GOODWILL CONQUERS

BUSHBUCKRIDGE
LOCAL MUNICIPALITY

General Information

LEGAL FORM OF ENTITY	Municipality in terms of section 9 of the Local Government Structures Act (Act 117 of 1998) read with section 155 (i) of the Constitution of the Republic of South Africa (Act 108 of 1996)
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Provision of municipal services in terms of the Municipal Systems Act No.32 of 2000 (MSA) and Municipal Finance Management Act No.56 of 2003 (MFMA)
MEMBERS OF COUNCIL	
Member of Mayoral Commitee	Cllr CS Nxumalo: Executive Mayor (Resigned 18 June 2024) Cllr BR Rakganya: Speaker Cllr BW Malandule: Chief Whip Cllr VN Mzimba: MMC Social Services (Dissolved as per MSA s60(5)) Cllr S Mathebula: MMC Corporate Services (Dissolved as per MSA s60(5)) Cllr TW Ngomane : MMC Finance (Dissolved as per MSA s60(5)) Cllr MP Gumede : MMC Sport,Culture (Dissolved as per MSA s 60(5)) Cllr PM Sambo: MMC Technical Services (Dissolved as per MSA s60(5)) Cllr P Gubayi: MMC EDPE Services (Dissolved as per MSA s 60(5)) Cllr LS Mhaule: MMC Public Safety (Dissolved as per MSA s60(5)) Cllr ML Lekhuleni: MPAC Chairpesron (Dissolved as per MSA s60 (5))
Councillors	Cllr MS Phelepe Cllr F Mbhanze Cllr ML Ndlovu (Resigned 31 May 2024) Cllr KI Dube Cllr GLD Sambo Cllr ML Nkuna (Deceased 30 September 2023) Cllr AM Mathebula Cllr IS Mashava Cllr HE Sihlabela Cllr DV Mdluli Cllr SO Makhubela Cllr R Qhibi (Resigned 11 June 2024) Cllr SC Malomane Cllr ST Mkhabela Cllr K Nukeri Cllr L Matsie Cllr AW Hlathswayo Cllr SO Malatsie Cllr GB Sebatane Cllr M Mangani Cllr S Khumalo Cllr C Mnisi Cllr KR Mashile Cllr E Mashele Cllr TT Mapaila Cllr MG Mbazima Cllr OK Mokoena Cllr LM Mashile Cllr GW Nziyane Cllr ML Monareng Cllr RJ Ngomane

Contents

Abbreviations used:

AGSA	Auditor General South Africa
PPE	Property, Plant and Equipment
GRAP	Generally Recognised Accounting Practice
FMG	Finance Management Grant
EPWP	Expanded Public Works Programme
DORA	Division of Revenue Act
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
VAT	Value Added Tax
DORA	Division of Revenue Act
MIG	Municipal Infrastructure Grant

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2024.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The audit committee consists of the members listed hereunder and met on a regular basis as per approved terms of reference. During the current year ten meetings were held.

NAME OF MEMBER	NUMBER OF MEETINGS ATTENDED
Ms. Phetego Mokgope (Chairperson)	10
Advocate Geraldine Khoza	10
Ms. Patience Ntuli (CA (SA)	10
Mr. Kenneth Mhlongo	10
Mr. Michael Secker (CA (SA) (Appointed 1 June 2024)	2

AUDIT COMMITTEE RESPONSIBILITY

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

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

THE EFFECTIVENESS OF INTERNAL CONTROL

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

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

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

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

EVALUATION OF ANNUAL FINANCIAL STATEMENTS

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices
- reviewed the entities compliance with legal and regulatory provisions;

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

INTERNAL AUDIT

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

AUDITOR-GENERAL OF SOUTH AFRICA

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Accounting Officer's Report

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

1. REVIEW OF ACTIVITIES

MAIN BUSINESS AND OPERATIONS

Net surplus of the municipality was R 439,630,074 (2023: surplus R 487,673,072).

2. GOING CONCERN

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus (deficit) and that the municipality's total assets exceed its liabilities by R 6,757,425,925.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.The ability of the municipality to continue as a going concern is dependent on a number of factors. The municipality is a going concern based on the following;
1.Current assets exceed current liabilities.
2. Under DORA the municipality has been allocated funds for three years 2024/25 to 2026/27.
3. There is no indication of a possibility of default by the government in paying grants under the Act. This is corroborated by experience where National Treasury has met its obligations year on year and has therefore created a constructive obligation.
4. In addition the municpality collects revenue for services rendered and this will augment cashflows in subsequent years.

3. SUBSEQUENT EVENTS

The municipality elected Cllr Matlanatso Lydia Moroane on 16 July 2024 as the Executive Mayor following the resignation of Cllr CS Nxumalo on 18 June 2024. The following Members of the Mayoral Committee of various portfolios were appointed by the newly elected Executive Mayor as follows;

- Cllr T.W Ngomane - MMC Corporate Services
- Cllr. V. Mzimba -MMC Finance
- Cllr. S. Mathebula - MMC Social Development
- Cllr. L. Mhaule - MMC Public Safety
- Cllr. P. Sambo P -MMCTechnical Services
- Cllr .P. Gubayi - MMC EDPE
- Cllr. P. Gumede -MMC Culture, Arts and Sports

4. ACCOUNTING OFFICERS' INTEREST IN CONTRACTS

The Accounting Officer has completed the declaration of interest as it is required in terms of Supply Chain Regulations.

5. ACCOUNTING POLICIES

The financial statements prepared in accordance with the MFMA and standards of GRAP including any interpretations of such Statements issued by the Accounting Standards Board and as per the prescribed framework by National Treasury.

6. ACCOUNTING OFFICER

The accounting officer of the municipality during the year follows:

Name	Nationality
Mr J Ngobeni	South African

Statement of Financial Position as at 30 June 2024

	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	10	38,501,449	34,226,689
Prepayments	11	4,739,218	4,750,168
Receivables from non-exchange transactions	12	756,635,084	782,100,693
VAT receivable	13	52,292,423	83,550,589
Receivables from exchange transactions	14	285,256,832	220,100,020
Cash and cash equivalents	15	148,626,984	206,591,710
		1,286,051,990	**1,331,319,869**
Non-Current Assets			
Investment property	2	99,043,763	99,669,127
Property, plant and equipment	3	6,088,291,964	5,386,034,993
Intangible assets	4	24,329	255,485
		6,187,360,056	**5,485,959,605**
Total Assets		**7,473,412,046**	**6,817,279,474**
Liabilities			
Current Liabilities			
Payables from exchange transactions	5	514,877,440	276,118,016
Consumer deposits	7	2,514,854	2,514,854
Unspent conditional grants and receipts	8	14,720,000	48,769,177
Provisions	9	75,496,107	68,839,638
		607,608,401	**396,241,685**
Non-Current Liabilities			
Provisions	9	108,377,720	103,241,938
Total Liabilities		**715,986,121**	**499,483,623**
Net Assets		**6,757,425,925**	**6,317,795,851**
Accumulated surplus		6,757,425,925	6,317,795,851
Total Net Assets		**6,757,425,925**	**6,317,795,851**

