3,706,912	3,215,645
Sewerage and waste disposal	3,025,090	607,613
Municipal services	26,446,143	22,441,113
Uniforms	526,555	471,250
Material and supplies	34,350,184	20,787,413
Motor vehicle licences	1,074,568	1,268,977
Town planning costs	-	241,304
Indigent relief	991,075	54,794
Water sample testing	993,632	984,037
Ward committee allowances	3,574,000	3,701,000
Water delivery services	17,957,342	20,466,810
Other expenses	8,401,497	582,440
	<b>312,977,624</b>	<b>243,949,586</b>



### 30 June 2023:

Operational projects for the financial period on behalf of Thembisile Hani Local municipality incurred by Nkangala District Municipality on the following projects:

Land audit	-	830,000
HIV Aids Awareness Capaign	-	60,046
Disaster Management Awareness Campaign	-	43,798
MHS Education and Awareness	-	64,917
Formalisation Township Establishment: Thembisile	1,687,145	-
Bundu Machipe Community Hall	1,200,811	-
	<b>2,887,956</b>	<b>998,761</b>

### Infrastructure Projects: New Electrical Infrastructure - Eskom:

Where a municipality is granted a 5B grant but does not have the licence to provide electricity, it is constructing the asset on behalf of Eskom. Therefore, once completed and electrified, the asset will be handed over to Eskom. Eskom would then be responsible for the operating and maintaining of the asset within the particular municipality's jurisdiction.



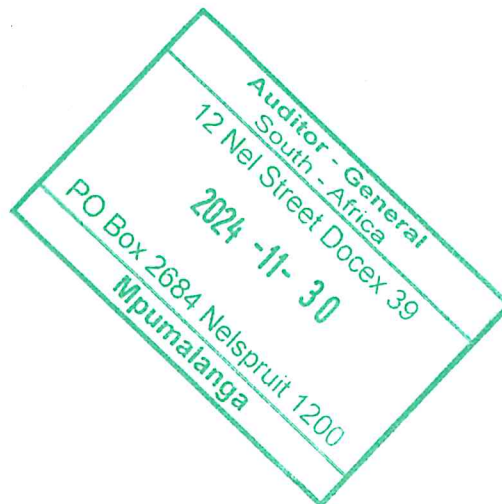
# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>36. Inventory losses write down</b>		
Gain or loss on water inventory	26,300,048	24,570,525
<b>37. Gain/loss on Property, plant and equipment derecognised</b>		
Gain or loss on disposal of Property, plant and equipment	14,523,700	6,043,488
<b>38. Lease rentals on operating lease</b>		
<b>Motor vehicles</b>		
Straight-lining	6,839,883	4,200,148
<b>Equipment</b>		
Contingent amounts	1,990,075	2,245,268
	<b>8,829,958</b>	<b>6,445,416</b>
Payable within 1 year		
- Motor vehicles	11,803,608	762,552
- Equipment	528,315	792,472
Payable within 2-5 years		
- Motor vehicles	16,721,806	-
- Equipment	-	528,315
	<b>29,053,729</b>	<b>2,083,339</b>

The municipality has entered into operating lease agreement for the lease of printers, copiers and transport assets. The lease period vary between 3 and 5 years.

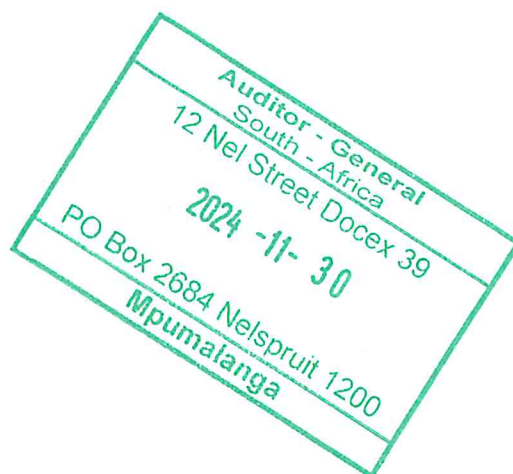


# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand		2024	2023
<b>39. Cash generated from operations</b>			
Surplus		136,781,418	136,914,030
<b>Adjustments for:</b>			
Depreciation and amortisation	30	80,952,964	94,135,166
Gain/(Loss) on Property, plant and equipment derecognised		14,523,700	6,043,488
Water inventories gain/loss		-	1
Interest charged on trade receivables		-	(110,226,154)
Investments interest		(23,920,638)	-
Debt impairment	31	312,990,258	225,658,934
Consumer debtors Amnesty written off	32	3,545,433	4,543,428
Donations received	27	(22,521,494)	(5,330,309)
Movements in retirement benefit assets and liabilities		3,372,480	(1,400,811)
Movements in provisions		2,505,579	1,287,004
Other non-cash items		(506,317)	-
<b>Changes in working capital:</b>			
Inventories		(481,433)	(935,844)
Receivables from exchange transactions		(278,397,799)	(16,984,388)
Consumer debtors		-	(13,641,952)
Statutory receivables		(23,150,338)	(7,857,594)
Payables from exchange transactions		16,431,524	14,180,157
VAT payable		14,571,042	7,944,341
Unspent conditional grants and receipts		(1,150,000)	-
		<b>235,546,379</b>	<b>334,329,497</b>



