EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

General Information

Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998).
Jurisdiction	Emthanjeni Municipality is a Local Municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)
Mayoral committee	
Executive Mayor	G.L. Nkumbi
Councillors	MN Mackay M. Mvenya F.C.S. Swanepoel S.W. Makhandula (Resigned in 2024) J.T. Brandt G.K. Engelbrencht L.E. Andrews J.M. Fortuin P.P. Mhauli P.N. Bushula R. Smith B. Swanepoel R.H. Adams- Beukes M.S.T. Booysen M.C. Kivedo G.L. Nkumbi
Speaker	M.C. Kivedo
Chief Finance Officer (CFO)	SN Jordan (Acting)
Accounting Officer	D.H. Molaole
Registered office	45 Dr. Pixley-ka-Seme Drive De Aar 7000
Postal address	P.O.Box 42 De Aar 7000
Bankers	ABSA Bank Limited
Auditors	Auditor-General of South Africa
Attorneys	Joseph & Van Rensburg Attorneys Lanham- Love Galbraith-Van Reenen

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements haveset out on page 86, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024 and were signed on its behalf by:

D.H. Molaole
Accounting Officer

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	3	24,476,051	25,516,538
Receivables from non-exchange transactions	4	41,960,137	24,608,223
Taxes	5	-	27,177,722
Receivables from Exchange Transactions	6	156,322,393	19,579,365
Cash and cash equivalents	7	26,236,800	28,141,098
		248,995,381	**125,022,946**
Non-Current Assets			
Investment property	8	8,767,885	8,767,885
Property, plant and equipment	9	788,529,152	794,408,214
Intangible assets	10	16,912	20,582
Heritage assets	11	6,833,773	6,833,773
Investments	12	42,149	36,358
		804,189,871	**810,066,812**
Total Assets		**1,053,185,252**	**935,089,758**
Liabilities			
Current Liabilities			
Borrowings	13	2,434,249	1,046,232
Payables from exchange transactions	14	338,729,680	223,330,722
Payables from non-exchange	15	11,577,786	11,577,785
VAT payable	16	13,177,722	-
Consumer deposits	17	3,026,958	2,928,191
Employee benefit obligation	18	14,506,919	13,058,372
Unspent conditional grants and receipts	19	9,442,122	7,721,422
		392,895,436	**259,662,724**
Non-Current Liabilities			
Borrowings	13	5,801,986	2,051,838
Employee benefit obligation	18	23,285,001	22,609,001
Provisions	20	84,476,496	83,786,528
		113,563,483	**108,447,367**
Total Liabilities		**506,458,919**	**368,110,091**
Net Assets		**546,726,333**	**566,979,667**
Capital Replacement	21	2,252,793	2,252,793
Accumulated surplus		544,473,541	564,726,870
Total Net Assets		**546,726,334**	**566,979,663**

* See Note 49

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	23	186,300,477	166,854,719
Operational revenue	24	1,187,613	2,038,156
Rental of facilities and equipment	25	655,596	1,557,874
Interest Earned - Exchange Transactions	26	11,889,797	6,968,819
Licences and permits	28	455,427	400,134
Interest Earned - External Investments	27	3,727,148	2,706,597
Total revenue from exchange transactions		**204,216,058**	**180,526,299**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	32	46,150,045	44,921,419
Interest earned from non-exchange	29	5,540,671	7,812,568
Transfer revenue			
Government grants & subsidies	33	97,520,932	80,355,395
Fines, Penalties and Forfeits	30	408,200	691,646
Provincial Service-in-kind	34	963,714	474,505
Total revenue from non-exchange transactions		**150,583,562**	**134,255,533**
Total revenue	22	**354,799,620**	**314,781,832**
Expenditure			
Employee related costs	35	(105,386,207)	(96,291,071)
Remuneration of councillors	36	(5,720,012)	(5,855,587)
Depreciation and amortisation	37	(53,756,898)	(53,619,095)
Finance costs	38	(20,365,754)	(22,766,959)
Fines written off	39	-	(7,508,954)
Bulk purchases	40	(94,084,280)	(76,843,125)
Contracted services	41	(20,801,183)	(14,354,256)
Inventory Consumed	3.1	(11,640,903)	(4,553,702)
General Expenses	42	(25,434,389)	(33,040,897)
Total expenditure		**(337,189,626)**	**(314,833,646)**
Operating surplus (deficit)		**17,609,994**	**(51,814)**
Gains/(Loss) on Sale of Fixed Assets		-	(125,500)
Fair value adjustments	64	5,791	4,480
Actuarial gains/losses	18	877,000	2,936,759
Reversal of Impairment Loss/(Impairment Loss) on Receivables	31	(39,755,252)	(126,288,150)
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value		-	12,879
		(38,872,461)	**(123,459,532)**
Deficit for the year		**(21,262,467)**	**(123,511,346)**

The accounting policies on pages 95 to 126 and the notes on pages 127 to 189 form an integral part of the annual financial statements.

* See Note 49

Statement of Changes in Net Assets

Figures in Rand	Capital Replacement	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2022	**2,252,793**	**688,238,216**	**690,491,009**
Changes in net assets			
Surplus for the year	-	(123,511,346)	(123,511,346)
Total changes	-	(123,511,346)	(123,511,346)
Restated* Balance at 01 July 2023	**2,252,793**	**565,736,008**	**567,988,801**
Changes in net assets			
Surplus for the year	-	(21,262,467)	(21,262,467)
Total changes	-	(21,262,467)	(21,262,467)
Balance at 30 June 2024	**2,252,793**	**544,473,541**	**546,726,334**
Note(s)	21		

* See Note 49

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Taxes		40,355,444	(7,067,695)
Cash receipts from customers		39,657,003	147,763,679
Grants		99,241,632	73,063,000
Interest received from investments		3,727,148	2,706,597
Interest earned - outstanding debtors		17,430,468	14,781,386
		200,411,695	231,246,967
Payments			
Suppliers		(37,237,861)	(95,437,585)
Employee Costs		(105,466,996)	(87,363,617)
Finance costs		(23,481,401)	(12,550,705)
Taxes		-	(7,067,695)
		(166,186,258)	(202,419,602)
Net cash flows from operating activities	44	**34,225,437**	**28,827,365**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	(41,267,898)	(19,215,025)
Purchase of intangible assets	10	-	(11,415)
Net cash flows from investing activities		**(41,267,898)**	**(19,226,440)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		5,138,165	1,508,370
Repayment of borrowings		-	(186,937)
Net cash flows from financing activities		**5,138,165**	**1,321,433**
Net increase/(decrease) in cash and cash equivalents		**(1,904,296)**	**10,922,358**
Cash and cash equivalents at the beginning of the year		28,141,098	7,896,708
Restatement of prior year Cash and cash equivalents		-	9,322,032
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	**26,236,802**	**28,141,098**

* See Note 49

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	189,830,000	(3,532,000)	**186,298,000**	186,300,477	**2,477**	Note 59
Operational revenue	1,457,000	24,000	**1,481,000**	-	**(1,481,000)**	Note 59
Royalty income	1,156,300	24,008	**1,180,308**	1,187,613	**7,305**	
Rental of facilities and equipment	525,000	-	**525,000**	655,596	**130,596**	Note 59
Interest received exchange	3,562,000	481,000	**4,043,000**	11,889,797	**7,846,797**	Note 59
Licences and permits	1,638,000	-	**1,638,000**	455,427	**(1,182,573)**	Note 59
Interest received - investment	1,520,000	-	**1,520,000**	3,727,148	**2,207,148**	Note 59
Total revenue from exchange transactions	**199,688,300**	**(3,002,992)**	**196,685,308**	**204,216,058**	**7,530,750**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	44,419,000	-	**44,419,000**	46,150,045	**1,731,045**	Note 59
Surcharges and Taxes	-	3,393,000	**3,393,000**	-	**(3,393,000)**	Note 59
Interest, Dividends and Rent on Land	-	450,000	**450,000**	5,540,671	**5,090,671**	
Transfer revenue						
Government grants & subsidies	102,806,000	(643,000)	**102,163,000**	97,520,932	**(4,642,068)**	Note 59
Fines, Penalties and Forfeits	189,000	(75,000)	**114,000**	408,200	**294,200**	Note 59
Interest - non exchange	450,000	-	**450,000**	-	**(450,000)**	Note 59
Provincial Service In Kind	-	-	**-**	963,714	**963,714**	Note 59
Total revenue from non-exchange transactions	**147,864,000**	**3,125,000**	**150,989,000**	**150,583,562**	**(405,438)**	
Total revenue	**347,552,300**	**122,008**	**347,674,308**	**354,799,620**	**7,125,312**	
Expenditure						
Employee related costs	(110,816,000)	(110,000)	**(110,926,000)**	(105,386,207)	**5,539,793**	Note 59
Remuneration of councillors	(5,675,000)	-	**(5,675,000)**	(5,720,012)	**(45,012)**	Note 59
Depreciation and amortisation	(218,000)	(20,690,000)	**(20,908,000)**	(53,756,898)	**(32,848,898)**	Note 59
Impairment loss/ Reversal of impairments	-	(156,124,000)	**(156,124,000)**	(39,755,252)	**116,368,748**	Note 59
Finance costs	(1,845,000)	971,000	**(874,000)**	(20,365,754)	**(19,491,754)**	Note 59
Bad debts written off	(13,017,000)	-	**(13,017,000)**	-	**13,017,000**	Note 59
Bulk purchases	(94,068,000)	-	**(94,068,000)**	(94,084,280)	**(16,280)**	Note 59
Contracted Services	(22,668,000)	(2,239,000)	**(24,907,000)**	(20,801,183)	**4,105,817**	Note 59
Inventory consumed	(62,142,000)	(7,493,000)	**(69,635,000)**	(11,640,903)	**57,994,097**	Note 59
General Expenses	(23,365,000)	(8,490,000)	**(31,855,000)**	(25,434,389)	**6,420,611**	Note 59
Total expenditure	**(333,814,000)**	**(194,175,000)**	**(527,989,000)**	**(376,944,878)**	**151,044,122**	
Operating deficit	**13,738,300**	**(194,052,992)**	**(180,314,692)**	**(22,145,258)**	**158,169,434**	
Gain on disposal of assets and liabilities	4,112,000	(8,346,000)	**(4,234,000)**	-	**4,234,000**	Note 59
Fair value adjustments	-	-	**-**	5,791	**5,791**	Note 59
Actuarial gains/losses	-	-	**-**	877,000	**877,000**	Note 59

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Other gains	4,293,000	(339,000)	**3,954,000**	-	**(3,954,000)**	Note 59
	8,405,000	**(8,685,000)**	**(280,000)**	**882,791**	**1,162,791**	
Surplus	**22,143,300**	**(202,737,992)**	**(180,594,692)**	**(21,262,467)**	**159,332,225**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**22,143,300**	**(202,737,992)**	**(180,594,692)**	**(21,262,467)**	**159,332,225**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	66,004,341	7,738,102	**73,742,443**	24,476,051	**(49,266,392)**	Note 59
Operating lease asset	-	1,959	**1,959**	-	**(1,959)**	Note 59
Receivables from non-exchange transactions	1,372,760	(954,220)	**418,540**	41,960,137	**41,541,597**	Note 59
VAT receivable	46,031,902	17,576,456	**63,608,358**	27,177,722	**(36,430,636)**	Note 59
Receivables from non-exchange transactions	74,444,905	1,144,186,831	**1,218,631,736**	156,322,393	**(1,062,309,343)**	Note 59
Other current assets	-	917,700,868	**917,700,868**	-	**(917,700,868)**	Note 59
Cash and cash equivalents	(83,916,089)	(51,817,376)	**(135,733,465)**	26,236,800	**161,970,265**	Note 59
	103,937,819	**2,034,432,620**	**2,138,370,439**	**276,173,103**	**(1,862,197,336)**	
Non-Current Assets						
Investment property	-	5,280,989	**5,280,989**	8,767,885	**3,486,896**	Note 59
Property, plant and equipment	2,484,418,474	1,362,985,219	**3,847,403,693**	788,529,152	**(3,058,874,541)**	Note 59
Intangible assets	-	139,650,318	**139,650,318**	16,912	**(139,633,406)**	Note 59
Heritage assets	-	-	**-**	6,833,773	**6,833,773**	Note 59
Investments	-	-	**-**	42,149	**42,149**	Note 59
	2,484,418,474	**1,507,916,526**	**3,992,335,000**	**804,189,871**	**(3,188,145,129)**	
Total Assets	**2,588,356,293**	**3,542,349,146**	**6,130,705,439**	**1,080,362,974**	**(5,050,342,465)**	
Liabilities						
Current Liabilities						
Borrowings	-	(15,977,527)	**(15,977,527)**	2,434,249	**18,411,776**	Note 59
Payables from exchange transactions	(26,092,870)	(2,258,229,923)	**(2,284,322,793)**	338,729,680	**2,623,052,473**	Note 54
Payables from non exchange transactions	-	(29,474,729)	**(29,474,729)**	11,577,786	**41,052,515**	Note 54
VAT payable	(28,771,829)	(398,872,087)	**(427,643,916)**	-	**427,643,916**	Note 54
Consumer deposits	-	(849,459)	**(849,459)**	3,026,958	**3,876,417**	Note 54
Employee benefit obligation	-	-	**-**	14,506,919	**14,506,919**	Note 54
Unspent conditional grants and receipts	-	-	**-**	9,442,122	**9,442,122**	Note 54
Other current liabilities	-	(7,440,000)	**(7,440,000)**	-	**7,440,000**	Note 54
Bank overdraft	-	(1,464,964)	**(1,464,964)**	-	**1,464,964**	Note 54
	(54,864,699)	**(2,712,308,689)**	**(2,767,173,388)**	**379,717,714**	**3,146,891,102**	
Non-Current Liabilities						
Borrowings	-	(650,000)	**(650,000)**	5,801,986	**6,451,986**	Note 54
Employee benefit obligation	-	-	**-**	23,285,001	**23,285,001**	Note 54
Provisions	-	(54,755,529)	**(54,755,529)**	84,476,496	**139,232,025**	Note 54
Other non current liabilities	-	(22,688,241)	**(22,688,241)**	-	**22,688,241**	Note 54
	-	**(78,093,770)**	**(78,093,770)**	**113,563,483**	**191,657,253**	
Total Liabilities	**(54,864,699)**	**(2,790,402,459)**	**(2,845,267,158)**	**493,281,197**	**3,338,548,355**	
Net Assets	**2,643,220,992**	**6,332,751,605**	**8,975,972,597**	**587,081,777**	**(8,388,890,820)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Capital Replacement	-	-	-	2,252,793	**2,252,793**	
Reserves						
Accumulated surplus	2,643,220,992	6,332,751,605	**8,975,972,597**	544,473,541	**(8,431,499,056)**	
Total Net Assets	**2,643,220,992**	**6,332,751,605**	**8,975,972,597**	**546,726,334**	**(8,429,246,263)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	38,936,817	-	**38,936,817**	64,200,240	**25,263,423**	
Service charges	131,558,361	3,395,512	**134,953,873**	179,715,242	**44,761,369**	
Other revenue	4,103,429	(128,477)	**3,974,952**	2,801,498	**(1,173,454)**	
Interest income	1,520,000	-	**1,520,000**	21,157,616	**19,637,616**	
Taxes	-	-	-	40,355,444	**40,355,444**	
Transfers and Subsidies	102,806,000	(561,300)	**102,244,700**	99,241,632	**(3,003,068)**	
Movement in debtors with credit balances	-	-	-	(8,333,965)	**(8,333,965)**	
Movement in consumer deposits.	-	-	-	98,767	**98,767**	
Movement in receivables	-	-	-	(205,409,816)	**(205,409,816)**	
	278,924,607	**2,705,735**	**281,630,342**	**193,826,658**	**(87,803,684)**	
Payments						
Suppliers and employees	(327,652,718)	(53,351,780)	**(381,004,498)**	(136,119,822)	**244,884,676**	Note 54
Finance costs	(3,788,084)	2,914,421	**(873,663)**	(23,481,401)	**(22,607,738)**	Note 54
	(331,440,802)	**(50,437,359)**	**(381,878,161)**	**(159,601,223)**	**222,276,938**	
Net cash flows from operating activities	**(52,516,195)**	**(47,731,624)**	**(100,247,819)**	**34,225,435**	**134,473,254**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(47,658,187)	(13,772,675)	**(61,430,862)**	(41,267,898)	**20,162,964**	Note 54
Cash flows from financing activities						
Proceeds from borrowings	-	-	-	5,138,165	**5,138,165**	
Net increase/(decrease) in cash and cash equivalents	(100,174,382)	(61,504,299)	**(161,678,681)**	(1,904,298)	**154,636,218**	Note 54
Cash and cash equivalents at the beginning of the year	16,368,900	52,999	**16,421,899**	28,141,098	**11,719,199**	Note 54
Cash and cash equivalents at the end of the year	**(83,805,482)**	**(61,451,300)**	**(145,256,782)**	**26,236,800**	**166,355,417**	