** See Note 51*

Statement of Changes in Net Assets

	Accumulated surplus / deficit	Total net assets
Balance as previously reported at 1 July 2022	5,901,132,476	5,901,132,476
Correction of Errors- Refer to Note 51	(71,009,697)	(71,009,697)
Opening balance as at 1 July 2022	**5,830,122,779**	**5,830,122,779**
Surplus for the year	487,673,072	487,673,072
Total changes	487,673,072	487,673,072
Restated* Balance at 01 July 2023	**6,317,795,851**	**6,317,795,851**
Surplus for the year	439,630,074	439,630,074
Total changes	439,630,074	439,630,074
Balance at 30 June 2024	**6,757,425,925**	**6,757,425,925**

Note(s)

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

** See Note 51*

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
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	90,745,000	34,267,000	**125,012,000**	127,169,549	**2,157,549**	
Rental of facilities and equipment	1,082,000	-	**1,082,000**	1,200,248	**118,248**	
Interest received	7,500,000	13,449,000	**20,949,000**	21,709,972	**760,972**	
Agency income	11,060,000	4,450,000	**15,510,000**	15,821,137	**311,137**	
Licences and permits	5,335,000	584,000	**5,919,000**	381,473	**(5,537,527)**	A1
Other income	7,256,000	292,142,240	**299,398,240**	13,413,954	**(285,984,286)**	A2
Interest received - Exchange receivables	4,799,360	54,299,400	**59,098,760**	65,568,867	**6,470,107**	
Total revenue from exchange transactions	**127,777,360**	**399,191,640**	**526,969,000**	**245,265,200**	**(281,703,800)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	250,631,000	-	**250,631,000**	265,723,414	**15,092,414**	
Interest - non exchange receivables	19,160,000	132,840,000	**152,000,000**	138,329,791	**(13,670,209)**	
Transfer revenue						
Government grants & subsidies	1,629,374,000	(457,000)	**1,628,917,000**	1,615,170,249	**(13,746,751)**	
Public contributions and donations	-	-	**-**	14,779,428	**14,779,428**	A3
Fines, Penalties and Forfeits	2,000,000	1,099,003	**3,099,003**	2,848,050	**(250,953)**	
Total revenue from non-exchange transactions	**1,901,165,000**	**133,482,003**	**2,034,647,003**	**2,036,850,932**	**2,203,929**	
Total revenue	**2,028,942,360**	**532,673,643**	**2,561,616,003**	**2,282,116,132**	**(279,499,871)**	
Expenditure						
Employee related cost	(600,453,000)	(60,120,000)	**(660,573,000)**	(678,091,140)	**(17,518,140)**	
Remuneration of councillors	(29,411,000)	(1,500,000)	**(30,911,000)**	(34,224,192)	**(3,313,192)**	
Waiver of debt	-	-	**-**	(77,913,962)	**(77,913,962)**	A6
Depreciation and amortisation	(115,024,000)	(60,000,000)	**(175,024,000)**	(180,536,735)	**(5,512,735)**	
Impairment loss	-	-	**-**	(4,684,045)	**(4,684,045)**	A5
Finance costs	(770,000)	(13,330,234)	**(14,100,234)**	(15,440,455)	**(1,340,221)**	
Debt Impairment	(100,557,000)	(282,900,300)	**(383,457,300)**	(216,628,614)	**166,828,686**	
Bad debts written off	-	-	**-**	(59,161)	**(59,161)**	A7
Contracted Services	(252,516,000)	(71,966,237)	**(324,482,237)**	(393,710,829)	**(69,228,592)**	A8
Transfers and Subsidies	(2,319,000)	(9,081,338)	**(11,400,338)**	(6,497,491)	**4,902,847**	
General Expenses	(147,249,000)	(69,605,911)	**(216,854,911)**	(200,351,745)	**16,503,166**	
Inventory consumed	(31,323,000)	(4,141,000)	**(35,464,000)**	-	**35,464,000**	
Total expenditure	**(1,279,622,000)**	**(572,645,020)**	**(1,852,267,020)**	**(1,808,138,369)**	**44,128,651**	
Operating surplus	**749,320,360**	**(39,971,377)**	**709,348,983**	**473,977,763**	**(235,371,220)**	
Loss on disposal of assets and liabilities	2,163,000	476,899	**2,639,899**	(37,048,688)	**(39,688,587)**	A4

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
Statement of Financial Position						
Assets						
Current Assets						
Inventories	19,677,000	15,086,795	**34,763,795**	38,501,449	**3,737,654**	
Prepayments	-	-	**-**	4,739,218	**4,739,218**	B3
Receivables from non-exchange transactions	602,891,475	(437,043,223)	**165,848,252**	756,635,084	**590,786,832**	B1
VAT receivable	337,511,000	(119,928,906)	**217,582,094**	(52,292,423)	**(269,874,517)**	B2
Receivables from exchange transactions	220,072,808	(14,151,067)	**205,921,741**	285,256,832	**79,335,091**	B4
Other current assets	72,766	(72,766)	**-**	-	**-**	
Cash and cash equivalents	389,182,624	(235,645,295)	**153,537,329**	148,626,984	**(4,910,345)**	
	1,569,407,673	**(791,754,462)**	**777,653,211**	**1,181,467,144**	**403,813,933**	
Non-Current Assets						
Investment property	12,119,000	81,091,602	**93,210,602**	99,043,763	**5,833,161**	
Property, plant and equipment	5,677,559,000	(262,905,558)	**5,414,653,442**	6,088,291,964	**673,638,522**	
Intangible assets	14,917,000	(14,661,762)	**255,238**	24,329	**(230,909)**	B5
	5,704,595,000	**(196,475,718)**	**5,508,119,282**	**6,187,360,056**	**679,240,774**	
Total Assets	**7,274,002,673**	**(988,230,180)**	**6,285,772,493**	**7,368,827,200**	**1,083,054,707**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	886,883,563	(618,327,713)	**268,555,850**	514,877,439	**246,321,589**	B6
VAT payable	16,552,084	55,192,331	**71,744,415**	-	**(71,744,415)**	
Consumer deposits	2,514,473	-	**2,514,473**	2,514,854	**381**	
Unspent conditional grants and receipts	-	-	**-**	14,720,000	**14,720,000**	B7
Provisions	66,373,450	2,466,188	**68,839,638**	75,496,107	**6,656,469**	
	972,323,570	**(560,669,194)**	**411,654,376**	**607,608,400**	**195,954,024**	
Non-Current Liabilities						
Provisions	106,897,063	(3,655,125)	**103,241,938**	108,377,720	**5,135,782**	
Total Liabilities	**1,079,220,633**	**(564,324,319)**	**514,896,314**	**715,986,120**	**201,089,806**	
Net Assets	**6,194,782,040**	**(423,905,861)**	**5,770,876,179**	**6,652,841,080**	**881,964,901**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	6,194,782,040	(423,905,861)	**5,770,876,179**	6,757,425,925	**986,549,746**	

Variance Explanations

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
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	315,231,000	214,053,000	**529,284,000**	391,883,725	**(137,400,275)**	C1
Grants	1,629,374,000	(457,000)	**1,628,917,000**	1,623,226,512	**(5,690,488)**	
Interest income	31,459,000	(11,499,000)	**19,960,000**	21,709,972	**1,749,972**	
	1,976,064,000	**202,097,000**	**2,178,161,000**	**2,036,820,209**	**(141,340,791)**	
Payments						
Employee costs and suppliers	(1,304,116,000)	(10,617,000)	**(1,314,733,000)**	(1,317,634,738)	**(2,901,738)**	
Finance costs	(770,000)	(9,730,000)	**(10,500,000)**	(3,902,381)	**6,597,619**	
	(1,304,886,000)	**(20,347,000)**	**(1,325,233,000)**	**(1,321,537,119)**	**3,695,881**	
Net cash flows from operating activities	**671,178,000**	**181,750,000**	**852,928,000**	**715,283,090**	**(137,644,910)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(773,585,000)	(120,428,000)	**(894,013,000)**	(773,247,814)	**120,765,186**	
Net increase/(decrease) in cash and cash equivalents	(102,407,000)	61,322,000	**(41,085,000)**	(57,964,724)	**(16,879,724)**	
Cash and cash equivalents at the beginning of the year	366,673,000	(160,198,000)	**206,475,000**	206,591,710	**116,710**	
Cash and cash equivalents at the end of the year	**264,266,000**	**(98,876,000)**	**165,390,000**	**148,626,986**	**(16,763,014)**	
Reconciliation						

1.5 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (continued)

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. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

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.