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 40. Commitments

#### Authorised capital expenditure

Already contracted for but not provided for Property, plant and equipment	227,905,420	261,756,396
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<b>Total capital commitments</b> Already contracted for but not provided for	227,905,420	261,756,396
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#### Authorised operational expenditure

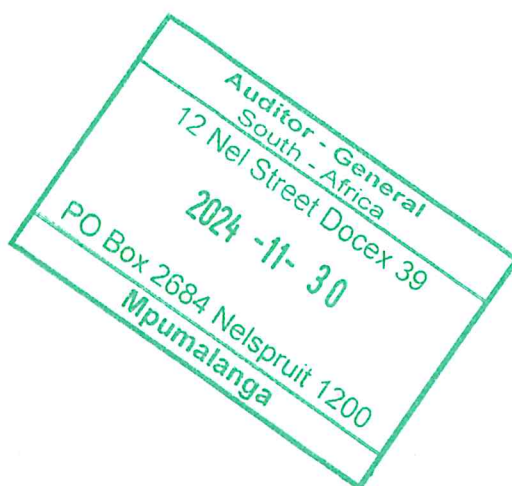
This committed expenditure relates to property, plant and equipment and will be financed by available grants, retained surpluses, existing cash resources and funds internally generated. The commitments disclosed amounts are VAT exclusive.

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year		
> Bidvest	-	762,552
> Databox	528,315	792,472
> Fleet Horizon solutions	11,803,628	-
- in second to fifth year inclusive		
> Databox	-	528,315
> Fleet Horizon Solutions	16,721,806	-
	<b>29,053,749</b>	<b>2,083,339</b>

Operating lease payments represent rentals payable by the municipality for leased assets used in the day to day operations of the municipality. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. Contingent rent is payable.





# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 41. Contingencies

#### Contingent liabilities:

Plaintiff	Detail	Amount claimed	
1. THLM/ Lawmark Consulting CC Case no: 70121/11	The contractor (Joint Venture between Lawmark and Casnans) was awarded the tender of VIP toilets in Cluster E. The municipality concluded a contract on the 24 <sup>th</sup> March 2010. The contractor was unable to complete the work. The contractor was then terminated on the 6 January 2011. We received the summons around the beginning of February 2012. The municipality filed a notice of intention to defend. The contractor got a default judgement against the municipality on the 29 March 2012. The contractor applied through the High Court for the writ of execution. Sheriff was sent to attach the municipality's movable property. The municipality on the 14 June 2012 file an urgent application at Northern Gauteng High Court (case no: 27879/2012) for rescission of the judgement and it was granted an interim order pending the filling of the application for rescission before the 22 June 2012, and the rescission was set down for the 10 August 2012. On the 10 August 2012 the High Court rescinded the default judgement. The municipality is pursuing the matter and has filed a counterclaim and waiting for the set down date.	R2 323 023	R1 200 000
2. Mabapa Building Construction t/a Moriti School Uniform CC vs THLM Case no: 623/16	On or about 7 <sup>th</sup> August 2013 at Phola Park KwaMhlanga, some employees of the municipality negligently started fire or negligently failed and/or omitted to contain the fire they started. The said fire burned down and destroyed the plaintiff's business premises including the following: <ul style="list-style-type: none"> <li>• Plaintiff's trading stock (both wooden and metal to the value of R 500.000;</li> <li>• Plaintiff's Mercedes Benz motor vehicle to the value of R 250 000;</li> <li>• Estimated costs of repairing the plaintiff's building at R 50 000;</li> <li>• Plaintiff unable to continue with his trade, he has suffered an economic loss estimated at R 1 200 000.00</li> </ul> The total costs of the damage is estimated at R R3 437 425.27 The plaintiff sues the municipality for R3 437 425.27	R3 437 425	R2 000 000