1. Significant accounting policies

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

1.1 Basis of preparation

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

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

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year’s financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the annual financial statements.

In terms of Directive 7: “The Application of Deemed Cost on the Adoption of Standards of GRAP” issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

In terms of Directive 11: “Changes in Measurement Bases following the Initial Adoption of Standards of GRAP” issued by the Accounting Standards Board, the Municipality elected to change the measurement bases selected for Property, Plant and Equipment, Investment Property, Intangible Assets and Heritage Assets on the initial adoption of Standards of GRAP.

These accounting policies are consistent with the previous period.

1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3 Going concern assumption

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

1.4 Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.

1.5 Consistent and new accounting policies

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. For the financial year, no new standards became effective.

1.6 Ammended disclosure policy

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.7 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.8 Presentation of budget information

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts is disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:
• the approved and final budget amounts;
• actual amounts and final budget amounts;
Explanations for material differences between the final budget amounts and actual amounts are included on the Statement of Budget Comparison.
The municipality considers a variance between the actual and budget of more than 10% of the budgeted value as material, provided that such variance exceeds R1000 000.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.9 Significant judgements and sources of estimation uncertainty

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

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

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

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

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

1.9 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

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

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.

The carrying amount of available-for-sale financial assets would be an estimated - lower or - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

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 [significant financial difficulties of the debtor and default or delinquency in payments or all debt outstanding for more than 360 days] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand together with 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 20 - Provisions.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

Effective interest rate

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

1.10 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.

Fair value

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

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

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

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

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

Any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in surplus and deficit.

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

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

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

Derecognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.11 Property, plant and equipment

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

The following items will be regarded as Property, plant and equipment rather than investment property:

•Owner-occupied property (including held for future use);
•Owner-occupied property held for development;
•Property occupied by employees for housing;
•Owner-occupied property held for disposal;
•Property held by the municipality to fulfil their mandated function rather than rental or capital appreciation and;
•Property held by the municipality for strategic purpose

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

Land is not depreciated as it is regarded as having an indefinite life.

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

Item	Depreciation method	Average useful life

Significant Accounting Policies

1.11 Property, plant and equipment (continued)

Land		Indefinite
Buildings	Straight-line	1-100
Machinery and Equipment	Straight-line	1-20
Furniture and fixtures	Straight-line	1-20
Motor vehicles	Straight-line	3-5
Office equipment	Straight-line	3-5
Computer equipment	Straight-line	1-20
Roads and Stormwater (infrastructure)	Straight-line	3-80
Electricity (infrastructure)	Straight-line	1-60
Community Assets	Straight-line	1-60
Recreation sites		
Clinics/Care centers		
Fire/Ambulance stations		
Halls		
Libraries		
Taxi Ranks/Bus Terminals		
Water (infrastructure)	Straight-line	5-75
Refuse (incl landfill sites) (infrastructure)	Straight-line	1-65
Sewerage (infrastructure)	Straight-line	5-75
Transport Assets	Straight-line	1-15

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

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.

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

1.11 Property, plant and equipment (continued)

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

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, shall be accounted for as follows:
The related asset (under cost model) is measured as follows:
•
Changes in the liability, shall be added or deducted from the asset cost;
•
The amount deducted from the cost of the asset shall not exceed its carrying amount.
•
If a decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognised immediately in surplus or deficit.
If the adjustment results in an addition to the cost of an asset, the municipality shall consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the entity shall test the asset for impairment by estimating its recoverable amount or recoverable service amount, and shall account for any impairment loss, in accordance with its impairment policy.

Decomissioning and restoration asset

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, shall be accounted for as follows:

The related asset (under cost model) is measured as follows:

• Changes in the liability, shall be added or deducted from the asset cost;
• The amount deducted from the cost of the asset shall not exceed its carrying amount.
• If a decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognised immediately in surplus or deficit.

If the adjustment results in an addition to the cost of an asset, the municipality shall consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the entity shall test the asset for impairment by estimating its recoverable amount or recoverable service amount, and shall account for any impairment loss, in accordance with its impairment policy.

1.12 Intangible assets

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

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

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

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

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

1.12 Intangible assets (continued)

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer Software	Straight-line	3

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

1.13 Heritage assets

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

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

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

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

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

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

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

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

1.13 Heritage assets (continued)

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

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

1.14 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.

1.14 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

1.14 Financial instruments (continued)

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

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

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

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

1.15 Statutory receivables

Identification

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

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

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

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

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

1.15 Statutory receivables (continued)

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

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

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

Other charges

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

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

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

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:
- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or

1.15 Statutory receivables (continued)

- 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.

1.16 Tax

Value Added Tax

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

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.17 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.

Municipality as lessor

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leases asset is diminished

1.17 Leases (continued)

Municipality as lessee

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

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables

Contingent rents shall be charged as expenses in the periods in which they are incurred

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.18 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.

Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset

Management refers to Windeed to determine the latest fair value of properties (properties sold as inventory).

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

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

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

1.18 Inventories (continued)

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

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

Direct cost relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead.

1.19 Receivables

Receivables are classified as financial assets at amortised cost and are subsequently measured at amortised cost using the effective interest rate method. Receivables comprise of long-term debtors, consumer debtors and other debtors (excluding rates and fines).

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments. If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.20 Payables

Financial liabilities consist of trade and other payables. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.21 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

1.22 Impairment of non-financial 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.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset’s recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications.

External sources of information.

During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;

Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;

Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

Internal sources of information.

Evidence is available of obsolescence or physical damage of an asset;

Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;

Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

A decision to halt the construction of the asset before it is complete or in a usable condition

The re-designation 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 shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

1.22 Impairment of non-financial assets (continued)

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset’s or cash-generating unit’s recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.22 Impairment of non-financial assets (continued)

Impairment of non-cash generating assets

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

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

External sources of information

Cessation, or near cessation, of the demand or need for services provided by the asset;

Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

Internal sources of information

Evidence is available of physical damage of an asset;

Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;

A decision to halt the construction of the asset before it is complete or in a usable condition;

Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

depreciation replacement cost approach - the present value of the remaining service potential of an 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 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.

restoration cost approach - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, 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 usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

service unit 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. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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.

1.22 Impairment of non-financial assets (continued)

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

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

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. 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. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.23 Capital Replacement

An equity instrument is any contract that evidences a residual interest in the assets of an Municipality after deducting all of its liabilities

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus / (deficit) to the CRR. The cash funds in the CRR can only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items. The CRR is reduced and the accumulated surplus / (Deficit) are credited or debited, as the case may be, by a corresponding amount when the amounts in the CRR are utilized.
If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance, and is then transferred via the Statement of Changes in Net Assets to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR, as it is regarded as revenue

1.24 Non-Current Investments

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or as the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

Investments which include fixed deposits invested in registered commercial banks and public companies at fair value.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.25 Employee benefits

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.

Pension and Retirement Fund Obligations

Recognition and measurement

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

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

The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

The Municipality contributes to various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1.25 Employee benefits (continued)

Post-Retirement Medical Obligations

Recognition and measurement

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

The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Notional interest is charged against the Statement of Financial Performance as finance cost upon valuation, as it meets the definition of Interest Cost in GRAP 25. Interest is capitalised against the liability.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

Actuarial assumptions: Discount rate

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

1.25 Employee benefits (continued)

Other long-term employee benefits

Recognition and measurement

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

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

(b) **Staff Leave**
Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end, to a maximum of 48 days, and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave, to a maximum of 48 days, will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(c) **Staff Bonuses**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

(d) **Performance Bonuses**

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

1.26 Provisions

Provisions are recognised when:

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

Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

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

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1.27 Contingent Liabilities and Contingent Assets

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

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

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities and assets.

1.28 Unspent Conditional Government Grants and Receipts

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. Unspent conditional grants are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor

Unspent conditional grants are recognised as a liability when the grant is received.

When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.

The cash which backs up the creditor is invested until it is utilised.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.29 Unpaid Conditional Government Grants and Receipts

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from public

The following provisions are set for the creation and utilisation of grant receivables:

Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.30 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

1.30 Commitments (continued)

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

1.31 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.

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;

The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The stage of completion at the reporting date can be measured reliably;

Revenue from the rendering of services is recognised when:

The amount of revenue can be measured reliably;

It is probable that economic benefits or service potential associated with the transaction will flow to the municipality;

The stage of completion at the reporting date can be measured reliably;

The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property, a fixed monthly tariff is levied, and in the case of commercial property, a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

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

1.31 Revenue from exchange transactions (continued)

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

The prevailing rate for a similar instrument of an issuer with a similar credit rating; or

A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.32 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.

Revenue is initially measured at fair value.

Revenue from non-exchange transactions is recognised when:

It is probable that the future economic benefits or service potential associated with the asset will flow to the entity and;

the fair value of the asset can be measured reliably.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition, the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of IGRAP 1, as there is no intention of collecting this revenue.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised by the Municipality when the receivable meets the definition of an asset.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore, the substance of these transactions indicates that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

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

Services in-kind that are significant to the Municipality's operations are recognised as assets and the related revenue when:

it is probable that the future economic benefits or service potential will flow to the Municipality; and

1.32 Revenue from non-exchange transactions (continued)

the fair value of the assets can be measured reliably.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the above-mentioned criteria, the Municipality only disclose the nature and type of services in-kind received during the reporting period. When the criteria for recognition is satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition. Services in-kind include services provided by individuals to the Municipality and the right to use assets in a non-exchange transaction. These services meet the definition of an asset, because the Municipality controls the resource from which future economic benefits or service potential is expected to flow to the Municipality. The assets are immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Municipality therefore recognises an expense and related revenue for the consumption of services in-kind.

1.33 Interest Earned - External Investments

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

1.34 Borrowing costs

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

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

1.35 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Recognition

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

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

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

1.36 Unauthorised expenditure

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

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

1.37 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).

1.38 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).

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.39 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.40 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.

The municipality manages its assets and liability as a whole and are not reviewed on a segregated basis for each town. Segment reporting per geographical area is not deemed relevant.

The measurement basis per the monthly reports is the same as the annual financial statements.

1.41 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.

1.41 Budget information (continued)

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

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

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

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

1.42 Related parties

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

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

The following are regarded as related parties of the Municipality:

(a) A person or a close member of that person’s family is related to the Municipality if that person:

- has control or joint control over the Municipality.

- has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.

- is a member of the management of the Municipality or its controlling entity.

(b) An entity is related to the Municipality if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).

- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).

- both entities are joint ventures of the same third party.

- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.

- the entity is controlled or jointly controlled by a person identified in (a).

- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

(c) Close members of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- are married or live together in a relationship similar to a marriage; or

- are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

1.42 Related parties (continued)

(a) all members of the governing body of the Municipality;

(b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;

(c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and

(d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in

Management personnel include:

(a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Speaker and members of the Mayoral Committee;

(b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer an all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm’s length and not on normal commercial terms are disclosed.

1.43 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

1.44 Transitional provisions

Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

1.45 Capital Commitments

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

Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.

Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.

Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.

Other commitments for contracts are non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the Municipality.