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. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. 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 goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

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 9 - Provisions.

Contingent provisions on entity combinations

Contingencies recognised in the current year required estimates and judgments, refer to note 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.

Effective interest rate

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

Allowance for doubtful debts

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

Accounting by principals and agent

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

Additional information is disclosed in Note 55.

1.5 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (continued)

Materiality

Applying materiality is pervasive to the preparation of financial statements. Materiality is a key consideration in deciding how to apply the Standards of GRAP when preparing the financial statements. Information is material if its omission or misstatement has the potential to influence the decisions of users or affect the discharge of accountability by the entity.

Applying materiality in the preparation of annual financial statements requires the entity to make key assessments and decisions. Key assessments and decisions made in considering materiality, are as follows:

- Identification of users and their information needs
- Assessing information based on nature and size, by developing qualitative considerations and quantitative thresholds
- Application of materiality in preparing the financial statements:
  - Developing accounting policies
  - Deciding what information to disclose
  - Deciding how to present information
  - Assessing ommissions, misstatements and errors

The assessments and decisions are considered throughout the financial reporting cycle, and not only when annual financial statements are prepared.

1.6 INVESTMENT PROPERTY

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

Cost model

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

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

Item	Useful life
Property - land	indefinite
Property - buildings	3-41 years

1.7 PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Infinite
Buildings	Straight-line	3 - 41 years
Transport assets	Straight-line	3 - 10 years
Infrastructure	Straight-line	2 - 100 years
Community	Straight-line	3 - 82 years
Computer equipment	Straight-line	2 - 10 years
Furniture and office equipment	Straight-line	1 - 12 years
Machinery and equipment	Straight-line	1 - 20 years
Temporary operational buildings	Straight-line	5 - 60 years
Library books	Straight-line	3-10 years
Domestic equipment	Straight-line	5-15 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 depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The 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.

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).

Significant Accounting Policies

1.8 INTANGIBLE ASSETS (continued)

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	4-6 years

The municipality discloses relevant information relating intangible , in the notes to the financial statements (see note 4).

1.9 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.

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

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

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

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

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an 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;

1.9 FINANCIAL INSTRUMENTS (continued)

- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchanges transactions	Financial asset measured at amortised cost
Receivables from non exchage transactions	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants	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:

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.

The entity recognises financial assets using trade date accounting.

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.

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

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

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

Significant Accounting Policies

1.9 FINANCIAL INSTRUMENTS (continued)

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.

1.9 FINANCIAL INSTRUMENTS (continued)

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

Presentation

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

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

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

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

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

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

1.10 STATUTORY RECEIVABLES

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

1.10 STATUTORY RECEIVABLES (continued)

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

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

1.11 LEASES

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.12 INVENTORIES

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

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

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

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

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

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

Significant Accounting Policies

1.14 CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

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.

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents.

1.15 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.

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

1.15 IMPAIRMENT OF CASH-GENERATING ASSETS (continued)

Composition of estimates of future cash flows

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

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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.

1.15 IMPAIRMENT OF CASH-GENERATING ASSETS (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.16 IMPAIRMENT OF NON-CASH-GENERATING ASSETS

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

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

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

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

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

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

Significant Accounting Policies

1.16 IMPAIRMENT OF NON-CASH-GENERATING ASSETS (continued)

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.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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.

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.

Significant Accounting Policies

1.17 EMPLOYEE BENEFITS

Identification

Employee benefits

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

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

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

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

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

Classification of plans

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

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

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

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

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

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

Net defined benefit liability (asset)

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

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

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

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

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

1.17 EMPLOYEE BENEFITS (continued)

Short-term employee benefits

Recognition and measurement

All short-term employee benefits

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

(a) As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.

(b) As an expense, unless another Standard of GRAP requires or permits the inclusion of the benefits in the cost of an asset.

Short-term paid absences

The entity recognises the expected cost of short-term employee benefits in the form of paid absences as follows:

(a) in the case of accumulating paid absences, when the employees render service that increases their entitlement to future paid absences; and

(b) in the case of non-accumulating paid absences, when the absences occur.

The entity measures the expected cost of accumulating paid absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

Bonus, incentive and performance related payments

The entity recognises the expected cost of bonus, incentive and performance related payments when, and only when:

(a) the entity has a present legal or constructive obligation to make such payments as a result of past events; and

(b) a reliable estimate of the obligation can be made. A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments.

Termination benefits

Recognition

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

Measurement

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

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

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

Significant Accounting Policies

1.18 PROVISIONS AND CONTINGENCIES (continued)

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

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

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

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

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

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

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

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.15 and 1.16.
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The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

Significant Accounting Policies

1.20 REVENUE FROM EXCHANGE TRANSACTIONS

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

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

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

Measurement

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

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

Sale of goods

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

Rendering of services

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

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

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

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, royalties and dividends

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.

1.21 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

1.21 REVENUE FROM NON-EXCHANGE TRANSACTIONS (continued)

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

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

Bequests

Bequests that satisfy the definition of an asset 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.

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

Concessionary loans received

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

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

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

1.22 BORROWING COSTS

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

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

Change in accounting policy due to amendments to GRAP 5 - Borrowing costs

The adoption of amendments to GRAP 5 - Borrowing costs resulted in a change in accounting policy during the current period. The effect of the change is that borrowing costs are now expensed when incurred, and this change is applied prospectively since . The effective date of the amendments was .

Borrowing costs, incurred both before and after the effective date of this amendment and related to qualifying assets for which the commencement date for capitalisation is prior to the effective date of this Standard, is recognised in accordance with the municipality's previous accounting policy.