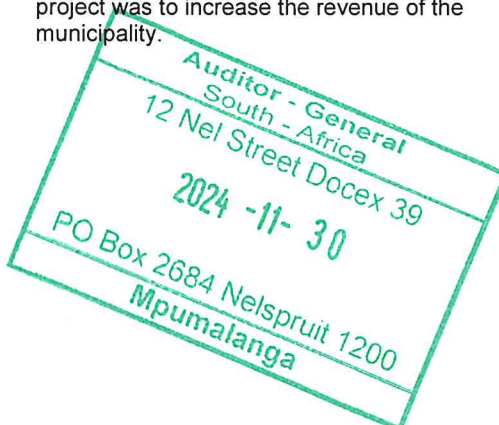


# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand		2024	2023
3. MJ Magaela vs Minister of Police/ THLM and NPA	On the 5 <sup>th</sup> of January 2018 summons was served wherein the Plaintiff claim against the municipality payment of an amount of R1 187 544.17 for damages he claims to have suffered due assault by the member of the Municipal traffic officers on the 15 <sup>th</sup> of March 2016 at Kwamhlanga R573 near total garage. The municipality has filed its appearance to defend and also has filed notice in terms of Rule (34i). to which the Plaintiff must respond within 30 days.	R1 187 544	R860 000
Case no: 84342/17			
North Gauteng High court			
4. THLM vs Phungo Incorporated	The municipality received combined summons from Phungo Incorporated, whereby the plaintiff is suing the municipality for damages amounting to R 641 300.67 arising from a dispute regarding payment for services rendered. The Plaintiff was appointed to investigate Unauthorised, Irregular, Fruitless and Wasteful Expenditure, identified by Auditor-General during the annual audits from 2012/2013 to 2017/2018 financial years.	R641 301	R534 479
Case no:4801/19			
Mphokane Attorneys			
5. Licence plate recognition CC (LPR) vs THLM	The Plaintiff was expected to investigate the matters and deliver the full report and to date he has not delivered the report. The municipality has received combined summons from License Plate Recognition cc (LPR) whereby the plaintiff is suing the municipality for an amount of R 33 353 925.27 for breach of contract. In 2017 the Municipality entered a three-year contract with the License Plate Recognition cc (LPR) for the provision of law enforcement (speed camera) and which was later extended by a year. The aim of the project was to increase the revenue of the municipality.	R33 353 925	R33 303 963
Case No: 2510/24			
Nkgadima Attorneys			
<b>TOTAL</b>		<b>R40 943 218</b>	<b>R38 898 442</b>
<b>Contingent assets</b>			
Licences and permits		4,446,328	4,446,328
Property, plant and equipment		532,928,984	210,248,448
		<b>537,375,312</b>	<b>214,694,776</b>



### Licences and permits

Subsequent to the disciplinary hearing in respect of Under Banking DLTC, civil proceedings have commenced against the employees concerned to recover an amount of R4 446 328, (2023: R4 446 328). According to the DLTC Forensic Investigation Report the matter should be handed to Commercial Crime and Asset Forfeiture Unit as well as hawks as contraventions provide reasonable grounds for financial misconduct as far as revenue collection is concerned.

### Property, plant and equipment: Contingent assets

#### Contingent asset: Property, plant and equipment

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
Community Hall Moloto	-	14,932,625
Kwaggafontein B and C Stormwater drainage	15,784,750	5,609,123
Bundi Machipe Community Hall (CB)	-	1,200,811
Loskop Regional Bulk Water Supply	517,144,234	188,505,889
	<b>532,928,984</b>	<b>210,248,448</b>

Project funded by the Department of Water and Sanitation that is of a Capital Nature for 2024 amounting to R517 144 234 (2023: R188 505 889). Capital Work in process project for Kwaggafontein B and C Stormwater Drainage for 2024 amounting to R15 784 750 (2023: R5 609 123).

The assets are still under construction by Nkangala District Municipality, the completion and transfer date are still unknown.

### Events after reporting date 30 June 2023

#### 30 June 2024

The case SAMWU obo RM Nthutse Mmantimo is an adjusting event the honourable judge Tlhotlhlalemaje on the 27 August 2024 ordered that the applicants referral brought under the above case is dismissed.

#### 30 June 2023

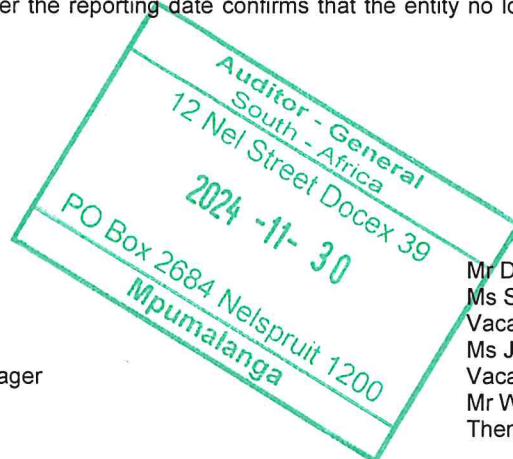
The case Piet Chilli VS THLM is an adjusting event as it was set down for hearing on the 15<sup>th</sup> of June 2023 and it was postponed to the 17<sup>th</sup> of July 2023. On the 17<sup>th</sup> of July 2023 the matter was removed from the roll.

The settlement received after the reporting date confirms that the entity no longer has a contingent liability as at 30 June 2023.

### 42. Related parties

#### Relationships

Accounting Officer  
Corporate Service Manager  
Social Service Manager  
Chief Financial Manager  
Development Planning Manager  
Technical Service Manager  
Councillors



Mr DJD Mahlangu  
Ms SA Nxumalo  
Vacant  
Ms JG Mahlangu  
Vacant  
Mr WM Mtshweni  
Thembisile Hani Local Municipality

The information required as per GRAP 20 paragraph 35(a) to (i) can be found in note 5 (Employee benefit obligations), 13 (Bonus provision), 14 (Leave provision), 28 (Employee related costs), 29 (Remuneration of councilors) and 49 (Councillor's in arrears) within the financial statements where relevant to the municipality.