1.46 Treatment of Adminstrative and other overhead expenses

The costs of internal support services are transferred to the various services and departments to whom resources are made available

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

• GRAP 2023 Improvements to the Standards of GRAP 2023	Date to be determined bythe Minister of Finance	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	Date to be determined bythe Minister of Finance	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	Date to be determined bythe Minister of Finance	Unlikely there will be a material impact
• iGRAP 22 Foreign Currency Transactions and Advance Consideration	Date to be determined bythe Minister of Finance	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	Date to be determined bythe Minister of Finance	Unlikely there will be a material impact

3. Inventories

	2024	2023
Consumables - Stationary and material	1,374,827	2,438,776
Water	40,058	16,596
Land	23,061,166	23,061,166
	24,476,051	**25,516,538**

3.1 Inventories recognised as an expense during the year

	2024	2023
Consumables - Stationary and material	493,808	1,172,894
Materials and Supplies	11,147,095	3,380,808
	11,640,903	**4,553,702**

The cost of water production for the year amounted to R1.27 per kilolitre (2023: R1.27 per kilolitre)

4. Receivables from non-exchange transactions

	2024	2023
Fines	(502,360)	125,590
Sundry debtors	-	10,553,059
Rates	42,462,497	13,929,573
	41,960,137	**24,608,222**

	2024	2023
Rates		
Current (0 - 30 days)	6,132,592	6,658,771
31 - 60 days	2,848,874	1,639,697
61- 90 days	2,695,483	1,569,334
+ 90 days	135,906,367	94,220,299
	147,583,316	**104,088,101**
	-	-

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

	2024	2023
Opening balance	90,660,888	179,499,212
Provision for impairment	14,962,290	(88,838,324)
	105,623,178	**90,660,888**

Figures in Rand	2024	2023

4. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions reconcilliation

	2024 Gross balance	2024 Provision for impairment	Net Balance
Rates	147,583,316	(105,120,818)	42,462,498
Fines	-	(502,360)	(502,360)
	147,583,316	**(105,623,178)**	**41,960,138**

	2023 Gross balance	2023 Provision for impairment	Net Balance
Rates	104,088,102	(90,158,528)	13,929,574
Fines	627,950	(502,360)	125,590
Sundry Debtors	10,553,059	-	10,553,059
	115,269,111	**(90,660,888)**	**24,608,223**

The fair value of other receivables approximate their carrying value.

Debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.

No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the Municipality's banker, plus one percent per annum on the outstanding balance. The Municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables

None of the Receivables have been pledged as security for the Municipality's financial liabilities.

5. VAT receivable

	2024	2023
VAT	-	27,177,722

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received

No interest is payable to SARS. If the VAT is paid over timeously, but interest for late payments is charged according to SARS policies.

The Municipality has financial risk policies in place to ensure that payments are affected before the due date

6. Receivables from Exchange Transactions

	2024	2023
Gross balances		
Electricity	124,359,644	68,261,628
Water	193,729,014	114,723,951
Waste Management	40,845,337	23,060,334
Property rentals	-	2,938,180
Waste water management	65,479,163	43,661,852
Town commonage	-	5,569,436
Other receivables	20,649,379	25,311,166
	445,062,537	**283,526,547**
Less: Allowance for impairment		
Provision for Debt impairment (Other receivables)	(288,740,144)	(263,947,182)

Figures in Rand	2024	2023

6. Receivables from Exchange Transactions (continued)

Net balance		
Net Receivables from Exchange	156,322,393	19,579,365
Total Net Receivables from Exchange Transactions	**156,322,393**	**19,579,365**

Electricity		
Current (0 -30 days)	18,870,806	19,270,273
31 - 60 days	9,160,942	3,041,544
61 - 90 days	8,030,173	2,115,750
91 - 120 days	7,703,320	43,834,061
121 - 365 days	5,068,381	-
> 365 days	75,526,022	-
	124,359,644	**68,261,628**

Water		
Current (0 -30 days)	13,845,716	10,813,573
31 - 60 days	4,255,197	2,065,599
61 - 90 days	6,959,245	1,588,739
91 - 120 days	168,668,855	100,256,039
	193,729,013	**114,723,950**

Waste management		
Current (0 -30 days)	2,379,074	1,908,048
31 - 60 days	1,133,546	521,044
61 - 90 days	1,087,157	505,633
91 - 120 days	994,717	20,125,610
121 - 365 days	991,829	-
> 365 days	34,259,015	-
	40,845,338	**23,060,335**

Property rentals		
Current (0 -30 days)	-	355,746
31 - 60 days	-	59,162
61 - 90 days	-	43,702
91 - 120 days	-	2,479,569
	-	**2,938,179**

Waste water management		
Current (0 -30 days)	4,354,441	3,760,437
31 - 60 days	2,076,525	1,010,038
61 - 90 days	1,998,866	991,948
+ 90 days	1,796,316	37,899,429
121 - 365 days	1,815,406	-
> 365 days	53,437,609	-
	65,479,163	**43,661,852**

Town commonage		
Current (0 -30 days)	-	118,811
31 - 60 days	-	39,604
61 - 90 days	-	39,604
+ 90 days	-	5,371,417
	-	**5,569,436**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

6. Receivables from Exchange Transactions (continued)

Other (specify)		
Current (0 -30 days)	132,353	122,097
31 - 60 days	66,177	22,671
61 - 90 days	66,157	17,348
+ 90 days	12,763,591	25,149,050
121 - 365 days	7,621,101	-
	20,649,379	**25,311,166**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(263,947,182)	(147,634,125)
Contributions to provision	(24,792,962)	(105,985,067)
VAT on provison	-	(10,327,990)
	(288,740,144)	**(263,947,182)**

Figures in Rand	2024	2023

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	26,236,800	28,141,098

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
ABSA bank overdraft (primary account) - 185 0000 0081	312,168	4,296,608	1,490,383	312,168	4,296,607	(16,558,310)
ABSA bank - (current account) - 4061 685 162	10,633	10,633	3,583	10,633	10,633	3,088,112
ABSA bank - (current account) - 4081 497 012	577	577	294,547	577	577	681,948
Standard bank - (current account) - 2803 50007	64,882	64,882	36,807	64,882	64,882	37,046
ABSA Bank Limited - De Aar Branch - Fixed deposit - 2062 198 906	12,755,745	11,626,784	10,866,153	12,755,745	11,626,784	10,866,153
Nedbank Ltd - De Aar Branch - Call account - 03/7662022900/000001	193,444	178,491	167,182	193,444	178,491	167,182
Standard Bank of SA Limited - De Aar Branch - Call account- 388910356-002	5,821,518	5,359,631	29,629	5,821,518	5,359,631	29,629
First National Bank - De Aar Branch - Call account - 62755965583	361,933	333,807	312,502	361,933	333,807	312,502
Absa Bank Limited - De Aar Branch - Call deposit - 9325381089	1,104,003	1,028,866	974,059	1,104,003	1,028,866	974,059
Absa Bank Limited - De Aar Branch - Call deposit - 9357761647	5,611,897	5,240,820	8,291,408	5,611,897	5,240,820	8,291,408
Total	**26,236,800**	**28,141,099**	**22,466,253**	**26,236,800**	**28,141,098**	**7,889,729**

8. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	8,767,885	-	8,767,885	8,767,885	-	8,767,885

Reconciliation of investment property - 2024

	Opening balance	Total
Investment property	8,767,885	8,767,885

Reconciliation of investment property - 2023

	Opening balance	Total
Investment property	8,767,885	8,767,885

Figures in Rand	2024	2023

8. Investment property (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

9. 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	18,367,872	-	18,367,872	18,367,872	-	18,367,872
Buildings	47,205,362	(33,986,992)	13,218,370	47,205,363	(33,101,453)	14,103,910
Plant and machinery	6,195,106	(5,809,859)	385,247	6,193,336	(5,583,425)	609,911
Furniture and fixtures	9,258,818	(8,336,594)	922,224	9,231,221	(7,929,140)	1,302,081
IT equipment	2,881,362	(2,404,292)	477,070	2,550,180	(2,236,161)	314,019
Infrastructure	2,089,954,795	(1,399,058,797)	690,895,998	2,036,259,136	(1,343,255,520)	693,003,616
Community assets	146,145,470	(85,794,296)	60,351,174	144,599,985	(82,937,768)	61,662,217
Transport assets	10,728,849	(6,817,652)	3,911,197	10,728,849	(5,684,261)	5,044,588
Total	**2,330,737,634**	**(1,542,208,482)**	**788,529,152**	**2,275,135,942**	**(1,480,727,728)**	**794,408,214**

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Other movements	Depreciation	Total
Land	18,367,872	-	-	-	18,367,872
Buildings	14,103,910	-	-	(885,540)	13,218,370
Plant and machinery	609,911	30,520	(37,432)	(217,752)	385,247
Furniture and office equipment	1,302,081	62,310	6,319	(448,486)	922,224
Computer equipment	314,019	334,500	(2,583)	(168,866)	477,070
Infrastructure	693,003,616	45,936,698	(761)	(48,043,555)	690,895,998
Community assets	61,662,217	1,545,485	-	(2,856,528)	60,351,174
Transport assets	5,044,588	-	(891)	(1,132,500)	3,911,197
	794,408,214	**47,909,513**	**(35,348)**	**(53,753,227)**	**788,529,152**

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Depreciation	Total
Land	18,367,872	-	-	18,367,872
Buildings	14,992,451	-	(888,541)	14,103,910
Plant and machinery	645,066	171,685	(206,840)	609,911
Furniture and office equipment	1,603,280	136,110	(437,309)	1,302,081
Computer equipment	435,050	15,114	(136,145)	314,019
Infrastructure	720,368,968	20,551,407	(47,916,759)	693,003,616
Community assets	58,404,291	6,096,246	(2,838,320)	61,662,217
Transport assets	6,204,010	-	(1,159,422)	5,044,588
	821,020,988	**26,970,562**	**(53,583,336)**	**794,408,214**

Pledged as security

No Property, plant and equipment was pledged as security.

Figures in Rand	2024	2023

9. Property, plant and equipment (continued)

Contractual commitments for acquisition of Property, Plant and Equipment

Approved and contracted for:		
Infrastructure	86,798,984	89,432,017

This expenditure will be finance from:		
Government Grants	86,798,984	89,432,017

Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Infrastructure	55,428,489	16,318,806
Community Assets	-	6,096,246
	55,428,489	**22,415,052**

Property, Plant and Equipment where construction or development has been halted:		
Roads	2,091,646	3,606,596
Storm Water	1,514,954	-
Electricity	1,042,990	1,710,143
Water Supply	5,463,598	5,463,598
	10,113,188	**10,780,337**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	16,318,807	6,096,246	22,415,053
Additions/capital expenditure	39,295,083	1,545,486	40,840,569
Transferred to completed items	(185,400)	(7,641,732)	(7,827,132)
	55,428,490	**-**	**55,428,490**

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	15,311,497	-	15,311,497
Additions/capital expenditure	4,155,164	6,096,246	10,251,410
Transferred to completed items	(3,147,854)	-	(3,147,854)
	16,318,807	**6,096,246**	**22,415,053**

Included in the above Work in Progress are the below long standing projects:

- Rehabilitation of Boreholes
- Supply and Installation on Grid Streetlight
- Upgrading of Reverend Swart Street
- Construction of storm water

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	2,192,212	1,243,907

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

9. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

10. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2,239,084	(2,222,172)	16,912	2,239,084	(2,218,502)	20,582

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software	20,582	(3,670)	16,912

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Computer software	12,754	11,415	(3,587)	20,582

Pledged as security

No intangible assets were pleddged as security.

Other information

No intangible asset were assed having an indefinite useful life.

No expenditure were incurred with regards to research or development cost.

There are no internally generated intangible assets at reporting date.

There are no intangible assets in process of being constructed or developed.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

11. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	6,833,773	-	6,833,773	6,833,773	-	6,833,773

Reconciliation of heritage assets 2024

	Opening balance	Total
Historical monuments	6,833,773	6,833,773

Reconciliation of heritage assets 2023

	Opening balance	Disposals	Total
Historical monuments	6,959,273	(125,500)	6,833,773

There are no restrictions on the on title of Heritage assets and disposal thereoff.

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or restorations.

There are no Heritage Assets pledged as security for liabilities.

Excerpt for the Schreinerhuis building which is partly used as a restaurant there are no Heritage Assets that are used by the municipality for more than one purpose.

No expenditure were incurred to repair and maintain heritage assets.

No compensation received from third parties for Heritage assets impaired, lost or given up.

No Heritage assets were retired active use and held for disposal

12. Investments

	2024	2023
Listed shares	42,149	36,358
Non-current assets		
Listed shares	42,149	36,358

Shares are held in Oos Vrystaat Kaap Bedryf Bpk. No specific maturity dates and interest rates are applicable to those shares.

The Management of the municipality is of the opinion that the carrying value of investments approximate their fair value.

13. Other financial liabilities

	2024	2023
At amortised cost		
ABSA Bank Limited An unsecured loan at amortised cost from ABSA - A principle amount of R13 000 000 at a floating rate of prime less .25% (capitalised monthly) and a maturity date of 2032, was raised on 4 May 2022.The full amount of the loan is not borrowed, but taken up with withdrawals as and when the need for the capital spending exist.	8,236,235	3,098,070

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

13. Other financial liabilities (continued)

Non-current liabilities		
At amortised cost	5,801,986	2,051,838

Current liabilities		
At amortised cost	2,434,249	1,046,232

14. Payables from exchange transactions

Trade payables	299,946,410	193,426,005
Payments received in advanced	21,563,297	6,585,038
Sundry deposits	5,720,012	22,447,198
Sundry creditors	3,572,145	184,801
Salary control	4,716,454	206,492
Retentions	3,211,362	481,188
	338,729,680	**223,330,722**

15. Payables from Non-exchange

Payments received in advance	-	1,538,618
Other creditors	11,577,786	10,039,167
	11,577,786	**11,577,785**

Payables are being recognised net of any discounts.

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts

The Municipality did default on payment of its Creditors. However, no terms for payment have been renegotiated by the Municipality.

The management of the Municipality is of the opinion that the carrying value of Creditors approximates their fair values.

16. VAT payable

VAT Control	13,177,722	-

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received

No interest is payable to SARS. If the VAT is paid over timeously, but interest for late payments is charged according to SARS policies.