1.23 ACCOUNTING BY PRINCIPALS AND AGENTS

Identification

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

Significant Accounting Policies

1.25 UNAUTHORISED EXPENDITURE (continued)

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

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

1.26 FRUITLESS AND WASTEFUL EXPENDITURE

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

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

1.27 IRREGULAR EXPENDITURE

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

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

1.28 SEGMENT INFORMATION

A segment is an activity of an entity:

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

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

Measurement

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

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

1.29 BUDGET INFORMATION

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

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

Significant Accounting Policies

1.32 EXPENDITURE

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners. Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting, expenses are recognised when incurred, usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. 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. Expenses include write downs of inventory and decreases in fair values of financial instruments classified as held at fair value. Losses on the disposal of non-current assets are reported separately from expenses in the Statement of Financial Performance . Major expense items disclosed in the Statement of Financial Performance include; 1. Contracted services – caters for all the external services and is further categorised into outsourced,consultants,professional services and contractors. Repairs and maintanace is also part of contracted services. Outsourced services - the municipality should have capacity to carry out the function but choose to enlist the services of an external service provider. Consultant & professional services - refers to specialist services and skills provided.These skills are unnecessary to mantain inhouse and are required on a once off or temporary basis. Contractors - provides services that are not the core business of the municipality. 2. Transfers and grants which relate to expenditure pertaining to free basic services, donations to the community, electrification of the townships, bursaries and general expenses constitute several expense items which are not individually significant. 3.Write downs of inventory and decreases in fair values of financial instruments classified as held at fair value. 4. Losses on the disposal of non-current asssets are reported separately from expenses in the Statement of Financial Performance.
An expense is recognised in the municipality's Statement of Financial Performance when, and only when, the following criteria satisfied:
a)The cost or value may involve estimation. Where an item possesses the essential characteristics of an expense but fails to meet the criteria for recognition it is disclosed in the note. Where an outflow of economic benefits does not result in future benefits, it is disclosed as fruitless and wasteful expenditure. The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense. Where future economic benefits are consumed immediately or soon after acquisition, for example, repairs and maintenance expenditure, bulk purchases and general expenses, the expense is recognised in the reporting period in which the acquisition of the future economic benefit occurs. Where future economic benefits are expected to be consumed over several reporting periods e.g. non-current assets, expenses (depreciation) is allocated systematically to the reporting period during which the future economic benefits are expected to be consumed; where expenditure produces no future economic benefits e.g. fines paid, an expense is recognised immediately; and where a liability is incurred without the recognition of an asset an expense is recognised simultaneously with the recognition of the liability.

1.33 VALUE ADDED TAX

The municipality accounts for VAT on an acrual basis and is liable for VAT on a payment basis in accordance with section 15(2)(a) of the VAT Act (Act No 89 of 1991) .The municipality is liable to account for VAT at the standard rate (14%) and (15% from 1 April 2018 as annouced by the minister of Finance) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes.The municipality accounts for VAT on a monthly basis.

Notes to the Annual Financial Statements for the year ending 30 June 2024

Figures in Rand

3. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	63,680,945	-	63,680,945	63,680,945	-	63,680,945
Buildings	108,067,507	(43,768,620)	64,298,887	103,084,612	(41,557,366)	61,527,246
Machinery equipment	28,377,183	(12,774,873)	15,602,310	16,925,306	(12,287,073)	4,638,233
Furniture and office equipment	26,570,363	(18,432,452)	8,137,911	26,645,909	(17,599,307)	9,046,602
Transport Assets	173,218,776	(89,505,027)	83,713,749	170,414,831	(68,892,822)	101,522,009
Domestic equipment	7,040,920	(1,794,212)	5,246,708	3,960,760	(1,242,417)	2,718,343
Computer equipment	16,793,629	(9,606,301)	7,187,328	19,371,348	(10,092,316)	9,279,032
Infrastructure	5,609,314,485	(913,826,253)	4,695,488,232	4,982,390,139	(797,884,317)	4,184,505,822
Community	291,592,094	(102,800,847)	188,791,247	261,208,684	(94,422,273)	166,786,411
Temporary buildings	912,186	(576,611)	335,575	912,186	(494,558)	417,628
Work in progress (WIP)	954,311,321	-	954,311,321	780,149,937	-	780,149,937
Library books	7,582,830	(6,085,079)	1,497,751	7,582,830	(5,820,045)	1,762,785
Total	**7,287,462,239**	**(1,199,170,275)**	**6,088,291,964**	**6,436,327,487**	**(1,050,292,494)**	**5,386,034,993**

Notes to the Annual Financial Statements for the year ending 30 June 2024

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2023

	Opening balance	Additions	Additions through donations	Disposals	Transfers	Other changes, movements	Depreciation	Impairment reversal	Total
Land	63,680,945	-	-	-	-	-	-	-	63,680,945
Buildings	64,094,777	143,150	-	-	-	-	(2,710,681)	-	61,527,246
Machinery and Equipment	5,188,512	140,550	-	(186,244)	-	-	(512,161)	7,576	4,638,233
Furniture and Office equipment	9,399,123	2,866,234	-	(880,356)	-	-	(2,340,703)	2,304	9,046,602
Transport assets	69,737,112	50,820,766	-	(787,540)	-	-	(18,248,329)	-	101,522,009
Domestic equipment	3,114,419	-	-	-	-	-	(396,076)	-	2,718,343
Computer equipment	5,770,064	4,858,007	-	(309,433)	1,413,211	-	(2,453,739)	922	9,279,032
Infrastructure	4,000,250,916	62,967,727	9,945,360	(8,200,805)	240,357,147	798,898	(121,338,564)	(274,857)	4,184,505,822
Community	174,577,079	29,500	-	-	29,500	-	(7,849,668)	-	166,786,411
Temporary operational buildings	349,059	139,500	-	(8,884)	-	-	(62,047)	-	417,628
Work in progress (WIP)	405,022,634	615,513,950	-	-	(240,386,647)	-	-	-	780,149,937
Library books	1,726,301	364,983	-	(83,331)	-	-	(245,168)	-	1,762,785
WIP-Security upgrades	1,149,376	263,835	-	-	(1,413,211)	-	-	-	-
Assets under investigations	798,898	-	-	-	-	(798,898)	-	-	-
	4,804,859,215	**738,108,202**	**9,945,360**	**(10,456,593)**	**-**	**-**	**(156,157,136)**	**(264,055)**	**5,386,034,993**

Pledged as security

There were no PPE carrying value of assets pledged as security:

Notes to the Annual Financial Statements for the year ending 30 June 2024

Figures in Rand

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	6,629,370	(6,605,041)	24,329	6,629,370	(6,373,885)	255,485

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software	255,485	(231,156)	24,329

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software	616,957	(361,472)	255,485

	2024	2023

9. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Actuarial gains/loss	Total
Environmental rehabilitation	69,420,939	(1,369,394)	-	7,408,325	-	75,459,870
Leave provision	63,093,594	6,656,469	-	-	-	69,750,063
Long service awards	39,567,043	3,213,265	(6,685,352)	3,900,543	(1,331,605)	38,663,894
	172,081,576	**8,500,340**	**(6,685,352)**	**11,308,868**	**(1,331,605)**	**183,873,827**

Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Actuarial gains/loss	Total
Environmental rehabilitation	69,868,673	(6,986,393)	-	6,538,659	-	69,420,939
Leave provision	60,627,406	2,466,188	-	-	-	63,093,594
Long service awards	37,028,390	3,184,246	(2,341,577)	3,864,188	(2,168,204)	39,567,043
	167,524,469	**(1,335,959)**	**(2,341,577)**	**10,402,847**	**(2,168,204)**	**172,081,576**

	2024	2023
Non-current liabilities	108,377,720	103,241,938
Current liabilities	75,496,107	68,839,638
	183,873,827	**172,081,576**

Environmental rehabilitation provision

The municipality has an obligation to rehabilitate the landfill sites in the Bushbuckridge municipal area. The environmental rehabilitaion provision represents the estimated costs to rehabilitate and close existing waste landfill sites.The provision is recognised at the present value of the expenditure expected to settle the obligation.It is carried at the armotised cost. The rehabilitaion cost were determined by Environmental & Sustainability Solutions CC.The general landfill closure cost model (GLCCM) was used to estimate the final rehabilitation and closure costs for the general landfills.