**THEMBISILE HANI LOCAL MUNICIPALITY**  
Annual Financial Statements for the year ended 30 June 2024

**Notes to the Annual Financial Statements**

Figures in Rand

**43. Prior-year adjustments**

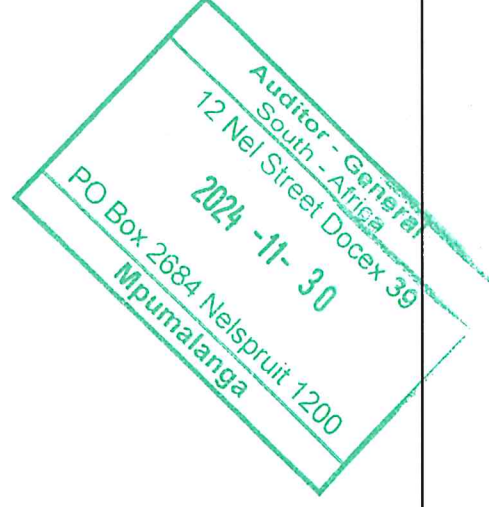
Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

**Description of nature of the prior period error:**

1. Correction of incorrect allocation of interest receivable to Cashbook instead of Interest receivable..
2. Interest received from FNB Call Account overstated to the amount of R157.
3. Reallocation of electrical contracts from Repairs and maintenance to Eskom New Electrical project amounting to R5 215 567.
4. Credit note captured in 2023/2024 but for 2022/2023 on Sewerage revenue/billing.
5. FAR corrections made based on physical verification and completeness thereof amounting to R4 691 158.
6. Correction on completeness of Payables and accruals and expenditure for 2022-2023 amounting to R275 543
7. Reclassification of Trading licences from Revenue from exchange transactions to Revenue from non-exchange transactions amounting to R149 635.
8. Credit notes captured in 2023-2024 against Consumer Debtors resulted in a PY correction amounting to R16 242 466 and includes the correction of Impairment.

\* (The correction explanation is indicated with a number in brackets next to the item adjusted)

\*\* As a result of prior period errors, the cash flow June 2023 was restated to reflect accurate figures.



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

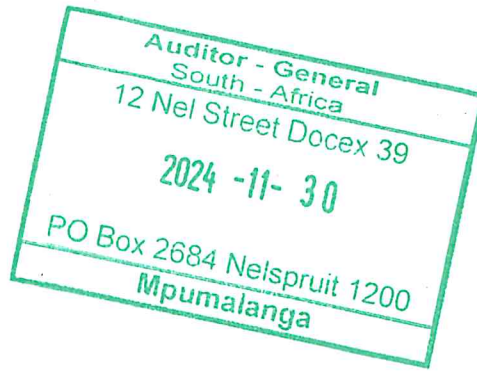
## Notes to the Annual Financial Statements

Figures in Rand

### Statement of Financial Position

30 June 2023

Note	As previously reported	Prior period error 2022-2023	Reallocation/Reclassification	Restated 30 June 2023	Corrections before 2022-2023	Net Correction
<b>Receivables from exchange transactions</b>						
- Interest receivable (1) & (2) (AFS Note 7)	-	-	-	-	-	-
- Water Gross (8)	1,067,587,589	(1,614,071)	-	-	(11,731,293)	1,054,242,225
- Water Impairment	(1,039,235,916)	16,374,409	-	-	-	(1,022,861,507)
- Sewerage Gross (4) & (8)	20,765,484	(185,535)	-	-	(249,807)	20,330,142
- Sewerage Impairment	(20,258,237)	463,305	-	-	-	(19,794,932)
- Refuse Gross (8)	451,008,314	(304,838)	-	-	(981,484)	449,721,992
- Refuse Impairment	(438,516,729)	2,288,219	-	-	-	(436,228,510)
<b>Receivables from non-exchange transactions (AFS - Note 10)</b>						
- Property rates Gross (8)	383,831,734	(117,095)	-	-	(1,215,099)	382,499,540
- Property rates Impairment	(374,839,175)	3,730,443	-	-	-	(371,108,732)
<b>Property, plant and equipment (AFS - Note 3)</b>						
- Community assets	197,827,066	-	981,138	-	-	198,808,204
- Storm water	97,996,016	-	57,468	-	-	98,053,484
- Water network - Boreholes	33,189,826	-	4,098,130	-	-	37,287,956
- Roads Infrastructure	515,921,365	-	(1,038,607)	-	-	514,882,758
- Water supply: Distribution	416,614,429	-	2,177,779	-	-	418,792,208
- Water supply: Bulk mains	75,596,540	-	(38,125,473)	-	-	37,471,067
- Pumpstations	204,890,844	-	27,153,902	-	-	232,044,746
- IT Equipment (5) also refer Note 3 FAR detail	7,639,310	766	-	-	-	7,640,077



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

- Furniture and Office equipment (5) also refer Note 3 FAR detail	2,037,041	7,212	-	-	-	2,044,254
<b>Cash and cash equivalents (AFS - Note 11)</b>						
- Call deposits interest receivable - FNB (1)	859,037	-	-	-	859,037	-
- Call deposit interest receivable - Standard bank (1)	259,130	-	-	-	259,130	-
<b>Payables from exchange transactions (AFS - Note 14)</b>						
- Payables and accruals (6)	(32,021,095)	(1,809,786)	-	-	-	(33,830,881)
<b>Total</b>		<b>18,833,029</b>	<b>(4,695,663)</b>	<b>14,137,366</b>	<b>(14,177,683)</b>	<b>-</b>