The Municipality has financial risk policies in place to ensure that payments are affected before the due date

17. Consumer deposits

Electricity	107,656	50,803
Regional services levies	(1,500)	-
Water	2,920,802	2,877,388
	3,026,958	**2,928,191**

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

18. Employee benefit obligations

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

Non Current Employee Benefit Obligation		
Opening Balance	(24,779,000)	(25,443,000)
Current service cost	(1,007,000)	(1,026,000)
Interest cost	(2,836,000)	(2,708,000)
Expected benefits vesting	2,170,000	1,461,241
Acturial Loss/ (Gain)	877,000	2,936,759
Transfer of Current Portion from Non Current Portion	2,290,000	2,170,000
Heading		
Current Employee Benefit Obligation		
Performance Bonuses	(434,386)	(482,912)
Staff Bonuses	(2,933,596)	(2,663,022)
Staff Leave	(8,848,938)	(7,742,439)
Current Portion of Non-Current Provisions	(2,290,000)	(2,170,000)
	(37,791,920)	**(35,667,373)**

Non-current liabilities	(23,285,001)	(22,609,001)
Current liabilities	(14,506,919)	(13,058,372)
	(37,791,920)	**(35,667,373)**

Changes in the present value of the defined benefit obligation are as follows:

Present value of unfunded obligation at the beggining of the year	24,015,153	25,443,000
Acturial gain/ (loss)	(830,000)	(2,936,759)
Contributions for the year	1,007,000	1,026,000
Net expense recognised in the statement of financial performance	434,385	482,912
	24,626,538	**24,015,153**

Performance Bonuses

Opening Balance	482,912	801,489
Contribution to current portion	(48,527)	373,864
Prior period adjustment	-	2,507
Expenditure incurred	-	(694,948)
	434,385	**482,912**

Performance bonuses are being paid to the Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.

Staff Bonuses

Opening Balance	2,663,022	2,794,160
Contribution to current portion	270,574	166,509
Prior Period adjustment	-	(297,647)
	2,933,596	**2,663,022**

Bonuses are being paid to all municipal staff. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

Staff Leave

Opening balance	7,742,439	8,634,692
Contribution to current portion	1,106,499	92,029

Figures in Rand	2024	2023

18. Employee benefit obligations (continued)

Prior period adjustment	-	(984,282)
	8,848,938	**7,742,439**

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

The Municipality provides post-employment medical aid benefits upon retiirement to some retirees. The entitlement to post-employment medical aid benefits is vased on special resolution by the coucil, or the terms of employment prevailing at the time the employees retired. The Municipality operates an unfunded defined benefit plan for these qualifying individuals. No other post-retirement benefit are provided to these individuals. The actuarial valuation of the present value the obligation at 30 June 2024 was carried out by Arch Actuarial Consulting. The present value of the obligation, the related current service cost and past service cost, were measured using the projected unit credit method.

Assumptions used at the reporting date for Medical Aid Benefit:

Rate of Interest		
Discount rate	11.98%	12.20%
Health Care Cost Inflation Rate	7.50%	7.82%
CPI Inflation rate	6.00%	5.75%
Net Effective Discount Rate	4.17%	4.07%

The most recent actuarial valuation of plan assets and the present value of the defined obligation were carried out at 30 June 2022 by Mr. C Weiss. Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

Long service award

The members of the long service award are made up as follows:

Eligible employees	326	311
New Entries	15	-
	341	**311**

Movements in the present value of the defined benefit obligations were as follows:

Opening balance	5,634,000	5,402,000
Expected benefits vesting	(944,000)	(254,860)
Acturial loss/(gains)	(47,000)	(588,140)
Current service cost	528,000	533,000
Interest cost	573,000	542,000
Total Provison 30 June 2024	5,744,000	5,634,000
Less: Transfer of Current portion from Non-current portion	(945,000)	(944,000)
Non-current balance 30 June 2024	**4,799,000**	**4,690,000**

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	528,000	533,000
Interest cost	573,000	542,000
Actuarial (gains) losses	(47,000)	(588,140)
Expected benefits vesting	(944,000)	(254,860)
	110,000	**232,000**

Movements in the present value of the defined benefit obligation were as follows:

Assumptions used at the reporting date:

Figures in Rand	2024	2023

18. Employee benefit obligations (continued)

	2024	2023
Discount rate	10.75%	11.08 %
CPI inflation rate	4.94 %	4.48 %
General earning inflation rate	5.94 %	6.47 %
Net discount	4.54 %	4.33 %
Average retirement age	62	62

Pre-retirement mortality SA85-90

The basis used to determine the overall expected rate of return on assets is as follows:

A discount rate of 10.75% per annum has been used. This yield was obtained by calculating the duration of the liability and then taking the yield from the yield index-linked yield is 5.06%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 28 June 2024. The duration of the total liability was estimated to be 9.25 years curve at that duration using an iterative process (because the yield depends on the duration, which in turn depends on the liability). The corresponding liability-weighted index-linked yield is 4.00%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 28 June 2024. The duration of the total liability was estimated to be 7.25 years.

Sensitivity analysis

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

The history of experienced adjustments is as follows:

	2024	2023	2022	2021	2020
Defined benefit obligation	5,744,000	5,634,000	5,402,000	5,087,000	4,871,000
Surplus (deficit)	(5,744,000)	(5,634,000)	(5,402,000)	(5,087,000)	(4,871,000)
Experience adjustments on plan Liabilities	7,000	6,000	32,000	(21,000)	55,476

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2024

Assumption	Change	Current service costs	Interest cost	Total	% Change
Central assumptions		479000	2263000	2742000	
Medical aid contributions inflation rate	+1%	587000	2551000	3138000	14%
	-1%	396000	2023000	2419000	-12%
Discount rate	+1%	404000	2200000	2604000	-5%
	-1%	578000	2333000	2911000	6%
Post-employment mortality	+1yr	468000	2193000	2661000	-3%
	-1yr	492000	2333000	2825000	3%
Average retirement age	-1yr	530000	2339000	2869000	5%
Membership continuation	-10%	420000	2164000	2584000	-6%

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2025

Assumption	Change	Current service cost	Interest cost	Total	% Change
Central assumptions		465000	2297000	2762000	
Medical aid contribution inflation rate	+1%	566000	2583000	3149000	14%
	-1%	388000	2058000	3149000	-11%
Discount rate	+1%	394000	2242000	2636000	-5%
	-1%	557000	2358000	2915000	6%
Post-employment mortality	+1 yr	456000	2225000	2681000	-3%
	-1 yr	476000	2370000	2846000	3

Figures in Rand	2024	2023

18. Employee benefit obligations (continued)

Average retirement age	-1 yr	523000	2378000	2901000	5%
Membership continuation	-10%	406000	2196000	2602000	-6%

Post employment medical aid subsidy

The members of the post-employment health care benefit plan are made up as follows:

	2024	2023
In-service (employee) members	49	62
In-service (employee) non-members	262	264
Contination (retiree and widow) members	30	29
	341	**355**

Movements in the present value of the defined benefit obligations were as follows:

	2024	2023
Opening balance	19,145,000	20,041,000
Current service cost	479,000	493,000
Interest cost	2,263,000	2,166,000
Expected benefits vesting	(1,226,000)	(1,206,381)
Acturial loss/Gain	(830,000)	(2,348,619)
Total Provision at 30 June 2024	19,831,000	19,145,000
Less: Transfer of Current portion from Non-current portion	(1,345,000)	(1,226,000)
Total non-current at 30 June 2024	**18,486,000**	**17,919,000**

The amounts recognised in the Statement of Financial Performance are as follows:

	2024	2023
Current service cost	479,000	493,000
Interest cost	2,263,000	2,166,000
Actuarial (gains) losses	(830,000)	(2,348,619)
Expected Benefits vesting	(1,226,000)	(1,206,381)
	686,000	**(896,000)**

Movements in the present value of the defined benefit obligation were as follows:

Assumptions used at the reporting date:

	2024	2023
Discount rates used	11.98 %	12.20 %
Health care cost inflation rate	7.50 %	7.82 %
Net-of health-care-cost-inflation discount rate	4.17 %	4.06 %
Proportion with a spouse dependant at retirement	60.00 %	60.00 %
Continuation of membership at retirement	75.00 %	75.00 %
Proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy at retirement	5.00 %	5.00 %
CPI Inflation	7.5%	6.5%
Average retirement age	62	62
	-	-

Mortality during employment SA 85-90:

The basis used to determine the overall expected rate of return on assets is as follows

A discount rate of 11.98% per annum has been used. The corresponding index-linked yield at this term is 5.17%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 38 June 2024.

18. Employee benefit obligations (continued)

These rates were calculated by using a liability-weighted average of the yields for the two components of the liability. Each component's fixed-interest and index-linked yields were taken from the respective bond yield curves at that component's duration, using an iterative process (because the yields depend on the liability, which in turn depends on the yields).

Health Care Cost Inflation Rate:
This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilization patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 7.5% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.0%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 4.17% which derives from ((1+11.98%)/(1+7.5%))-1.

The expected inflation assumption of 6.0% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (5.17%) and those of fixed interest bonds (11.98%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: ((1+11.98%-0.50%)/(1+5.17%))-1.

The next contribution increase was assumed to occur with effect from 1 January 2025.

Sensitivity analysis

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

The history of experienced adjustments is as follows:

	2024	2023	2022	2021	2020
Defined benefit obligation	19,831,000	19,145,000	20,041,000	22,000,000	18,462,000
Surplus (deficit)	(19,831,000)	(19,145,000)	(20,041,000)	(22,000,000)	(18,462,000)
Experience adjustments on plan liabilities	(590,000)	301,000	(2,535,000)	873,000	(564,000)

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2024	2023
Unspent conditional grants and receipts		
Department of Education	1,232,100	1,232,100
Energy Efficiency	75,532	-
Intergrated National Electrification	1,122,358	-
LG SETA	86,631	-
Local Government Financial Management	2,336	-
Municipal Infrastructure Grant	6,866,925	6,419,677
Library grant	56,240	27,716
Water services infrastructure grant	-	41,929
	9,442,122	**7,721,422**

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

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

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

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

Figures in Rand	2024	2023

20. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Increase/ (Decrease) due discounting	Increase/ (Decrease) due to remeasurement	Total
Provision for Landfill Sites	83,786,528	(5,951,647)	6,641,615	84,476,496

Reconciliation of provisions - 2023

	Opening Balance	Increase/ (Decrease) due discounting	Increase/ (Decrease) due to remeasurement	Total
Provision for Landfill Sites	68,643,370	7,387,606	7,755,552	83,786,528

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

	Britstown	Hanover	De Aar
Preliminary and General (Rand)	967,97	1,686,235	14,579,422
Site Clearance and Preparation (R2.95/m²)	10,072	20,731	232,564
Storm Water Control Measures (Rand)	890,227	1,132,935	3,771,453
Capping (Rand)	3,767,297	7,638,296	84,374,720
Leachate Management (Rand)	358,301	428,864	1,386,804
Fencing (Rand)	930,898	1,155,339	13,769
Environmental Authorisation (Closure Licence)	462,094	461,853	462,093
Technical ROD	234,199	234,197	234,287
Install Groundwater Monitoring Boreholes	263,590	263,096	-
Landscape Architects	157,287	156,394	170,784
Water Use Licence	39,749	39,749	39,748
Topographical Survey	8,720	9,498	24,436
Contingencies (10% of total construction costs)	692,477	1,205,331	10,433,030
Engineering: Professional Fees	924,028	1,393,727	8,388,690
Site Supervision (Engineer's Representative)	231,907	284,774	1,915,736
Site Supervision (Environmental Control Officer & OHS Agent)	117,581	110,429	361,765
	10,056,406	**16,221,448**	**126,389,301**

Discount Rate Used	2024 %	2023 %
	5.050%	12.000%
	5.050%	12.000%
	5.050%	10.510%

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated risk free rate as determined by the municipality. This rate used is also within the inflation target range of the South African Reserve Bank of between 3% to 6%.

In terms of the licencing of the landfill-sites, the municipality will incur licensing and rehabilitation costs of R84 476 496 (2023: R83 786 527) to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the government bond rate that is regarded as a risk-free rate and the average Consumer Price Index from June 2023 to June 2024.

Other assumptions:

	Britstown	Hanover	De Aar

Figures in Rand	2024	2023

20. Provisions (continued)

Licence type	Class B/G:C:B-	Class B/G:C:B-	Class B/G:C:B-
Area (m²)	15,008	7,295	168,447
Unit cost (R/m2)	1,034	1,318	717
Environmental Authorisation (Closure Licence) (Rand)	441,773	441,773	441,773
Technical ROD (Rand)	223,900	223,900	223,900
Install Groundwater Monitoring Boreholes with lockable caps (includes drilling contractor site establishment) (Rand)	251,529	251,998	-
Landscape Architects (Rand)	149,575	150,370	163,350
Water use licence (Rand)	38,000	38,000	38,000
Topographical Survey (Rand)	9,083	8,337	23,369
Contingencies (Rand)	1,153,382	662,024	9,973,475
Engineering: Professional Fees (Rand)	1,333,122	883,392	8,023,635
Site Supervision (Engineer's Representative) (Rand)	272,404	221,708	1,831,700
Site Supervision (Environmental Control Officer & OHS Agent) (Rand)	105,578	112,410	345,950
	-	-	-

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. The total current cost of rehabilitation of the landfill sites and estimated date of decommission of the sites are as follows per expert report:

Location		
Britstown - estimated (2038/39)	16,221,448	15,512,170
Hanover - estimated (2038/39)	10,056,406	9,614,153
De Aar - estimated (2032/33)	126,389,301	120,799,902
	152,667,155	**145,926,225**

21. Capital Replacement

Reserves		
Capital Replacement Reserve	2,252,793	2,252,793

The Capital Replacement Reserve is used to finance future capital expenditure from own funds..