Key assumptions		
CPI	5,244%	6,1716%
Discount rate	10,244%	9,358%
Net effective discount rate	5%	2,75%
	-	-

Leave provision

Leave provision consist of an obligation to pay out the annual leave days in the year the employment status of the employee changes due to various reasons. The obligation presents a liability to the employer and the value is represnted by the present value of the total number of days the employee would have termination date that is expected to become payable under ther municipality's current policy.The calculation for the leave provision is as follows;
Total annual Leave days capped at 48 days/250 x Current basic salary x 12.

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Long service awards

Notes to the Annual Financial Statements for the year ending 30 June 2024

	2024	2023

12. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Determination of transaction amount

Rates - Rates amounts are determined in terms of section 11 of the MPR Act and the approved rates policy of the municipality.

Fines - All fines are governed by the specific regulation which is applicable to the offence.

Interest or other charges levied/charged

Rates - Interest is charged on past due balances at the **prime interest rate**

Fines - No interest or other charges are charged on outstanding fines.

No discount rate is applied on the above-mentioned statutory receivables to estimate future cash flows

Statutory receivables impaired

Rates - Payment percentage of receivables is used to assess whether the receivable is impaired. Refer to note 12 for more detail on the impairment provision and ageing of statutory receivables past due not impaired.

Fines - Payment percentage of fines is used to assess whether fines are impaired. Refer to note 12 for more detail on the impairment provision and ageing of statutory receivables past due not impaired.

Reconciliation of provision for impairment for statutory receivables

	2024	2023
Opening balance	(1,216,140,924)	(1,044,180,758)
Contribution to impairment	(101,836,717)	(171,960,166)
	(1,317,977,641)	**(1,216,140,924)**

	2024	2023
Fines		
Gross balances	11,851,954	9,167,239
Impairment	(4,390,592)	(3,018,346)
Balance	7,133,612	6,148,892
Property Rates		
Current (0-30 days)	1,621,752	7,302,180
31-60 days	11,356,800	6,912,693
60-90 days	5,648,304	7,610,800
90-120 days	5,862,903	7,440,391
121-365 days	138,585,275	14,847,521
>365 days	287,820,701	402,502,911
	450,895,735	**446,616,496**

13. VAT receivable

	2024	2023
VAT	52,292,423	83,550,589
VAT		
VAT receivable	14,723,979	70,129,485
VAT Output	(21,779,198)	(21,541,754)
VAT Input	59,347,643	34,962,857
	52,292,424	**83,550,588**

Notes to the Annual Financial Statements for the year ending 30 June 2024

14. Receivables from Exchange transactions (continued)

	2024	2023
Rental		
Current (0 -30 days)	50,036	-
31 - 60 days	24,617	-
61 - 90 days	26,810	-
91 - 120 days	24,364	-
121 - 365 days	21,916	-
> 365 days	2,913,210	2,935,760
	3,060,953	**2,935,760**
Waste		
Current (0 -30 days)	237,305	307,213
31 - 60 days	556,746	325,895
61 - 90 days	281,739	316,299
91 - 120 days	297,150	315,515
121 - 365 days	297,992	314,556
> 365 days	23,310,483	24,407,170
	24,981,415	**25,986,648**
Interest		
Current (0 -30 days)	929,895	1,532,801
31 - 60 days	946,678	1,513,093
61 - 90 days	932,156	1,441,356
91 - 120 days	905,629	1,416,244
121 - 365 days	911,996	1,351,872
> 365 days	47,677,624	14,507,249
	52,303,978	**21,762,615**
Service charges		
Current (0 -30 days)	102,075	1,511,916
31 - 60 days	119,395	241,093
61 - 90 days	60,168	487,426
91 - 120 days	18,113	37,631
121 - 365 days	1,170	37,377
> 365days	1,865,337	2,389,759
	2,166,258	**4,705,202**

Notes to the Annual Financial Statements for the year ending 30 June 2024

	2024	2023

15. Cash and cash equivalents

Cash and cash equivalents consist of:

	2024	2023
Bank balances	103,600,664	185,011,915
Call account balances	44,910,493	21,462,932
Cash on hand	115,827	116,863
	148,626,984	**206,591,710**

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2024	Bank statement balances 30 June 2023	Bank statement balances 30 June 2022	Cash book balances 30 June 2024	Cash book balances 30 June 2023	Cash book balances 30 June 2022
FNB Bank IA09591	20,368,198	2,845,056	15,137,251	20,368,198	2,845,056	15,137,251
FNB Bank IA09538	26,313,737	18,736,670	38,358,336	26,313,737	18,736,670	38,358,336
FNB Bank IA09494	117,389	2,726,262	1,063,656	117,389	2,726,262	1,063,656
FNB Bank IA09538	3,705,086	2,915,437	1,073,741	3,705,086	2,915,437	1,073,741
Standard Bank IA09518	79,527,381	179,251,421	287,743,702	79,527,381	179,251,421	287,743,702
FNB Bank IA09498	2,103,594	-	-	2,103,594	-	-
FNB Bank IA09542	16,375,773	-	-	16,375,773	-	-
Total	**148,511,158**	**206,474,846**	**343,376,686**	**148,511,158**	**206,474,846**	**343,376,686**

16. Service charges

	2024	2023
Sale of water	112,783,749	105,024,772
Waste management	9,479,140	9,071,318
Waste water management	4,906,660	4,520,421
	127,169,549	**118,616,511**

These service charges are billed as per the Council Approved tariffs.

17. Rental of facilities and equipment

	2024	2023
Premises		
Premises	1,152,729	1,021,992
Facilities and equipment		
Rental of equipment	47,519	44,498
	1,200,248	**1,066,490**

Muncipal premises and equipment are rented out to earn income.

18. Interest received

	2024	2023
Interest from positive bank account balances		
Interest received	21,709,972	18,636,744

19. Agency services

	2024	2023
Management Fees	15,821,137	14,814,487

20. Licences and permits

	2024	2023
Trading licenses	381,473	246,594

Notes to the Annual Financial Statements for the year ending 30 June 2024

	2024	2023

23. Property rates

Rates received

	2024	2023
Residential	50,885,286	48,226,414
Commercial	55,140,548	52,514,810
State	-	59,358,880
Industrial properties	1,784,160	1,699,200
Vacant land	24,190,226	23,051,283
Protected area	74,247,691	69,678,140
Agriculture	5,479,269	5,136,816
Public benefit organisations and public service infrastructure	245,117	203,109
Less: Income forgone	53,751,117	(7,320,663)
	265,723,414	**252,547,989**

Valuations

	2024	2023
Residential	4,298,750,800	4,298,000,800
Commercial	1,776,777,700	1,776,778,000
State	2,055,750,000	2,055,750,000
Municipal	61,730,100	61,730,100
Vacant land	632,805,020	633,155,020
Public benefit organisations	139,096,100	139,096,100
Public service infrastructure	19,961,270	19,961,270
Agriculture	1,714,056,000	1,715,152,000
Protected area	28,336,222,550	28,296,912,550
Protected area residential	874,305,000	870,805,000
Protected area business	1,898,555,000	1,858,815,000
	41,808,009,540	**41,726,155,840**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2019.Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The municipality applied for extension of the period of validity of the current valuation roll and supplementary valuation rolls to the MEC for Department of Co-operative Government and Traditional Affairs.The extension was granted in terms of section 32 (2) (b) (iii) of the Local Government Municipal Property Rates Act, 2004 for a period of 24 months from 1 July 2024 to 30 June 2026.