## Statement of Financial performance

30 June 2023

	Note	As previously reported	Prior period error 2022-2023	Reallocation/Reclassification	Restated 30 June 2023	Corrections before 2022-2023
<b>and before</b>						
- Interest charged on trade and other receivables (2)		111,069,091	(842,780)	-	110,226,311	(9,445,551)
Note 24						
- Interest on Investments (2) (Note 24)		14,408,728	-	-	14,408,728	-
- Refuse (Note 17)		37,881,956	(304,838)	-	37,577,118	(981,484)
- Water (Note 17)		90,667,974	(771,134)	-	89,896,840	(2,285,742)
- Sanitation (Note 17)		37,881,956	(28,779)	-	37,853,177	(249,807)





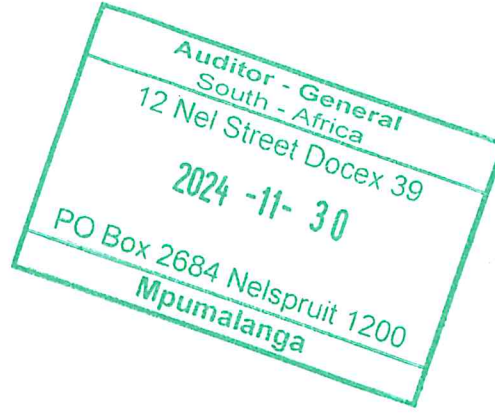
# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

- Revenue: Sewerage (4) (Note 17)	2,084,034	(156,756)	-	1,927,278	-
- Licences and permits: Trading licences (7) (Note 21)	149,635	-	(149,635)	-	-
<b>Revenue from exchange transactions</b>	-	-	-	-	-
- Licences and permits: Trading licences (7) Note 22	-	-	149,635	-	-
- Property rates (Note 25)	57,434,989	(117,095)	-	57,317,894	(1,215,099)
<b>Expenditure</b>					
Depreciation and amortisation (5) (Note 30)	(94,122,789)	(12,377)	-	(94,135,166)	-
Debt Impairment (8) (Note 31)	(248,515,309)	22,856,374	-	(225,658,935)	-
<b>Employee cost (Note 28)</b>					
- Danger allowance	(545,842)	(36,928)	-	(582,770)	-
<b>General expenses (AFS - Note 35)</b>					
- Infrastructure Projects: New Electrical Infrastructure - Eskom (3)	(10,434,061)	-	(5,215,567)	(15,649,628)	-
- Repairs and maintenance (3) & (5)	(57,359,118)	-	524,410	(56,834,708)	-
- Auditors remuneration (6)	(9,358,837)	(21,980)	-	(9,380,817)	-
- Software expenses (6)	(8,023,037)	(216,267)	-	(8,239,304)	-
- Travel - Local (6)	(3,215,187)	(368)	-	(3,215,555)	-
- Material and supplies	(19,253,169)	(1,534,243)	-	(20,787,412)	-
<b>Total</b>		<b>18,812,829</b>	<b>(4,691,157)</b>		<b>(14,177,683)</b>
<b>Comparative figures</b>			<b>14,121,672</b>		



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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30 June 2023

	Note	As previously reported	Reallocation/ Reclassification	Restated 30 June 2023
<b>CASH FLOW STATEMENT</b>				
<b>Cash flow from operating activities</b>				
<b>Expenditure</b>				
- Suppliers		320,444,205	14,041,726	334,485,931
- Purchases of Property, plant and equipment		-	-	-
<b>Cash flow from investing activities</b>				
- Interest income: Call accounts		-	(14,408,728)	(14,408,728)
<b>Total</b>			-	



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 44. Risk management

#### Liquidity risk

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

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>Current liabilities</b>	<b>47,054,270</b>	-	-	-
- Payables and accruals	40,373,323	-	-	-
- Retention	6,680,947	-	-	-
	-	-	-	-
<b>Non-current Liabilities: Payables from exchange transactions</b>	-	-	<b>33,808,768</b>	-
- Retention	-	-	33,808,768	-
	-	-	-	-
<b>At 30 June 2023</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
<b>Current liabilities</b>	<b>36,140,713</b>	-	-	-
- Payables and accruals	32,021,095	-	-	-
- Retention	4,119,618	-	-	-
	-	-	-	-
<b>Non-current liabilities: Payables from exchange transactions</b>	-	-	<b>29,689,150</b>	-
- Retention	-	-	29,689,150	-





# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### Credit risk

#### Definition

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.

#### Components exposed to credit risk

Components exposed to credit risk include the following

- \* Cash deposits & cash and cash equivalents - risk that the municipality might deposit funds with the institution that are not approved by council and whose credit standing is questionable
- \* Trade debtors – possibility that the debtors might not pay the municipality on time exposing the municipality to liquidity problems.