22. Revenue

Service charges	186,300,477	166,854,719
Royalty income	1,187,613	2,038,156
Rental of facilities and equipment	655,596	1,557,874
Interest earned from exchange	11,889,797	6,968,819
Licences and permits	455,427	400,134
Interest received - investment	3,727,148	2,706,597
Property rates	46,150,045	44,921,419
Interest earned from non-exchange	5,540,671	7,812,568
Government grants & subsidies	97,520,932	80,355,395
Fines, Penalties and Forfeits	408,200	691,646
Provincial Service In Kind	963,714	474,505
	354,799,620	**314,781,832**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	186,300,477	166,854,719
Royalty income	1,187,613	2,038,156
Rental of facilities and equipment	655,596	1,557,874
Interest earned from exchange	11,889,797	6,968,819
Licences and permits	455,427	400,134
Interest received - investment	3,727,148	2,706,597
	204,216,058	**180,526,299**

Figures in Rand	2024	2023

22. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

Revenue from non-exchange		
Property rates	46,150,045	44,921,419
Interest earned from non-exchange	5,540,671	7,812,568
Transfer revenue		
Government grants & subsidies	97,520,932	80,355,395
Fines, Penalties and Forfeits	408,200	691,646
Provincial Service In Kind	963,714	474,505
	150,583,562	**134,255,533**

23. Service charges

Sale of electricity	109,099,631	91,488,685
Sale of water	49,628,631	51,383,240
Sewerage	18,230,079	15,976,509
Refuse removal	9,342,136	8,006,285
	186,300,477	**166,854,719**

24. Operational revenue

Sale of Goods	954,518	1,009,419
Valuation Services	13,900	4,986
Cemetery and Burial	208,162	422,646
Sundry Income	11,033	516,067
Building Plan Approval	-	85,038
	1,187,613	**2,038,156**

25. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	53,619	1,310,878
Rental of equipment	601,977	246,996
	655,596	**1,557,874**

26. Interest Earned - Exchange Transactions

Exchange transactions	11,889,797	6,968,819

The above interest relates to interest earned by the municipality on exchange transactions

27. Interest earned external investments

Interest revenue		
Bank	325,615	173,162
Investments	3,401,533	2,533,435
	3,727,148	**2,706,597**

28. Licences and permits

Licences and permits	455,427	400,134

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
29. Interest from non-exchange receivables		
Property rates	5,540,671	7,812,568
30. Fines, Penalties and Forfeits		
Penalties for consumers	-	14,022
Traffic fines	408,200	677,624
	408,200	**691,646**
31. Reversal of Impairment Loss/(Impairment Loss) on Receivables		
Receivables from non-exchange	-	26,561,489
Receivables from exchange	39,755,252	99,726,661
Total	**39,755,252**	**126,288,150**

32. Property rates

Rates received

	2024	2023
Property rates	50,669,457	52,679,849
Less: Income forgone	(4,519,412)	(7,758,430)
	46,150,045	**44,921,419**

Valuations

	2024	2023
Business and Commercial Property	686,520,000	686,520,000
Formal and Informal Settlements	2,740,876,000	2,740,876,000
Industrial Property	16,954,000	16,954,000
Municipal Properties	1,765,000	1,765,000
Public Service Infrastructure Properties	25,986,000	25,986,000
Residential Properties	1,597,578,000	1,597,578,000
State-owned Properties	357,921,000	357,921,000
Multiple Purposes	638,213,000	638,213,000
Other Categories	84,186,000	84,186,000
	6,149,999,000	**6,149,999,000**

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 5 years. The last valuation came into effect on 1 July 2022. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

Figures in Rand	2024	2023

33. Government grants & subsidies

Operating grants		
Provincial: Sport, Arts and Culture (Library Grant)	1,014,476	1,000,000
National: Financial Management Grant	1,847,664	1,850,000
National Equitable Share	57,856,000	55,218,000
National: Expanded Public Works Programme Integrated Grant	665,000	1,768,305
Housing	-	200,000
	61,383,140	**60,036,305**
Capital grants		
National: Municipal Infrastructure Grant	12,293,753	16,361,019
National: Water Services Infrastructure Grant	16,716,929	1,958,071
National: Energy Efficiency and Demand Management Grant	4,924,468	2,000,000
National Electrification Programme Grant	2,202,642	-
	36,137,792	**20,319,090**
	97,520,932	**80,355,395**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Unconditional grants received	59,609,000	55,418,000
Conditional grants received	39,664,932	24,937,395
	99,273,932	**80,355,395**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

The equitable share is a financial allocation from National Treasury in the form of an unconditional grant that enables municipalities to provide basic services to poor households, and to enable municipalities with limited own resources to afford basic administrative and governance capacity and perform core municipal functions.

LGSETA

Current-year receipts	86,631	-

Conditions still to be met - remain liabilities (see note 19).

Municipal Infrastructure Grant

Balance unspent at beginning of year	6,419,677	9,680,696
Grants received	12,741,000	19,000,000
Deducted from equitable share	-	(5,900,000)
Transfers	(12,293,752)	(16,361,019)
	6,866,925	**6,419,677**

Conditions still to be met - remain liabilities (see note 19).

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads and sewerage infrastructure as part of the upgrading of previously disadvantaged areas

Department of Education

Balance unspent at beginning of year	1,232,100	1,232,100

Figures in Rand	2024	2023

33. Government grants & subsidies (continued)

Conditions still to be met - remain liabilities (see note 19).

National: Equitable Share

Current-year receipts	57,856,000	(55,218,000)
Conditions met - transferred to revenue	(57,856,000)	55,218,000
	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive 6kl free water and 50kwh free electricity per month, which is funded from this grant.

All registered indigents receive a monthly subsidy as per approved budget, funded from this grant. Indigent subsidies is based on the cost of free basic services for the geographical area concerned.

Provincial: Housing Accreditation

Current-year receipts	-	200,000
Conditions met - transferred to revenue	-	(200,000)
	-	-

The grant was utilised for COVID expenditure.

National: Expanded Public Works Programme

Balance unspent at beginning of year	-	1,038,872
Current-year receipts	665,000	1,073,000
Transfers to equitable share	-	(343,567)
Conditions met - Operating	-	(1,582,905)
Conditions met - Capital	(665,000)	(185,400)
	-	-

This grant was used for the upgrading of Roads facilities.

Library grant

Balance unspent at beginning of year	27,716	27,716
Current-year receipts	1,043,000	1,000,000
Conditions met - transferred to revenue	(1,014,476)	(1,000,000)
	56,240	**27,716**

Conditions still to be met - remain liabilities (see note 19).

This grant was allocated for the upgrading of library operational expenditure

Local Government Financial Management Grant

Current-year receipts	1,850,000	1,850,000
Conditions met - transferred to revenue	(1,847,664)	(1,850,000)
	2,336	-

Figures in Rand	2024	2023

33. Government grants & subsidies (continued)

Conditions still to be met - remain liabilities (see note 19).

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003 (Act No. 56 of 2003). The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns)

Water Services Infrastructure

Balance unspent at beginning of year	41,929	2,967,315
Current-year receipts	16,675,000	2,000,000
Conditions met - transferred to revenue	(16,716,929)	(4,925,386)
	-	**41,929**

Conditions still to be met - remain liabilities (see note 19)

The Water Services Infrastructure Grant was used for the development of boreholes

Energy Efficiency Grant

Current-year receipts	5,000,000	2,000,000
Conditions met - transferred to revenue	(4,924,468)	(2,000,000)
	75,532	**-**

Conditions still to be met - remain liabilities (see note 19).

The grant was for utilised for streetlights.

Integrated National Electrification Programme

Current-year receipts	3,325,000	-
Conditions met - transferred to revenue	(2,202,642)	-
	1,122,358	**-**

Conditions still to be met - remain liabilities (see note 19).

This grant was allocated for the construction and upgrading of electricity networks within the municipal boundaries.

34. Provincial Service-in-kind

Employee related costs paid for by national treasury	963,714	474,505

Figures in Rand	2024	2023

35. Employee related costs

Acting allowances	697,161	25,106
Bargaining council	43,563	39,463
Basic	69,068,558	68,273,767
Staff bonus	222,048	(295,140)
Bonus	5,666,602	5,037,658
Car allowance	2,147,422	2,026,133
Cell phone allowance	420,081	359,517
Current Service Cost	(2,170,000)	-
Current Service Cost - Long service awards	528,000	533,000
Current Service Cost - Medical	479,000	538,657
Group insurance	56,432	38,794
Housing benefits and allowances	217,548	199,500
Long-service awards	477,022	-
Medical aid - company contributions	1,981,149	2,142,892
Other allowance	4,659,857	535,503
Overtime	5,469,923	3,508,746
Payments in lieu of leave	-	1,243,448
Pension and UIF contributions	12,977,025	12,303,301
Staff leave	1,106,499	(984,282)
Standby allowances	1,322,520	765,008
Motor Vehicle Allowance	15,797	-
	105,386,207	**96,291,071**

Remuneration of the Municipal Manager - I Visser (July to December 2022)

Basic Salary	-	412,826
Bonus	-	57,366
Cellphone allowance	-	30,000
Pension and UIF contributions	-	80,283
Motor Vehicle Allowance	-	87,960
Other benefits and allowances	-	138,036
Payments in lieu of leave	-	158,130
Performance Bonus	-	180,050
	-	**1,144,651**

Remuneration of the Chief Financial Officer - MF Manuel

Basic Salary	-	224,025
Bonus	-	43,560
Pension and UIF contributions	-	564
Motor Vehicle Allowance	-	51,174
Other benefits and allowances	-	254
Payments in lieu of leave	-	157,714
Performance Bonus	-	165,024
	-	**642,314**

The Chief Financial Officer left in July of 2022

Remuneration of Municipal Manager: Mr DH Molaole

Basic Salary	585,607	48,801
Motor Vehicle Allowance	492,000	41,000
Cellphone allowance	60,000	5,000
Contributions to UIF	2,125	177
Other benefits and allowances(Skills, Rural & Social)	119,430	8,991
	1,259,162	**103,969**

Figures in Rand	2024	2023

35. Employee related costs (continued)

Mr DH Molaole was appointed on the 1st of June 2023

Remuneration of Senior Manager: Community Services- Mr HM Joka

Basic Salary	525,990	512,502
Bonus	-	42,973
Motor Vehicle Allowance	159,120	153,940
Perfomance Bonus	-	120,260
Cellphone Allowance	36,000	40,000
Contributions to UIF	2,125	-
Pensions and UIF Contributions	-	141,021
Other benefits and allowances (Skills, Rural & Social)	243,589	-
	966,824	**1,010,696**

Remuneration of Senior Manager: Technical Services- Ms. L Thiso

Basic Salary	540,000	524,000
Bonus	-	45,000
Motor Vehicle Allowance	146,880	129,443
Performance bonus	-	94,490
Cellphone allowance	36,000	36,000
Contributions to UIF	2,125	-
Pension and UIF contributions	-	124,226
Other benefits and allowances(Skills, Rural, Medi & Pens)	229,604	-
	954,609	**953,159**

Remuneration of Director: Corporate Services - TW Msengana

Basic Salary	-	439,083
Bonus	-	36,625
Cell Phone Allowance	-	33,000
Motor Vehicle Allowance	-	116,500
Other benefits and allowances	-	121,389
Acting Allowance	-	2,838
Payments in lieu of leave	-	124,232
Pension and UIF contributions	-	129,427
Performance Bonus	-	135,124
	-	**1,138,218**

SM: Technical Services

Basic Salary	71,584	-
Back Pay	71,584	-
Cellphone allowance	6,000	-
Contributions to UIF	177	-
	149,345	**-**

Acting allowance Mr L Govu (Mr Govu was not an employee of the municipality therefore received full salary for the position)

Acting CFO - Ms SN Jordan

Rural Allowance	88,477	-
Celphone Allowance	36,000	-
Contributions (UIF, Skills & Social)	2,595	-

Figures in Rand	2024	2023

35. Employee related costs (continued)

	127,072	**-**

Acting since December 2022

Mr S ST Felix (Acting Director:Cooperate services)

Acting Allowance	44,631	-

Acting for 12 months till January 2024

36. Remuneration of councillors

Annual Remuneration	3,799,688	3,881,352
Telephone Allowance	651,200	687,200
Travelling	1,269,124	1,287,035
	5,720,012	**5,855,587**

Figures in Rand	2024	2023

36. Remuneration of councillors (continued)

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.

Remuneration of Councillor - MC Kivedo		
Annual Remuneration	498,149	513,998
Telephone Allowance	44,400	46,800
Travelling	166,500	165,647
	709,049	**726,445**

Remuneration of Councillor - LE Andrews		
Annual Remuneration	260,534	265,936
Telephone Allowance	44,400	46,800
Travelling	86,845	86,634
	391,779	**399,370**

Remuneration of Councillor - PP Mhaluali		
Annual Remuneration	197,058	200,971
Telephone Allowance	44,400	46,800
Travelling	65,686	65,526
	307,144	**313,297**

Remuneration of Councillor - PN Bushula		
Annual Remuneration	197,058	199,282
Telephone Allowance	44,400	46,800
Travelling	65,688	65,528
	307,146	**311,610**

Remuneration of Councillor - JM Fortuin		
Annual Remuneration	197,058	199,282
Telephone Allowance	44,400	46,800
Travelling	65,686	65,526
	307,144	**311,608**

Remuneration of Councillor - JT Brandt		
Annual Remuneration	197,058	199,282
Telephone Allowance	44,400	46,800
Travelling	65,686	65,526
	307,144	**311,608**

Remuneration of Councillor - MN Mackay		
Annual Remuneration	252,891	256,384
Telephone Allowance	44,400	46,800
Travelling	86,845	85,793
	384,136	**388,977**

Remuneration of Councillor - FCS Swanepoel		
Annual Remuneration	197,058	199,282
Telephone Allowance	44,400	46,800
Travelling	65,688	65,528
	307,146	**311,610**

Figures in Rand	2024	2023

36. Remuneration of councillors (continued)

Remuneration of Councillor - RH Adams Beukes		
Annual Remuneration	197,058	199,282
Telephone Allowance	44,400	46,800
Travelling	65,688	65,528
	307,146	**311,610**
Remuneration of Councillor - SW Makhandula (Resigned - February 2024)		
Annual Remuneration	131,372	199,282
Telephone Allowance	29,600	46,800
Travelling	43,792	65,528
	204,764	**311,610**
Remuneration of Councillor - B Swanepoel		
Annual Remuneration	197,058	199,282
Telephone Allowance	44,400	46,800
Travelling	65,688	65,528
	307,146	**311,610**
Remuneration of Councillor - RS Smith		
Annual Remuneration	260,534	264,247
Telephone Allowance	44,400	46,800
Travelling	86,844	86,633
	391,778	**397,680**
Remuneration of Councillor - GL Nkumbi		
Annual Remuneration	622,686	634,897
Telephone Allowance	44,400	46,800
Travelling	207,562	207,058
	874,648	**888,755**
Remuneration of Councillor - GK Engelbrencht		
Annual Remuneration	197,058	199,282
Telephone Allowance	44,400	46,800
Travelling	65,688	65,528
	307,146	**311,610**
Remuneration of Councillor - MST Booysen		
Annual Remuneration	197,058	199,282
Telephone Allowance	44,400	46,800
Travelling	65,688	65,528
	307,146	**311,610**
Remuneration of Councillor - SJ Hoffman		
Annual Remuneration	-	1,689
Remuneration of Councillor - L Billie		
Annual Remuneration	-	2,565
Remuneration of Councillor - MO Maramba		
Annual Remuneration	-	1,689