The new general valuation will be implemented on 01 July 2026.

24. Interest from non-exchange receivables

	2024	2023
Interest - property rates	138,329,791	108,643,281

Notes to the Annual Financial Statements for the year ending 30 June 2024

	2024	2023

25. Government grants & subsidies (continued)

Current-year receipts	3,243,000	5,219,000
Conditions met - transferred to revenue	(3,243,000)	(5,219,000)
	-	-

The purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with EPWP guidelines.

Neighbourhood Development Partnership Grant

Balance unspent at beginning of year	499,966	-
Current-year receipts	5,000,000	5,000,000
Conditions met - transferred to revenue	(5,499,966)	(4,500,034)
	-	**499,966**

The purpose of the grant is to fund, support and facilitate the planning and development of neighbourhood development programmes and projects that will be catalysts for further development in these areas.

Regional Bulk Infrastructure Grant

Current-year receipts	14,000,000	-
Conditions met - transferred to revenue	(14,000,000)	-
	-	-

The grant supports the development of new and/or refurbishment of water and wastewater infrastructure accross municipal boundaries.

Intergrated National Electrification Programme

Balance unspent at beginning of year	1,682,579	-
Current-year receipts	15,000,000	4,000,000
Conditions met - transferred to revenue	(16,682,579)	(2,317,421)
	-	**1,682,579**

The purpose of the grant is to implement the INEP by providing capital subsidies to municipalities to address electrification of occupied residential dwellings, and installation of bulk infrastructure and rehabilitaion and refurbishment of electricity infrastructure in order to improve quality of supply.

Municipal Disaster Grant

Balance unspent at beginning of year	43,100,000	-
Current-year receipts	14,720,000	43,100,000
Conditions met - transferred to revenue	(43,100,000)	-
	14,720,000	**43,100,000**

Conditions still to be met - remain liabilities (see note 8).

The grant provides funding for responding to and providing relief for the unforeseable and unavoidable disaster.

Water Service Infrastructure Grant

Balance unspent at beginning of year	3,486,632	-
Current-year receipts	50,000,000	55,000,000
Conditions met - transferred to revenue	(53,486,632)	(51,513,368)

Notes to the Annual Financial Statements for the year ending 30 June 2024

28. Employee related costs

	2024	2023
Basic	384,236,205	376,289,842
Bonus	41,990,776	39,110,527
Medical aid - company contributions	28,739,861	26,515,501
Unemployment Insurance Fund	2,431,666	2,491,510
Skills Development Levy	5,602,956	5,177,365
Leave pay provision charge	9,089,394	4,774,952
Defined contribution plans	74,201,694	72,187,652
Overtime payments	21,333,777	16,457,412
Acting allowances	10,440,164	6,915,393
Car allowance	33,167,982	26,172,978
Housing benefits and allowances	864,852	615,156
South African Local Government Association	143,387	139,255
Cellphone allowance	49,000	-
Standby allowance	50,814,856	43,230,176
Danger allowance	3,930,454	646,000
Shift Allowance	11,054,116	10,848,496
	678,091,140	**631,572,215**

Remuneration of Municipal Manager

	2024	2023
Annual Remuneration	1,107,210	906,859
Car Allowance	700,627	629,945
Performance Bonuses	52,596	95,178
Contributions to UIF, Medical and Pension Funds	49,860	7,311
Cellphone allowance	14,000	82,808
Reimbursement (KMs)	17,095	-
	1,941,388	**1,722,101**

Mr. J Ngobeni was the Municipal Manager for the year under review.

Remuneration of Chief Finance Officer

	2024	2023
Annual Remuneration	942,820	480,661
Car Allowance	591,289	510,272
Performance Bonuses	56,079	-
Contributions to UIF, Medical and Pension Funds	16,845	8,541
Acting allowance	-	60,187
	1,607,033	**1,059,661**

Ms. TM Mathabatha was the Chief Financial Officer for the year under review.

Remuneration of Technical Services Director

	2024	2023
Annual Remuneration	1,052,869	877,453
Car Allowance	503,416	510,272
Performance Bonuses	40,301	-
Contributions to UIF, Medical and Pension Funds	207,079	8,541
Annual bonus	87,315	-
Housing subsidy	12,797	-
Acting allowance	104,183	60,187
	2,007,960	**1,456,453**

Mr. M Makhavhu was the Acting Technical Services Director from September 2023 to date.

	2024	2023

29. Remuneration of councillors (continued)

In-kind benefits

The Executive Mayor, Speaker 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 Cllr CS Nxumalo resigned from her position on the 27th of June 2024. The municipality appointed an Acting Executive Mayor Cllr P. Sambo until the Council elected Cllr. ML Moroane as the Executive Mayor on 16 July 2024.

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

The Executive Mayor has a full-time bodyguards and a driver.

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

30. Depreciation and amortisation

	2024	2023
Property, plant and equipment	179,680,214	156,200,489
Investment property	625,365	627,094
Intangible assets	231,156	361,472
	180,536,735	**157,189,055**

31. Finance costs

	2024	2023
Trade and other payables	4,129,749	1,259,830
Long service awards	3,902,381	3,864,188
Landfill site	7,408,325	6,538,659
	15,440,455	**11,662,677**

32. Debt impairment

	2024	2023
Debt impairment	215,256,369	319,595,831
Traffic fines	1,372,245	559,496
	216,628,614	**320,155,327**

33. Bad debts written off

	2024	2023
Bad debts written off	59,161	96,875

34. Contracted services

	2024	2023
Outsourced Services		
Catering Services	4,753,059	3,379,434
Security Services	96,916,738	77,737,114
Traffic Fines Management	1,641,992	2,588,654
Electricity	7,395,373	5,085,994
Maintenance materials	2,218,264	6,444,131
Consultants and Professional Services		
Business and Advisory	45,379,275	21,041,848
Infrastructure and Planning	11,403,860	20,524,890
Water chemicals, laboratory and plant maintenance	28,140,434	9,798,283
Legal Cost	13,432,351	12,971,933

Notes to the Annual Financial Statements for the year ending 30 June 2024

	2024	2023

37. Gains/loss disposal of Assets

Gain or loss on disposal of assets and liabilities	(37,048,688)	(11,009,110)

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38. Actuarial gains/losses

Defined benefit plans - General information

Actuarial gains and losses

Actuarial gains/losses	1,331,605	2,168,204

Defined contribution plans

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

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

39. Gains or losses on provisions

Change in landfill closure provision	1,369,394	6,986,393

Composition of the change in provision could be associated with the following potential contributing factors;

- Change in CPI
- Change in discount rate
- Change in unit costs
- Change in management practices
- Addition of new landfill

40. Impairment loss

Impairments		
Property, plant and equipment	4,684,045	264,055

41. Auditors' remuneration

Fees	10,602,292	11,133,648

42. Operating lease

Operating lease payments represents rentals payable by the Municipality for certain office equipments(Multifunction photocopier machines). Operational lease entered with Print IT Solution are negotiated for an average term of three years and rental amount is locked at 0% additional increase for 36 Months. Print IT Solution supplied fifty photocopying machines to the Municipality for a period of 36 Months and is fully responsible for the maintenance of the photocopying machines. The contract commenced on the 1st of February 2023.