#### Risk management process

- \* Deposits cash & cash and cash equivalents

The municipality only utilises registered major banks with high quality credit standing to curb the risk of potential losses on the funds deposited with the bank institutions

- \* Trade debtors

Trade receivables comprise a widespread of customer base. Management evaluates credit risk relating to customers on an ongoing basis taking into account the credit policy of the municipality which includes the following:

- \* risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

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

Financial instrument	30 June 2024	30 June 2023
Cash and cash equivalents	228,069,890	185,395,572
Receivables from exchange transactions	39,351,912	47,698,247

### Market risk

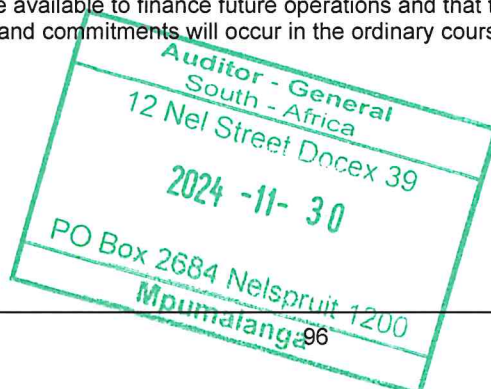
#### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

### 45. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R 2,652,815,748.

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.



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>46. Unauthorised expenditure</b>		
Opening balance	-	-
Add: Debt impairment due to incorrect estimation on the budget: Miscalculation in debt impairment estimation for debtors	54,285,162	-
Add: Debt impairment due to incorrect estimation on the budget: Miscalculation in debt impairment estimation for debtors	3,720,832	-
<b>Closing balance</b>	<b>58,005,994</b>	<b>-</b>

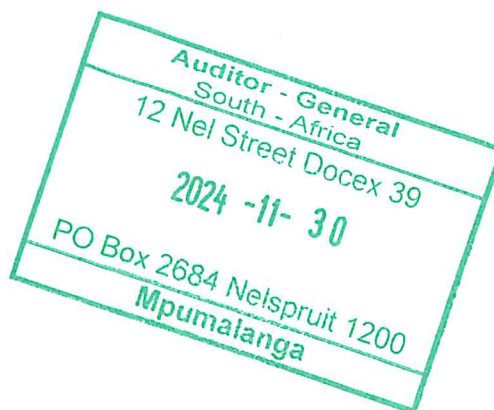
### Unauthorised Expenditure (Non cash item)

The unauthorised expenditure relates to non-cash items arising from debt impairment. The debt impairment was underestimated during 2023-2024 budget approval by Council, resulting in a miscalculation during the preparation of the Annual Financial Statements for 2023-2024.

### 47. Fruitless and wasteful expenditure

Opening balance as previously reported	4,421,892	4,589,341
<b>Opening balance as restated</b>	<b>4,421,892</b>	<b>4,589,341</b>
Add: Fruitless and wasteful expenditure - current	766	-
Less: Amounts recoverable - prior period	-	(128,036)
Less: Amount written off - current	(766)	-
Less: Amount written off - prior period	-	(39,413)
<b>Closing balance</b>	<b>4,421,892</b>	<b>4,421,892</b>

The municipality has appointed a disciplinary board to investigate the fruitless and wasteful expenditure. The investigation is concluded and therefore Council has written off fruitless and wasteful expenditure for 2023-2024 amounting to R766, 2020-2021 amounting to R39 413. For 2021-2022 an amount of R8 036 was recovered by the municipality and for 2019-2020 an amount of R120 000 was recovered by the municipality.



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

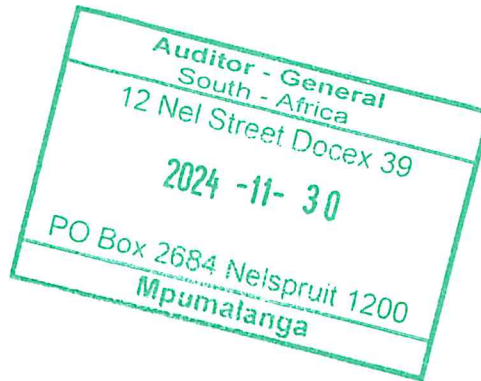
## Notes to the Annual Financial Statements

Figures in Rand

2024 2023

Expenditure identified in the current year include those listed below:

Explanation	2024	2023
Eskom Bulk	766	-
<b>48. Irregular expenditure</b>		
Opening balance as previously reported	19,553,963	111,308,886
Add: Irregular Expenditure - current year	5,737,448	38,157,843
<b>Opening balance as restated</b>	<b>25,291,411</b>	<b>149,466,729</b>
Less: Amounts recoverable - prior period 2019-2020	-	(17,200)
Less: Amount written off - prior period 2020-2021	-	(20,466,469)
Less: Amount written off - prior period 2021-2022	-	(72,908,794)
Less: Amount written off - prior period 2022-2023	(1,637,540)	(36,520,303)
Less: Amount written off - prior period 2023-2024	(6,573,520)	-
<b>Closing balance</b>	<b>17,080,351</b>	<b>19,553,963</b>



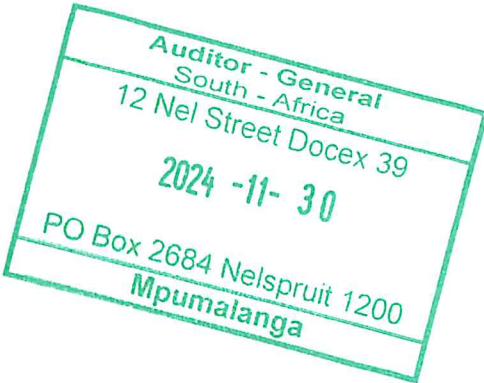


**THEMBISILE HANI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2024

**Notes to the Annual Financial Statements**

Figures in Rand	2024	2023
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# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