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

36. Remuneration of councillors (continued)

Remuneration of Councillor - SP Wales		
Annual Remuneration	-	1,689

Remuneration of Councillor - HJ Rust		
Annual Remuneration	-	1,689

Remuneration of Councillor - CJ Louw		
Annual Remuneration	-	2,716

Remuneration of Councillor - NP Mkontwana		
Annual Remuneration	-	2,716

Remuneration of Councillor - RR Faul		
Annual Remuneration	-	1,689

Remuneration of Councillor - WJ du Plessis		
Annual Remuneration	-	1,689

Remuneration of Councillor - PD van Wyk		
Annual Remuneration	-	1,689

Remuneration of Councillor - ST Shonga		
Annual Remuneration	-	8,576

Figures in Rand	2024	2023

36. Remuneration of councillors (continued)

ST Shonga was Mayor till November 2021

CJ Louw was a councillor till November 2021

NP Mkontwana was a councillor till November 2021

RR Faul was a councillor till November 2021

WJ Du Plesis was a councillor till November 2021

PD van Wyk was a councillor till November 2021

SJ Hoffman was a councillor till November 2021

L Bille was a councillor till November 2021

MO Maramba was a councillor till November 2021

D Vanel was a councillor till November 2021

SP Wales was a councillor till November 2021

HJ Rust was a councillor till November 2021

JM Fortuin was a councillor till November 2021

MN Mackay was a councillor till November 2021

FCS Swanepoel was a councillor till November 2021

RH Adams Beukes was a councillor till November 2021

SW Mkhandula was a councillor till November 2021

BS Swanepoel was a councillor till November 2021

RS Smith was a councillor till November 2021

GL Nkumbi has being Mayor from November 2021

GK Engelbrencht was a councillor till November 2021

MST Booysen was a councillor till November 2021

37. Depreciation and amortisation

	2024	2023
Property, plant and equipment	53,753,228	53,615,508
Intangible assets	3,670	3,587
	53,756,898	**53,619,095**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

38. Finance costs

Borrowings	259,883	58,330
Non-current Employee Benefits	2,836,000	2,708,813
Non-current Provisions	(5,951,647)	7,359,073
Overdue creditors	23,221,518	12,640,743
	20,365,754	**22,766,959**

39. Fines written off

Irrecoverable fines	-	7,508,954

40. Bulk purchases

Electricity - Eskom	94,084,280	76,843,125

41. Contracted services

Outsourced Services		
Business and Advisory	395,555	376,200
Catering Services	387,866	68,667
Internal Auditors	286,957	488,437
Litter Picking and Street Cleaning	46,795	50,174
Medical Services Medical Health Services & Support	130,061	-
Personnel and Labour	375,843	289,953
Professional Staff	-	224,689
Security Services	6,381,222	1,542,289
Drivers Licence Cards	99,145	141,489
Consultants and Professional Services		
Business and Advisory	7,651,716	7,156,967
Infrastructure and Planning: Civil & Electrical	191,623	56,639
Laboratory Services	28,125	3,723
Legal Cost: Legal Advice and Litigation	876,827	1,456,762
Contractors		
Building	-	240,616
Distribution of Electricity by Others:Network Charges	1,291,373	962,051
Maintenance of Buildings and Facilities	61,916	-
Maintenance of Equipment	90,733	-
Maintenance of Unspecified Assets	2,039,563	1,003,290
Medical Services	-	72,100
Printing services	138,000	-
Prepaid Electricity Vendors	317,863	58,995
Traffic Fines Management	10,000	100,000
Employee wellness	-	61,215
	20,801,183	**14,354,256**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

42. Operational Costs

Advertising	35,892	179,962
Auditors remuneration	3,497,028	4,097,557
Bank charges	315,455	440,603
Commission paid	-	20,000
Conferences and seminars	25,087	4,999
Decommisioning costs	-	75,820
Electricity - Operational commission	-	283,109
Electricity - Eskom connection fees	4,574,009	10,711,123
Entertainment	185,164	62,975
Fuel and oil	5,760,968	2,474,684
Hire	108,918	111,312
IT expenses	897,642	646,038
Insurance	1,589,676	1,133,006
Motor vehicle expenses	19,276	-
Postage and courier	5,100	594
Printing and stationery	267,184	25,513
Repairs and maintenance	72,420	-
SDL	92,616	799,568
Servitudes and Land Surveys	-	25,974
Subscriptions and membership fees	1,500,732	1,892,883
Telephone and fax	2,537,014	1,724,117
Travel - local	2,592,958	1,433,585
Uniforms	1,064,061	47,414
Utilities	293,189	6,794,264
Water Resource Management Charges	-	55,797
	25,434,389	**33,040,897**

43. Auditors' remuneration

Audit expense	3,497,028	4,097,557

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

44. Cash generated from operations

	2024	2023
Deficit	(21,262,467)	(126,435,443)
Adjustments for:		
Depreciation and amortisation	53,756,898	55,404,886
Gain on sale of assets and liabilities	-	125,500
Fair value adjustments	(5,791)	3,587
Provincial service in Kind -Revenue (Non Cash)	(963,714)	-
Employee related costs donations (Non Cash)	963,714	-
Actuarial gains/loss	(877,000)	-
Impairment deficit	39,755,252	126,288,150
Bad debts written off	-	7,508,954
Contribution from/to provisions - Non-Current Employee Benefits - finance cost	-	7,387,605
Movements in retirement benefit assets and liabilities	1,673,000	-
Movements in provisions	689,968	-
Contribution from/to provisions - Non-Current Employee Benefits - finance cost	-	(2,936,759)
Contribution from/to - Current Employee Benefits	-	(415,000)
Addition non cash landfill site	(6,641,615)	3,355
Other non-cash on Property, Plant and Equipment	35,348	-
Other non-cash item	1,009,137	-
Inventory losses or write-downs	-	(12,879)
Contribution to employee benefits – current - expenditure incurred	1,328,546	352,454
Contribution from/to employee benefits - non-current - expenditure incurred	-	1,026,000
Contribution from/to - Non-Current Employee Benefits	-	(1,461,241)
Contribution from/to provisions - Non-Current Employee Benefits - finance cost	-	2,708,000
Changes in working capital:		
Inventories	1,040,487	(22,797)
Receivables from non-exchange transactions	(34,826,268)	(87,531,701)
(Increase)/Decrease in Receivables from Non-Exchange Transactions	(159,023,927)	(6,117,051)
Payables from exchange transactions	115,398,958	67,202,400
Increase/ (Decrease) in Taxes	40,355,444	(7,067,695)
Unspent conditional grants and receipts	1,720,700	(7,292,395)
Consumer deposits	98,767	-
Increase / (Decrease) in Consumer Deposits	-	109,435
	34,225,437	**28,827,365**

45. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	167,866,893	167,866,893
Other receivables from non-exchange transactions	41,975,259	41,975,259
Cash and cash equivalents	26,236,800	26,236,800
	236,078,952	**236,078,952**

Financial liabilities

	At amortised cost	Total
Borrowings	5,801,986	5,801,986
Trade and other payables from exchange transactions	339,052,076	339,052,076
Consumer deposits	3,028,458	3,028,458
	347,882,520	**347,882,520**

Figures in Rand	2024	2023

45. Financial instruments disclosure (continued)

2023

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	19,579,365	19,579,365
Other receivables from non-exchange transactions	24,608,223	24,608,223
Cash and cash equivalents	28,141,098	28,141,098
	72,328,686	**72,328,686**

Financial liabilities

	At amortised cost	Total
Borrowings	2,434,249	2,434,249
Trade and other payables from exchange transactions	338,729,680	338,729,680
Consumer deposits	3,026,958	3,026,958
	344,190,887	**344,190,887**

46. Commitments

Authorised capital expenditure

	2024	2023
Capital commitments		
• Infrastructure	86,798,984	89,432,017
Total capital commitments		
Already contracted for but not provided for	86,798,984	89,432,017

Total commitments

	2024	2023
Total commitments		
Authorised capital expenditure	86,798,984	89,432,017

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Figures in Rand	2024	2023

47. Contingencies

The Applicants (CJ Du Plessis & Others) issued Notice of Motion - compel application in terms of which they requested that the Municipality be complelled to consider and decide upon the Applicant's objection made ito. section 50(1)(c) of the MPRA. Pleadings have been exchanged and the application is still pending.
Settlement eminent. Settlement does not settle the proceedings instituted in the High Court for the recovery of arrear property rates.
The legal counsel estimate legal costs to be R500 000 to finalize proceedings.

There is a dispute between the Municipality and various land owners about the extraction of water by the Municipality from farms. It is foreseen that these land owners may institute legal claims against the Municipality in due course. At 30 June 2024 the possible claim amount could not be measured with certainity.
The lawsuit is ongoing.
The settlement cannot be quantified at this stage.

The litigation is in relation to capital project for the implementation of boreholes. At the 30 June 2024 the litigation was still under way and therefore outcome was still uncertain.
The lawsuit is ongoing.
The settlement cannot be quantified.

Contingent assets

There are current open files (in the following matters) in which the Municipality instituted litigation as the Plaintiff/Applicant:

	2024	2023
Louis Charles Marais Testamentêre Trust/Emthanjeni		
Servitude of aqueduct, compensation payable in terms of court order	2,100	-
Blaauwkrantz Boerdery CC/Emthanjeni		
Servitude of aqueduct, compensation payable in terms of court order	19,500	-
JCM Venter/Emthanjeni		
Servitude of aqueduct, compensation payable in terms of court order	26,250	-
Fusion Guarantees (Pty) Ltd/Emthanjeni		
The lawsuit is ongoing. Claim in favor of the municipality.	1,329,326	-
Lubacon Civils/Emthanjeni		
The litigation is in relation to capital project for the implementation of boreholes. At the 30 June 2024 the litigation was still under way and therefore outcome was still uncertain. Claim in favor of the municipality plus interest at the prescribed rate (Act 55 of 1975) and cost of suit.	4,945,000	-
	-	-

S NAUDE & OTHERS/Emthanjeni LocalMunicipality

CASENO: 1821/2024

Figures in Rand	2024	2023
47. Contingencies (continued)		
The Municipalityissued Summons against theDefendant for arrear rates and taxes.Pleadings have been exchanged andapplication for a trial date willfollow after a pre-trial has beenheld It is highly likely that theMunicipality will recover thearrear rates and taxes.	-	-
S NAUDE & OTHERS/Emthanjeni LocalMunicipality **CASE NO.2602/2017 & CJ DU PLESSIS &OTHERS CASE NO: 2599/2017 &2601/2017** Settlement eminent. Settlementdoes not settle the proceedingsinstituted in the High Court forthe recovery of arrear propertyrates.	-	-
CJ DU PLESSIS/Emthanjeni LocalMunicipality **CJ DU PLESSIS & OTHERS (reSOLAR CAPITAL) CASE NO.1508/2018 & 332/2021** Settlement eminent. Settlementdoes not settle the proceedingsinstituted in the High Court forthe recovery of arrear property	-	-
CJ DU PLESSIS N.O. & OTHERS/Emthanjeni LocalMunicipality **CASENO: 1798/2021** The Municipality issued Summons against theDefendant for arrear rates and taxes.Pleadings have been exchanged andapplication for a trial date willfollow after a pre-trial has beenheld It is highly likely that theMunicipality will recover thearrear rates and taxes.	-	-

Contingent liabilities

Emthanjeni/Sindile Xontile This matter is postponed until 14 September 2022 for Mr. Xontile to come to court withan attorney. Due to the nature and the fact that we do not know how long this litigationwill proceed we are unable to tell in rand value what the expenses will be.	-	206,352
Emthanjeni/ Inzalo Enterprise Management Systems (Pty) Ltd The law suit is on going. Third parties have instituted litigation against the Municipality (and have cited the Municipality as a Defendant/Respondent). The Municipality is currently in a legal dispute for the outstanding debt.	9,249,173	-
Emthanjeni//Various farmers There is a brewing dispute between the Municipality and various land owners about theextraction of water by the Municipality from farms. It is foreseen that these land ownersmay institute legal claims against the Municipality in due course. At 30 June 2024 thepossible claim amount could not be measured with certainty.	-	-

Emthanjeni/ Hamsa Cosulting

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

47. Contingencies (continued)

The lawsuit is on going. Litigation is in relation to the supply of solar streetlights. The matter will be heard in court in the year 2025. As at 30 June 2024 the litigation was still underway and therefore the outcome was still uncertain.	1,637,734	-

Figures in Rand	2024	2023

48. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note
Councillors	G.L Nkumbi
	L.E. Andrews
	M.C Kivedo
	F.C Swanepoel
	M.N Mackay
	T.J Brandt
	J.M Fortuin
	P.P Mhlauli
	R.H Adams-Beukes
	B. Swanepoel
	P.N Bushula
	M.S.T Booysen
	M. Mvenya
	R. Smith
	G. Englebrecht

Councillors and/or management of the municipality had relationships with business during the financial period as indicated below:

Outstanding municipal account as at 30 June 2024

Councillors	30-Jun-24	30-Jun-23
NKUMBI G L	39 146,00	12 062,61
ANDREWS L E	25 674,00	10 227,15
KIVEDO M C	43 540,00	18 580,97
SWANEPOEL F C	4 882,00	1 739,14
MACKAY M N	14 823,00	650,92
MAKANDULA S W		45 160,71
BRANDT T J	37 094,00	17 736,41
FORTUIN J M	27 880,00	25 758,26
MHLAULI P P	13 946,00	7 961,09
ADAMS-BEUKES R H	76 516,00	48 896,91
SWANEPOEL B	18 674,00	11 596,43
BUSHULA P N	94 567,00	69 066,53
BOOYSEN M S T	6 422,00	2 007,93

Outstanding municipal account as at 30 June 2024		30 June 24	30 June 23
Municipal Manager and Section 57 Employees			
DH Molaole	Muncipal Manager	-	-
HM Joka	Director: Community services	130,200.00	102,518
L Thiso	Director: Infrastructure and Technical Services	-	-

Councillors and/or management of the municipality had relationships with business during the financial period as indicated below:

No purchases was made from them during the financial year and prior year.