Minimum lease payments due		
-within one year	5,322,788	5,322,788
-in second to fifth year inclusive	3,104,960	8,427,748
	8,427,748	**13,750,536**

Notes to the Annual Financial Statements for the year ending 30 June 2024

	2024	2023

45. Contingencies

Contigencies arsing from pending litigation on contractual disputes and claims for damages.

Litigation is in the process against the municipality relating to several contractual disputes and claims for damages. As the conclusion of the process is dependent on the setting of dates by the respective courts, timing of the economic outflow is therefore uncertain. Amounts disclosed do not include legal fees. Details of the claims are listed below;

Contingent assets

Agency fees on DLTCs-The municipality is in the process of instituting consequence management in cases of alleged fraud in respcted to driver leaners testing centers where cash received was not banked.The municipal internal audit unit and the department of community safety carried out the investigations and the matter was reffered to the Disciplinary Body for advisory.The amounts invoved are are as follows;(2024) R11 032 023 and (2023) R9 884 296.

Payroll Debtors-The municipal employees were overpaid allowances on shift allowance, standby allowance and leave payout. The municiplity is of the view that the amounts are recoverable and processes will be followed to ensure conclusion .The overpayment amount is R6 471 132.

	2024	2023
Contigent assets		
Driver licence testing centres	11,032,023	9,884,296
Payroll debtors	6,471,132	6,471,132
	17,503,155	**16,355,428**

	2024	2023
Contigent Liabilities		
1. Izingwenya 210 investment CC & Juslo Security services - claim for services rendered. The matter was dismisssed with costs ,including those of two counsel on the 7th of August 2024. The municipality is not liable for the claims	3,101,915	3,101,915
2. Midas Chawane-a claim for damages suffered as a result of alleged negligence of the municipality in failing to mantain the damages surface of the road to Manyeleti	17,843	17,843
3. Judas Nkuna-vehicle accident between the plaintiff and the municipal drive	71,000	71,000
4. Tsebu brothers holdings-cancellation of the agreement for electrification of Makuvana Phase 2	4,050,157	4,050,157
5. Robert Themba -damages	-	200,000
6.Rand Water-disputed water balances	173,370,000	173,370,000
7. BB Siegl- a claim for alleged collision involving municipal car	-	43,072
8. NAD property income fund	23,525,000	23,525,000
	204,135,915	**204,378,987**

Notes to the Annual Financial Statements for the year ending 30 June 2024

	2024	2023

46. Related parties (continued)

Cllr BR Rakganya-Speaker	-	454,789	277,862	-	-	732,651
Cllr BW Malandule- Chief Whip	-	426,737	280,591	-	172	707,500
Cllr VN Mzimba -MMC Social Development	-	424,488	258,077	27,302	23,246	733,113
Cllr S Mathebula-MMC Corporate Services	-	426,737	259,435	36,292	23,184	745,648
Cllr TW Ngomane -MMC Finance	-	424,488	279,162	12,949	22,791	739,390
Cllr MP Gumede- MMC Sport ,Culture and Heritage	-	424,545	258,077	27,052	23,188	732,862
Cllr P Gubayi -MMC EDPE	-	424,593	279,162	56,017	5,692	765,464
Cllr PM Sambo-MMC Public Safety services	-	417,682	276,291	26,411	5,808	726,192
Cllr ML Lekhuleni-MPAC Chairperson	-	413,950	272,137	26,269	8,796	721,152
Councillors	24,561,506	-	-	-	-	24,561,506
	24,561,506	**4,405,146**	**2,792,166**	**212,292**	**112,877**	**32,083,987**

For full disclosures Refer to Note 29 "Remuneration of councillors"

Additional information

Councillors are remunerated according to the Remuneration of Public Office Bearers Act, Act 20 of 1998. As councillors have only collective executive powers for planning, directing and controllingthe activities of the municipality.Their remuneration is not disclosed individually, but in aggregate.The councillor positions and names are disclosed on the face of the annual financial statements and their remuneration as per Note 29 Remuneration of Councillors for the period in review. The Executive Mayor and the Speaker and Mayoral Committee Members have such individual executive powers as granted by their delegation and therefore, their remuneration is disclosed individually as per notes to the annual financial statements.. A full list of all councillors is disclosed "General information" .The salaries, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

Management class: Executive management

2024

47. Unauthorised expenditure

	2024	2023
Opening balance as previously reported	9,763,249	-
Add: Unauthorised expenditure - current	-	9,763,249
Less: Amount written off- (2022/23)	(9,763,249)	-
Closing balance	**-**	**9,763,249**

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

	2024	2023
Cash	-	9,763,249

Notes to the Annual Financial Statements for the year ending 30 June 2024

Figures in Rand

49. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Nature of fruitless and wasteful expenditure		
Auditor General	Interest on late payments	-	58,563
Eskom	Interest on late payments	284,444	213,257
SARS	Interest on late payments	-	955
Department of Water and Sanitation	Interest on late payments	234,059	195,089
Department of safety, security and liason	Interest on late payments	3,481,551	790,276
Department of Agriculture, land reform and rural development	reconncetion fee (deeds search)	257	486
Inkomathi-Usuthu Catchment Management Agency	interest on late payments	35,714	-
Impairment on terminated projects		3,439,198	-
Hlapane Attorney	Employee case against the municipality	93,723	-
		7,568,946	**1,258,626**

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50. Deviation from 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 by the Accounting Officer and noted by Council. The expenses incurred as listedhereunder have been approved and noted by the municipal council.

Incident		
Current year deviations	50,041,479	72,100,589

51. Prior-year adjustments

Property Plant and Equipment.

Buildings Assets - 1)During the preparation of the FAR, it was discovered that a cost incurred to bring the asset into condition intended by management was not capitalised to the cost of the asset as per Grap 17. The error was corrected retrospectively and the impact on prior year period..

Notes to the Annual Financial Statements for the year ending 30 June 2024

	2024	2023

51. Prior-year adjustments (continued)

The VAT Act allows municipalities and only those municipal entities that are supplying water, electricity, refuse removal and waste water services to register for VAT on the payment basis. Once payment for services rendered has been received will the municipality or municipal entity become liable to declare and pay VAT to SARS.

The VAT credit accrual account is used for all billing transactions where the amount owed to SARS is accrued to keep record of the VAT liability. When payment is received from debtors, the amount will be transferred from the VAT credit accrual (liability) to the VAT output account, and at the end of the tax period the amount received from the debtors' transactions and from any other VAT on cash received will be declared. The full amount is transferred from the VAT output account to the VAT control account.

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This process of transferring amounts to the different control accounts is utilised to ensure that the

municipality or municipal entity keeps track of VAT payable and what amount will remain as a liability until payment is received from the consumers.