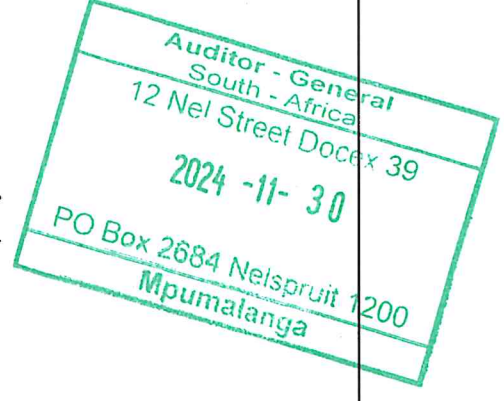
Figures in Rand

2024 2023

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

	Disciplinary steps taken/criminal proceedings	Reason for transgression	Reason for transgression	
Spek Solution (Pty) Ltd	SCM Reg 42	Vehicle tracking	-	271,994
Oradimpho Trading Enterprise	PPR 5(6); PPR 4(2)	COIDA certificate belongs to another entity	1,400,000	1,365,546
Kgotso Mokone Traders	PPR 9(1)	Moloto Water Infrastructure	-	5,339,021
Stickson General Services	SCM Reg 28(1)(c)	Construction of Entokozwniwater	-	6,877,612
Zembeleni Transport	PPR 9(1)	infrastructure-Phase 1	-	6,604,262
DKPB Construction (Pty) Ltd	PPR 9(1)	Construction of Sheldon Water Infra Pipelines	-	9,713,156
Namasango Business Enterprise	PPR 9(1)	Upgrading Mabhoko Water Infrastructure	-	3,786,104
Bidvest Bank SNP Group	SCM Reg 32 PPR 5(6)	Construction of Entokozwniwater	3,945,448	4,200,148
		Rental of Fleet	392,000	-
		COIDA certificate submitted belongs to other companies.		
			<b>5,737,448</b>	<b>38,157,843</b>

Irregular Expenditure is calculated of VAT inclusive while the figure disclosed above have been presented exclusive of VAT, due to that the municipality has claim back the VAT amount from SARS during the 2023-2024 and 2022-2023 financial periods.



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>49. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Audit fees</b>		
Current year subscription / fee	8,158,900	9,380,817
Amount paid - current year	(8,158,900)	(9,380,817)
	-	-
<b>PAYE</b>		
Current year subscription / fee	28,852,393	25,862,073
Amount paid - current year	(28,852,393)	(25,862,073)
	-	-
<b>UIF</b>		
Current year subscription / fee	821,206	767,990
Amount paid - current year	(821,206)	(767,990)
	-	-
<b>Pension and Medical Aid contributions</b>		
Current year subscription / fee	36,739,993	33,084,342
Amount paid - current year	(36,739,993)	(33,084,342)
	-	-
<b>SALGA Contributions</b>		
Current year subscription / fee	52,806	47,142
Amount paid - current year	(52,806)	(47,142)
	-	-

VAT output payables and VAT input receivables are shown in note 9&15





# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

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### Councillors' arrear consumer accounts

30 June 2024

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Dube Tenboy Butitjje	6,512	101,299	107,811
Gulube Lindiwe Kate	479	11,382	11,861
Jiyane Class Menzelwa	900	24,012	24,912
Kgomo Rose Martha	547	1,124	1,671
Khumalo Eliot Sunday	714	38,974	39,688
Mabena Thomas Lebandla	825	18,631	19,456
Mahlangu Godrey Nkosinathi	925	26,063	26,988
Mahlangu Steven Citha	543	943	1,486
Mahlangu Thabiso Klass	867	21,837	22,704
Mampuru Dipolelo Sinah	585	2,849	3,434
Maphoso Lucky Matlhats	711	8,535	9,246
Mnguni Nomvula Sister	552	1,765	2,317
Mokoena David Sello	644	9,163	9,807
Mokwena Augustine Renny	489	-	489
Mtshaise Bernard Vusi	1,089	18,223	19,312
Nduli Masotja Petros Nduli	1,163	44,504	45,667
Nkosi Thabile Prunella	1,096	2,174	3,270
Ntuli Michael Vusi	545	1,012	1,557
Ntuli Mmelisizwe Terance	880	23,121	24,001
Nyalunga Xoloani Clement	796	17,332	18,128
Rampisa Motlalepule Sweetness	924	29,347	30,271
Sepogwana Moses Mmoisetsi	815	17,847	18,662
Shiburi Busisiwe Maria	2,234	73,836	76,070
Sibanyoni David Mabuzwa	935	26,207	27,142
Sithole Mkhululi Jacob	828	17,713	18,541
Skhosana Andries Mphatlalashan	789	16,415	17,204
Skosana Lindiwe Thembi	700	8,451	9,151
Skosana Vusimusi Vincent	642	5,462	6,104
Tshabangu Martha Lillian	559	1,608	2,167
	<b>29,288</b>	<b>569,829</b>	<b>599,117</b>