Municipal Supply Chain Regulations 45 - Awards to close family members of persons in the service of the state

Supplier	Relationship to Municipality	Award
G3 Group (Pty) Ltd	Director is not an official of the municipality	7,145,233

Notes to the Annual Financial Statements

Figures in Rand		2024	2023

48. Related parties (continued)

Bruin O (Pty) Ltd	Director is not an official of the municipality		2,443,154

30 June 2024	Amount	Interest
Ncedis Bakery Primary Co-Operative	-	PP Mhlauli (councillor) is a director
Jupiter Construction and Enterprise	-	J.Fortuin (councillor) is a director
Ziyeka Security and Training Company	-	J.Fortuin (councillor) is a director
Pixley Seme Boys 2 Man	-	RH Adams- Beukes (councillor) is a director
Rehoboth Joan Wertheim Centre	-	R.Smith (councillor) is a director
Van Zyl Booysen Institution	-	M Booysen (councillor) is a director
Afire Skies Solutions	-	S Jordan (Acting CFO) is a director
Dirathata	-	L Thiso (Director: Infrastructure) is a director
Moshu 1640 Mining	-	D Molaole (Municipal Manager) is a director
The Rise of the Umpire	-	H.Joka (Director: Community Services) is a director
MOSHU 1640 MININGCOMPANY	-	D Molaole (Municipal Manager) is a director
The Rise of the Umpire	-	H.Joka (Director: Community Services) is a director
Phimola Keledi Burial	-	D Molaole (Municipal Manager)is a director

Municipal Supply Chain Regulations 45 - Awards to close family members of persons in the service of the state

30 June 2023	Amount	Interest
Ncedis Bakery Primary Co-Operative	-	PP Mhlauli
Jupiter Construction and Enterprise	-	J.Fourtuin (councillor) is a director
Ziyeka Security and Training Company	-	J.Fourtuin (councillor) is a director
Pixley Seme Boys 2 Man	-	RH Adams-Beukes (councillor) is a director
Khazimla Sound Equipment	-	SW Makandula (councillor) is a director
Primary Co-operative Limited	-	SW Makandula (councillor) is a director
Ingomoso Youth General Trading	-	SW Makandula (councillor) is a director
Enthanjeni Business Council	-	SW Makandula (councillor) is a director
De Aar Community Forum	-	SW Makandula (councillor) is a director
SNS Empowerment	-	SW Makandula (councillor) is a director
Rehoboth Joan Wertheim Centre	-	R. Smith(councillor) is a director
Van Zyl Booysen Institution	-	M Booysen (councillor) is a director
Afire Skies Solutions	-	S Jordan (Acting CFO) is a director
Dirathata	-	L Thiso (Director: Infractructure) is a director

Figures in Rand		2024	2023

48. Related parties (continued)

Moshu 1640 Mining	-	D Molaole (Municipal Manager) is a director
The Rise of the Umpire	-	H. Joka (Director: Community Services)
Phimola Keledi Burial	-	D Molaole (Municipal Manager) is a director

Key management information

Remuneration of management refer to note 35

Remuneration of councillors refer to note 36

Notes to the Annual Financial Statements

49. Prior period errors

Statement of Financial Position

Figures in Rand	Note(s)	Previously reported	Adjustment	Re-classification	Restated		Re
Assets							
Current Assets							
Inventories	3	25,516,538	-	-	25,516,538		
Receivables from non-exchange transactions		-	-	-	-		
Receivables from non-exchange transactions	4	24,608,223	-	-	24,608,223		
Taxes	5	27,177,722	-	-	27,177,722		
Receivables from exchange transactions	6	19,579,365	-	-	19,579,365		
Cash and cash equivalents	7	18,819,066	9,322,032	-	28,141,098	[1]	
		115,700,914	**9,322,032**	**-**	**125,022,946**		
Non-Current Assets							
Investment property	8	8,767,885	-	-	8,767,885		
Property, plant and equipment	9	792,668,396	1,739,818	-	794,408,214	[9]	
Intangible assets	10	20,582	-	-	20,582		
Heritage assets	11	6,833,773	-	-	6,833,773		
Investments	12	31,878	4,480	-	36,358	[7]	
		808,322,514	**1,744,298**	**-**	**810,066,812**		
Total Assets		**924,023,428**	**11,066,330**	**-**	**935,089,758**		
Liabilities							
Current Liabilities							
Borrowings	13	182,591	863,641	-	1,046,232	[10]	
Payables from exchange transactions	14	206,772,412	16,558,310	-	223,330,722	[16]	
Payables from non-exchange	15	11,577,785	-	-	11,577,785		
Consumer deposits	17	2,928,191	-	-	2,928,191		
Employee benefit obligation	18	14,337,794	(1,279,422)	-	13,058,372	[8]	
Unspent conditional grants and receipts	19	7,721,422	-	-	7,721,422		
		243,520,195	**16,142,529**	**-**	**259,662,724**		
Non-Current Liabilities							
Borrowings	13	1,832,723	219,115	-	2,051,838	[10]	
Employee benefit obligation	18	22,609,001	-	-	22,609,001		
Provisions	20	83,786,528	-	-	83,786,528		
		108,228,252	**219,115**	**-**	**108,447,367**		
Total Liabilities		**351,748,447**	**16,361,644**	**-**	**368,110,091**		
Net Assets		**572,274,981**	**(5,295,314)**	**-**	**566,979,667**		
Capital Replacement	21	2,252,793	-	-	2,252,793		
Accumulated surplus		570,022,185	(5,295,315)	-	564,726,870	[3]	
Total Net Assets		**572,274,978**	**(5,295,315)**	**-**	**566,979,663**		

49. Prior period errors (continued)

Statement of Financial Performance

Figures in Rand	Note(s)	Previously reported	Adjustment	Re-classification	Restated	Re
Revenue						
Revenue from exchange transactions						
Service charges	23	166,854,719	-	-	166,854,719	
Operational revenue		2,038,156	-	-	2,038,156	
Rental of facilities and equipment	25	1,557,874	-	-	1,557,874	
Interest received on Investment		6,968,819	-	-	6,968,819	
Agency services		-	-	-	-	
Licences and permits		400,134	-	-	400,134	
Interest on investments	27	2,706,597	-	-	2,706,597	
Total revenue from exchange transactions		**180,526,299**	**-**	**-**	**180,526,299**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	32	44,921,419	-	-	44,921,419	
Licences and Permits (Non-exchange)		-	-	-	-	
Interest on outstanding receivables		-	-	-	-	
Interest earned from non-exchange		7,812,568	-	-	7,812,568	
Transfer revenue						
Government grants & subsidies	33	-	80,355,395	-	80,355,395	[5]
Government grants and subsidies capital		19,554,490	(19,554,490)	-	-	[5]
Government grants and subsidies capital		60,800,905	(60,800,905)	-	-	[5]
Fines, Penalties and Forfeits		691,646	-	-	691,646	
Provincial service in kind		474,505	-	-	474,505	
Total revenue from non-exchange transactions		**134,255,533**	**-**	**-**	**134,255,533**	
Total revenue	22	**314,781,832**	**-**	**-**	**314,781,832**	
Expenditure						
Employee related costs	35	(97,570,493)	1,279,422	-	(96,291,071)	[11]
Remuneration of councilors	36	(5,855,587)	-	-	(5,855,587)	
		-	-	-	-	
Depreciation and amortisation	37	(55,408,473)	1,789,378	-	(53,619,095)	[12]
Impairment loss/ Reversal of impairments	31	(126,288,149)	-	-	(126,288,150)	
Finance costs	38	(22,617,777)	(149,182)	-	(22,766,959)	[13]
Lease rentals on operating lease		(111,313)	-	111,313	-	[2]
Fines written off		(7,508,954)	-	-	(7,508,954)	
Bulk purchases	40	(87,554,248)	10,711,123	-	(76,843,125)	[4]
Contracted services	41	(14,354,255)	-	-	(14,354,256)	
Transfers and Subsidies		-	-	-	-	
Inventory consumed		(4,553,702)	-	-	(4,553,702)	
Operational costs	42	(22,218,462)	(10,711,122)	(111,313)	(33,040,897)	[4]
Total expenditure		**(444,041,413)**	**2,919,619**	**-**	**(441,121,796)**	
Operating deficit		**(129,259,581)**	**2,919,619**	**-**	**(126,339,964)**	
Gain/(Loss) on sale of Fixed assets		(125,500)	-	-	(125,500)	
Fair value adjustments	64	-	4,480	-	4,480	[15]
Actuarial losses	18	2,936,759	-	-	2,936,759	
Inventories losses/write-downs		12,879	-	-	12,879	
		2,824,138	**4,480**	**-**	**2,828,618**	

* See Note 49

Statement of Financial Performance

Figures in Rand		Note(s)	2024	2023 Restated*

49. Prior period errors (continued)

Deficit for the year	**(126,435,443)**	**2,924,099**	**-**	**(123,511,346)**
Amounts included in disclosures				
Audit fees remuneration opening balance	3,023,924	19,261	-	3,043,186
Audit fees remuneration current year charge	4,037,778	757,986	-	4,795,764
Audit fees remuneration amount paid current year	(1,013,853)	(1,103,211)	-	(2,117,064)
Audit fees remuneration amount paid previous year	(3,023,925)	338,314	-	(2,685,610)
Irregular Expenditure identified by Auditor General	2,146,874	(63,467)	-	2,083,407
.	-	-	-	-
	5,170,798	**(51,117)**	**-**	**5,119,683**

1) Cash and bank was restated as a result of errors on unrecognised items

2) Operating leases was restated as a result of expenditure that was reclassified to operational expenditure due to the nature of the transactions

3) Accumulated surplus was restated as a result of the net changes in the statement of financial position and performance

4) Bulk purchases was restated as a result of expenditure for small accounts that was incorrectly accounted for under bulk purchases.

5) Government grants and subsidies- Capital and Government grants and subsidies- Operating were reclassified to Government grants and subsidies and reported as the nature of the transactions is the same.

6) Auditors remuneration disclosure was restated to align the balances to the supplier statement.

7) Investments were restated to account for the fair value adjustment that was not accounted for in the prior year.

8) Employee benefit obligation was restated as a result of errors noted on the recalculations for Staff bonus, Performance bonus and Staff leave.

9) Property, plant and equipment was restated as a result of depreciation not accounted for correctly in prior year

10) Borrowings were restated as a result of balances that were not reconciling to the loan statement

11) Employee related costs was restated as a result of errors noted on the recalculations for Staff bonus, Performance bonus and Staff leave

12) Depreciation expense was restated as a result of depreciation not accounted for correctly in prior year.

13) Finance costs was restated as a result of interest that was not accounted for in the prior year

14) Operational costs were restated as a result of the reclassification on the Operating lease amount error and the adjustment on operational expenditure that was incorrectly accounted for as Bulk purchases

15) Fair value adjustment were restated to account for the fair value adjustment that was not accounted for in the prior year

16) This is to correct the payables balance which was understated due to system misallocations.

* See Note 49

Figures in Rand	2024	2023

50. Risk management

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

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

At 30 June 2024	Less than 1 year	Between 1 and 2 years
Trade and other payables	339,052,076	-

At 30 June 2023	Less than 1 year	Between 1 and 2 years
Trade and other payables	223,330,722	-

Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

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 instrument	2024	2023
Trade Receivables from exchange transactions	167,866,893	19,579,365

Market risk

Figures in Rand	2024	2023

50. Risk management (continued)

Interest rate risk

The entity's interest rate risk arises from long-term borrowings. Borrowings arises at fixed rates, which expose the Municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the entity to fair value interest rate risk.

During 2024 and 2023, the entity's borrowings at variable rate were denominated in the Rand.
The entity analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the entity calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies

Financial Instruments Categories

Financial Assets 2024/2023	At Fair Value through Surplus/Deficit 2024	At Amortised Cost 2024	At Fair Value Through Surplus/deficit 2023	At Amortised Cost 2023
Receivables from exchange	-	156,322,393	-	19,579,365
Cash and Cash Equivalents	-	26,236,800	-	28,141,098

Financial Liabilities 2024/2023	At Fair Value through Surplus/Deficit 2024	At Amortised Cost 2024	At Fair Value Through Surplus/deficit 2023	At Amortised Cost 2023
Payables from exchange	-	338,729,680	-	223,330,722
Other financial liabilities	-	5,801,986	-	2,051,838

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the statement of financial position either as available-for-sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the municipality diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the municipality.

Figures in Rand	2024	2023

51. Going concern

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

Management is of the opinion that the municipality will continue to operate as a going concern and perform it's function.

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial indicator(s)

The current ratio decreased to 0.67 from 0.69 in the prior year

The municipality had an actual deficit of R19 557 993 for the current year

The average debtors' payment days decreased from 1042 to 904 days

The average debtors collection rate after impairment is 40.36%(2023: 46.46%)

The bank balance as per the cashbook (primary account) for the current year is R3 088 112 (2023: R4 666 632)

There was a decrease in Cash and cash equivalents for the current year by R1 904 298

The outstanding balance in terms of external loans R8 235 235 (2023: R3 098 070)

The Debt-to-Equity ratio for the current year is low i.e., 0.90.

The Cash ratio for the current year of the municipality is low 0.067

The municipality heavily relies on operational grants to keep afloat and capital grants for the completion of infrastructure project that will benefit the community.

Inspire of the aforementioned, management has prepared the Annual Financial Statements of the going concern basis.

* See Note 49

Figures in Rand	2024	2023

52. Events after the reporting date

Non-adjusting events after the reporting date:

Judgement of the High Court on a matter between Afriforum v Nersa High Court, on 8 July 2024

Municipalities are responsible for calculating the tariffs consumers pay for electricity and are required in terms of s.27(h) of the Electricity Regulation Act no. 4 of 2006 (ERA) to set such tariffs in accordance with the Electricity Pricing Policy (Policy). The National Energy Regulator of South Africa (Nersa), as custodian and enforcer of the regulatory framework, must consider and approve the tariffs calculated by municipalities.