Statement of financial position

2023

	Note	As previously reported	Correction of error	Restated
Receivables from Non Exchange transactions	12	751,210,138	30,890,555	782,100,693
Receivables from exchange transactions	14	291,120,677	(71,020,657)	220,100,020
Payables from exchange transactions	5	(273,755,850)	(2,362,166)	(276,118,016)
Property plant and equipment	3	5,409,005,783	(22,970,790)	5,386,034,993
Investment properties	2	144,045,581	(44,376,754)	99,668,827
VAT receivable	13	37,672,875	45,877,714	83,550,589
		6,359,299,204	**(63,962,098)**	**6,295,337,106**

Statement of financial performance

2023

	Note	As previously reported	Correction of error	Restated
Service charges	16	118,819,559	(203,048)	118,616,511
Property rates	23	251,708,461	839,528	252,547,989
Interest -non exchange	24	115,545,722	(6,902,441)	108,643,281
Employee cost	28	(631,851,901)	-	(631,851,901)
Remuneration of councillors	29	(31,804,302)	-	(31,804,302)
Loss on disposal of assets	37	(10,139,676)	(869,434)	(11,009,110)
Debt Impairment		(334,338,620)	14,183,293	(320,155,327)
		(522,060,757)	**7,047,898**	**(515,012,859)**

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2024	2023
Opening balance	(6,423,456)	-
Current year subscription / fee	6,802,634	-
Amount paid - current year	-	(6,423,456)
Discount on early settlement	(340,146)	-
	39,032	**(6,423,456)**

Being SALGA memebership fees

	2024	2023

54. Segment information (continued)

Types of goods and/or services by segment

The following are the reportable segments of the municipality. These are reportable segments as well as the goods and or services for each segment as set out below:

Reportable segment	Goods and/or services
Executive and Council	Provides political leadership to the municipality for the generation of economic benefits and service potential
Budget and Treasury	Provides financial administration to the municipality for generation of economic benefits and service potential
Economic development planning and environment	Provides for waste management , town planning , local economic development and environment sustainability for the generation of economic benefits and service potential
Technical Services	Road transport,electricity , housing and building inspection, project management unit,waste water management and all infrastructure services to the municipality for the generation of economic benefits and service potential
Water services	Provides for production and distribution of water to the municipality for the geberation of economic benefits and service potential
Corporate services	Provides legal and administration management services including human capital and information and comunication technology to the muncipality for the generation of economic benefits and service potential
Municipal Managers Office	Provides for adminstration, leadership,performance monitoring,intergrated development plan,risk management and internal audit functions to the muncipality for the generation of economic benefits and service potential
Community Services	Provides social services, public safety,public spaces, libraries and indigents administration to the municipality for generation of economic benefits and service potential

Notes to the Annual Financial Statements for the year ending 30 June 2024

Figures in Rand

54. Segment information (continued)

	Budget and Treasury	Community Services	Corporate Services	Council Services	Economic development planning and environment	Municipal Manager	Technical Services	Water Services	Total
Expenditure									
Employee related costs	72,523,905	109,730,895	117,034,100	-	72,103,016	40,598,888	87,762,281	178,338,052	678,091,137
Remuneration of councillors	-	-	-	34,224,192	-	-	-	-	34,224,192
Depreciation and armotisation	23,843,273	8,723,783	5,460,859	-	625,365	-	2,354,557	139,528,896	180,536,733
Finance cost	15,440,454	-	-	-	-	-	-	-	15,440,454
Debt impairment	216,628,614	-	-	-	-	-	-	-	216,628,614
Contracted services	40,356,965	98,953,591	42,183,621	1,142,728	15,974,077	10,539,081	182,323,272	2,237,493	393,710,828
Transfer and subsidies	-	5,548,287	-	111,300	-	-	837,904	-	6,497,491
Waiver of debt	77,913,962	-	-	-	-	-	-	-	77,913,962
General expenses	37,247,463	10,448,689	68,838,588	3,079,778	16,188,052	4,573,251	44,118,074	15,857,853	200,351,748
Bad debts written off	59,161	-	-	-	-	-	-	-	59,161
Actuarial gains and loss	(1,331,605)	-	-	-	-	-	-	-	(1,331,605)
Impairment loss	4,684,045	-	-	-	-	-	-	-	4,684,045
Loss on disposal of assets and liabilities	15,330,103	21,718,585	-	-	-	-	-	-	37,048,688
Gains on provisions	-	-	(1,369,394)	-	-	-	-	-	(1,369,394)
Total segment expenditure	**502,696,340**	**255,123,830**	**232,147,774**	**38,557,998**	**104,890,510**	**55,711,220**	**317,396,088**	**335,962,294**	**1,842,486,054**
Total segmental surplus/(deficit)	**1,624,606,455**	**(236,344,684)**	**(189,047,774)**	**(38,557,998)**	**(104,868,532)**	**(55,711,220)**	**(297,470,509)**	**(262,975,663)**	**439,630,075**

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54. Segment information (continued)

Basis of accounting for transactions between reportable segments

Information about geographical areas

The municipality is a category B municipality and presidential nodal point located within Enhlanzeni District in the northeastern part of Mpumalanga province. It is the largest of the four municipalities that make up the district , accounting for a third of its geographical area. The municipal area provides a link to Lydenburg and other centers in the Lowveld, particularly Kruger National Park,Hoedspruit,Pilgrims Rest and Graskop. he municipality can be thereore be called thegateway to the major tourist attraction points in the Mpumalanga and eastern part of the Limpopo province.Management has as per the GRAP standards decided to report on Bushbuckridge as a single geographical area.Management is of the opinion that as per paragragh 32, the cost of developing geographical information would be excessive , secondly that due to the nature of the municipality , it would therefore not be in the interest of the users of the financial statements to develop geographical information for reporting.

55. Accounting by principals and agents

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

Details of the arrangment(s) is|are as follows:

The municipality acts as an agent on behalf of the Mpumalanga Department of Safety,Security and Liason for registrations,testing and licensung services.The municipality earns 20% agents fees and 100% on certain transanctions and remit the 80% to the principal which is the Mpumalanga Department of Safety,Security and Liason. efer Note 19 for the agency fees earned by the municipality.

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is 2024 R41,339,931 (2023:R42,084,182).

Additional information

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Reconciliation of the carrying amount of payables

	2024	2023
Payables		
Opening balance	28,228,762	7,809,005
Amounts received on behalf of principal	41,339,931	42,084,182
Interest charged by the principal	3,739,713	-
Amounts paid to the principal	(18,652,819)	(21,664,425)
	54,655,587	**28,228,762**
All categories		
Opening balance	28,228,762	7,809,005
Amounts received on behalf of principal	41,339,931	42,084,182
Amount paid to the principal	3,739,713	-
Amount paid to the principal	(18,652,819)	(21,664,425)
	54,655,587	**28,228,762**

	2024	2023

58. Risk management (continued)

Credit risk

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.

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial assets /(liabilities) exposed to credit risk at year end were as follows:

Financial instrument	2024	2023
Cash and cash equivalents	148,626,983	206,591,710
Receivables from exchange transactions	282,032,323	217,437,455
Receivable from non exchange transactions	8,572,191	8,078,517
Payable from exchange transactions	(487,203,989)	(251,316,676)

Market risk

Described as follows;

Market risk is the risk that changes in the market process such as interest rates affect the municipality income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on the risk. Market risk comprises interest risk ,currency risk and other price risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cashflows of a financial intrument will flactuate because of changes in the market interest rates. Currently the municipality does not have any long term borrowing. The interest risk is managed through the implmentation of the credit control policy by the revenue unit and applying a prime interest rate. There were no changes on the policy and the method in use.