# THEMBISILE HANI LOCAL MUNICIPALITY

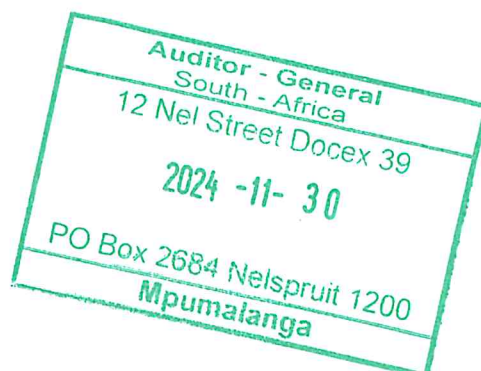
Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024		2023
30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Dube Tenboy Buttitjie	3,905	81,837	85,742
Gulube Lindiwe Kate	462	11,251	11,713
Jiyane Class Menzelwa	561	24,039	24,600
Kgomo Rose Martha	336	1,280	1,616
Khumalo Eliot Sunday	684	38,622	39,306
Mabena Thomas Lebandla	505	17,555	18,060
Mahlangu Godfrey Nkosinathi	554	22,814	23,368
Mahlangu Steven Citha	333	1,101	1,434
Mahlangu Thabiso Klass	567	21,906	22,473
Mampuru Dipolelo Sinah	360	2,993	3,353
Maphoso Lucky Matlhats	37	3,048	3,085
Mnguni Nomvula Sister	313	377	690
Mokoena David Sello	339	1,402	1,741
Mokwena Augustine Renny	215	-	215
Mtshaise Bernard Vusi	513	18,567	19,080
Mtsweni Samuel Mazungwe	1,468	65,188	66,656
Nduli Masotja Petros Nduli	713	40,381	41,094
Nkosi Thabile Prunella	679	2,485	3,164
Ntuli Michael Vusi	335	1,169	1,504
Ntuli Mmelisizwe Terance	552	23,174	23,726
Nyalunga Xoloani Clement	525	20,364	20,889
Rampisa Motlalepule Sweetness	554	26,101	26,655
Sepogwana Moses Mmoisetsi	510	17,915	18,425
Shiburi Busisiwe Maria	1,431	74,129	75,560
Sibanyoni David Mabuzwa	561	22,922	23,483
Sithole Mkhululi Jacob	322	14,401	14,723
Skhosana Andries Mphatlalashan	527	19,453	19,980
Skosana Lindiwe Thembi	315	6,027	6,342
Skosana Vusimusi Vincent	366	3,249	3,615
Tshabangu Martha Lillian	343	1,762	2,105
	<b>18,885</b>	<b>585,512</b>	<b>604,397</b>

### Supply chain management regulations

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



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 50. Deviation from supply chain management regulations

Paragraph 36 of the MFMA Act and regulations 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.

#### Details of deviations – current year

Service description	Service providers	Justifiable reason for deviation	
CIGFARO Conference registration fees	CIGFARO	Sole Provider of services.	71,446
Registration fee to attend CIAGOL (SA)	CIAGOL (SA)	Sole provider of services	77,306
Registration fee for IRMSA Conference	IRMSA	Sole Provider of services	89,135
Registration fee for IMPSA Conference	IMPSA	Sole Provider of service	25,400
Registration fee for SITA GovTech	GovTech	Sole Provider of services.	29,217
Registration fee CMAM	CMAM	Sole Provider of services.	39,950
Radio and TV transmissions: Mayoral slots	Ikutani FM	Impractical to follow SCM process. The municipality embarked on the revenue enhancement campaign, therefore Ikutani FM was approached to provide slots for the Mayoral campaigns as a local radio station. The municipality could not obtain three quotations.	23,000
Repairs on the THLM Jet patcher: REG KNX 729 MP Engine main Air filter P82-2768	INYATHI ENVIRONMENTAL TECHNOLOGY	Impractical to follow SCM process.	31,625
Procurement of floorspace	SYNERGY BUSINESS EVENTS	Sole Provider of services.	102,034
Repairs on the Mayoral Audi Q5: JPF 558 MP	Hatfield Holdings	Impractical to follow SCM process.	45,578
Removal and replacement of brakes	BB Truck Middelburg	Impractical to follow SCM process.	101,275
Maintenance of heavy plant: Yellow plant	Bell	Bell is the sole provider of services,	332,975
Radio and TV transmissions: Mayoral slot	Flare FM SA	Impractical to follow SCM process.	36,800
Membership fees for IIA	IIA	Sole Provider of services.	7,718
Supply of fuel	Minozest	The service provider, Siyafana Thina that was appointed to supply fuel and lubricants for municipal fleet ran out of fuel and was waiting for the supply and delivery thereof. The municipality approached a filling station that is located near the municipality to assist with the supply as the delay in filling up municipal fleet led to a negative impact on service delivery, therefore an emergency arrangement for the procurement was implemented.	7,114,651

**8,128,110**





The following non-compliances were identified

- Non-compliance with Section 62(1) (d) of MFMA since irregular and wasteful expenditure were incurred