The Policy mandates that the electricity tariffs, and therefore both the tariff applications by municipalities and the approval by Nersa, must be based on the cost of supply of electricity and requires municipalities to conduct a cost of supply study when calculating electricity tariffs. This is re-enforced by s.74(2)(d) of the Municipal Systems Act no. 32 of 2000, which requires that municipal tariffs must reflect the costs reasonably associated with rendering the service. In addition, Nersa approved a framework that mandates municipalities to conduct a cost of supply study.

Despite these clear, consistent and legal requirements that Nersa's approval of electricity tariff applications must be based on the cost of supply of electricity, Nersa decided in January 2024 to no longer require tariff increase applications for the 2024-25 financial year to be accompanied by a cost of supply study. Instead, Nersa introduced a methodology that tested tariff applications against certain assumptions (assumption method). In terms of this method, Nersa would approve the 2024-25 tariffs if they fell within certain assumptions. If they fell outside these assumptions, they would not be approved.

Sixty-six municipalities (compliant municipalities) complied with the obligation to conduct a cost of supply study in calculating and submitting their 2024-25 tariff applications to Nersa. The remainder (non-compliant municipalities) did not.

Subsequent to the introduction of the assumption method, Afriforum, in the interest of consumers, lodged legal proceedings against Nersa (and others) contending that the assumption method employed by Nersa to approve the 2024-25 tariffs is not premised on the cost of supply of electricity and is therefore unlawful.

The matter was heard by the Gauteng High Court and on 8 July 2024 the court handed down its judgement and ordered that:

Nersa's assumption method for approval of municipal electricity tariffs is unlawful, invalid and of no force and effect.

For the 66 compliant municipalities, Nersa must consider and approve the 2024-25 electricity tariff applications if based on the municipality's cost of supply study.

For Emthanjeni Local Municipality and other non-compliant municipalities:

Nersa is prohibited from considering and approving electricity tariffs for the 2024-25 and subsequent financial years where the municipality's application for the approval of electricity tariffs is not based on a cost of supply study.
Municipalities are not entitled to levy electricity tariffs upon consumers until Nersa has approved an application supported by a cost of supply study. Until such time as Nersa has approved an application supported by a cost of supply study, the municipality must continue levying electricity on the same tariff applicable during the 2023-24 financial year.
Municipalities are afforded 60 days from the date of the court order (i.e., until 6 September 2024) to supplement electricity tariff applications with cost of supply studies. Nersa must consider and approve such electricity tariff applications if they are legally compliant and based on the municipality's cost of supply study.

Impact on Emthanjeni Local Municipality:

The above matter does not have an impact in the annual financial statements for the year ended 30 June 2024, as it relates to electricity price increases for the proceeding financial year, of which impact will be reported in the annual financial statements for the year ending 30 June 2025.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

53. Unauthorised expenditure

Opening balance as previously reported	230,117,261	72,182,012
Unauthorised expenditure current year - operational	116,630,126	157,707,095
Unauthorised expenditure current year - capital	-	228,154
Closing balance	**346,747,387**	**230,117,261**

Unauthorised expenditure can be summarised as follow:

Unauthorised expenditure: Budget overspending – per municipal department:

Actual vs Budgeted spending (no disciplinary steps/ proceedings)	116,630,126	157,707,095

Disciplinary steps taken/criminal proceedings

No disciplinary steps were taken/ criminal proceedings taken

54. Fruitless and wasteful expenditure

Opening balance as previously reported	16,381,523	4,639,872
Add: Fruitless and wasteful expenditure identified - current	23,186,541	11,741,651
Add: Identified by the AGSA	239,256	-
Fruitless and wasteful expenditure awaiting condonement	**39,807,320**	**16,381,523**

Fruitless and wasteful expenditure is presented inclusive of VAT

Figures in Rand		2024	2023

54. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Interest paid on creditors overdue accounts	None	-	3,005
Eskom - interest paid	None	21,132,053	10,774,182
Inzalo - EMS interest charges	None	1,799,565	354,792
Auditor General - Overdue charges	None	245,576	609,672
Telkom - interest charges	None	9,347	-
SARS - Non submission of returns	None	239,256	-
		23,425,797	**11,741,651**

55. Irregular expenditure

Reconciliation of irregular expenditure.

Opening balance as previously reported	35,120,316	26,464,223
Add: Irregular expenditure - current	3,300,332	2,122,820
Add: Irregular expenditure - prior period	-	4,386,399
Amounts identified by the AGSA	19,809,303	2,146,874
Closing balance	**58,229,951**	**35,120,316**

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies for expenditure.

Irregular expenditure is disclosed inclusive of VAT.

* See Note 49

Notes to the Annual Financial Statements

Figures in Rand		2024	2023

55. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
208/2019- SCM processes not followed	None	27,140,394	27,140,394
208/2019- SCM processes not followed	None	192,557	192,557
2019/2020 - Valid or no contracts in place for service providers	None	7,372,853	7,372,853
2019/2020 - Irregularities resulting from Bid Adjudication committee not being properly constituted	None	43,975,506	43,975,506
2020/2021 - Valid/no contracts in place for service providers & non-compliance SCM regulations	None	9,628,128	9,628,128
2021/2022 - Quotation process not followed	None	198,750	198,750
2021/2022 - Contracts/Suppliers identified in previous financial years as irregular	None	2,420,552	2,420,552
2021/2022 - Irregular identified by the Auditor-General	None	690,863	690,863
2022/2023 - Quotation process not followed	None	967,973	967,973
2022/2023 - Contracts/Suppliers identified in previous financial years as irregular	None	1,154,845	1,154,845
2022/2023 - Irregular identified by the Auditor-General	None	2,146,874	2,146,874
2021/2022 - Irregular identified by the Auditor-General	None	4,386,399	4,386,399
2023/2024 - Irregular identified by the Auditor-General	None	19,809,303	-
2023/2024 - No contract in place	None	423,731	-
2023/2024 - Contact price exceeded	None	1,672,900	-
2023/2024 - Tender was advertised for less than 31 days	None	474,448	-
2023/2024 - Three quotations not obtained	None	729,254	-
		123,385,330	**100,275,694**

* See Note 49

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

56. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2024	2023
Opening balance	823,823	823,823
Council subscriptions	1,243,055	1,060,424
Amount paid - current year	-	(1,060,424)
	2,066,878	**823,823**

Material losses

			2024	2023
			-	-
Electricity distribution losses			-	-
Units purchased (KWh)			55 655 4088	46 282 580
Units sold (KWh)			-53 408 998	-43 145 332
Units lost during distribution (KWh)			3 145 090	3 137 248
Percentage lost during distribution			5,56%	6,78%
Units lost during distribution (ZAR)			5,232,222	5,207,832
			5,232,222	**5,207,832**
Water distribution losses	-	-	-	-
Units purchased (Kl)			3 659 945	3 144 943
Units sold (Kl)			-2 579 382	-2 823 054
Units lost during distribution (Kl)			1 080 563	321 889
Percentage lost during distribution			29,5%	10,23%
Units lost during distribution (ZAR)			1,372,315	408,799
			1,372,315	**408,799**

Audit fees

	2024	2023
Opening balance	3,036,276	3,043,187
Current year subscription / fee	4,410,323	4,795,764
Amount paid - current year	(3,907,717)	(2,117,065)
Amount paid - previous years	(2,145,594)	(2,685,610)
	1,393,288	**3,036,276**

* See Note 49

Figures in Rand	2024	2023

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

VAT

VAT receivable	-	27,177,722
VAT payable	13,177,722	-
	13,177,722	**27,177,722**

VAT output payables and VAT input receivables are shown in note .

Not all VAT returns were submitted by the due date throughout the year.

The returns as per below were not timeously submitted to the SARS. The municipality had issues with the processing of transactions during the current financial as we had to migrate to a new system.

July 2023
August 2023
September 2023
October 2023
November 2023
December 2023
January 2024
February 2024
March 2024
April 2024
May 2024
June 2024

57. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	8,236,235	3,098,070

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

* See Note 49

Figures in Rand	2024	2023

58. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

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

		Type of Deviation			
30 June 2024	Amount	Single Supplier	Impossible	Impractical	Emergency
Jul-23	199,167	-	-	-	199,167
Aug-23	11,043	11,043	-	-	-
Sep-23	165,013	5,772	-	152,175	7,066
Oct-23	112,798	45,591	-	18,144	49,072
Nov-23	115,407	47,684	-	64,122	3,599
Dec-23	512,739	24,611	-	488,128	-
Feb-24	824,031	38,915	-	785,116	-
Mar-24	18,508	5,550	-	12,958	-
Apr-24	341,271	27,980	-	313,292	-
May-24	387,536	22,458	-	365,078	-
Jun-24	1,046,945	5,894	-	938,409	102,642
	3,734,458	**235,498**	**-**	**3,137,422**	**361,546**

		* Type of Deviation			
30 June 2023	Amount	Single Supplier	Impossible	Impractical	Emergency
Jul-22	29,661	29,661	-	-	-
Aug-22	169,501	169,501	-	-	-
Sep-22	279,321	279,321	-	-	-
Oct-22	378,145	378,145	-	-	-
Nov-22	601,160	601,160	-	-	-
Dec-22	301,006	301,006	-	-	-
Jan-23	54,947	-	-	-	54,947
Feb-23	91,072	7,797	-	-	83,281
Mar-23	299,491	299,491	-	-	-
Apr-23	39,010	39,010	-	-	-
May-23	792,641	426,291	-	366,350	-
Jun-23	2,138,950	505,301	-	1,633,649	-
	5,174,905	**3,036,684**	**-**	**1,999,999**	**138,228**

* See Note 49

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

59. Budget differences

Material differences between budget and actual amounts

Differences between budget and actual amounts basis of preparation and presentation

Difference between final budget and actual

Item	Reason for Difference
Service charges	Reduced collection rate
Operational revenue	Operational revenue Due to a decrease in the sale of goods.
Rental of facilities and equipment	Due to non-use of investment property due to lack of maintenance
Interest received exchange	Due to reduction in customers settling their account this caused an increase in interest charged to clients
Property rates	Due to annual escalation of property rates
Remuneration of councilor	The item was under budgeted for
Finance costs	Due to financial constraints, the municipality was unable to settle creditors timeously.
Bad debts written off	No debts were written off
Bulk purchases	Due to increment in electricity tariffs and increase billing during the winter period.
Contracted Services	Increased repairs and maintenance
Operational cost	Due to reduction in miscellaneous expenditure and more focus on repairs and maintenance
Actuarial gains/losses	Gains identified in provision of employee benefits
Provision for landfill	There was a positive change in the provision of land fill sites.
Inventories	The municipality had budgeted to procure materials in order to effect repairs and maintenance
Receivables from non-exchange transactions	The line item was under budgeted

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

60. Principal Agency Agreements

Commission - Syntell	1,083,812	916,821

The municipality paid 2.70% commission plus bank cost which range between 1% to 1.75% , all VAT included,on the rand value of pre-paid electricity sales as reflected in the Syntell Vending Gateway reports. Syntell exclusively dispense and sell pre-paid electricity on behalf of the municipality. As per the agreed terms of conditions of a contract entered between the parties for a 4 year period which is due to lapse on 31 March 2025.

No assets were given to Syntell in terms of the Principal - Agency agreement that the municipality has with Syntell.

The contract was extended and there was no changes in the significant terms and conditions from the prior year.

The municipality (agent) collects licensing fees on behalf of the Provincial Department of Transport and Public Works (principal). The municipality can retain a portion of the fees collected and the net amount is due to the Provincial Department. The amount retained is recorded as Agency Services in the Statement of Financial Performance. The amounts due to the Provincial Department at year end are included in the balances reported as Payables from Exchange Transactions in the Statement of Financial Position.

There was not a change in the significant terms and conditions from the prior year. No significant risks were noted as the municipality only collects monies on behalf of the Provincial Department of Transport and Public Works, as part of its existing service at the Traffic Department.

Compensation received for agency activities		
Commission - Provincial Department of Transport and Public Works	-	171,456

* See Note 49

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

61. Segment information

General information

Identification of segments

The segments were organised based on the type and nature of service delivered by the Municipality.These services are delivered in various municipal departments, which for reporting purposes are allocated to a standardised functional area(guided by mSCOA regulations). Budgets are prepared for each functional area and the budget versus actual amounts are reported on a monthly basis. Information reported about these segments isused by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes..

Types of goods and/or services by segment

The Municipality has several departments/functional areas and accordingly the segments were aggregated for reporting purposes as set out below:

Reportable segment	Goods and/or services
Community and Social Services	Provision of public safety, an acceptable standard of Social Services, Emergency Services, Environmental and Health Services, Community Safety and Road Traffic Management
Corporate Services	This segment is responsible for the Strategic Management of the Department Corporate,Community and Development Services to ensure the achievement of the Department's strategicobjectives and its developmental and Service delivery obligations.
Finance Services	Provision of financial and administrative services to other segments of the municipality
Infrastructure Services	Construction and maintenance of roads and infrastructure owned by the municipality
Mayor and Council	This segment is responsible for the political oversight of the municipality's functions, programs and the management of the administration
Municipal Manager	This segment is responsible for the establishment and maintenance of a strategic management system for the municipality as a whole to ensure the achievement of the municipality`s strategic objectives and its developmental and service delivery obligations.

Figures in Rand

61. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Community and Social Services	Corporate Services	Finance Services	Infrastructure Services	Mayor and Council	Municipal Manager, Town Secretary and Chief Executive	Total
Revenue							
Service charges	186,300,477	-	-	-	-	-	186,300,477
Operational revenue	213,972	-	973,418	-	223	-	1,187,613
Rental of facilities and equipment	655,596	-	-	-	-	-	655,596
Interest Earned - Exchange Transactions	7,447,576	-	4,442,220	-	-	-	11,889,796
License and permits	455,427	-	-	-	-	-	455,427
Interest on investment	-	-	3,727,148	-	-	-	3,727,148
Property rates	31,407,021	-	14,743,024	-	-	-	46,150,045
Interest earned from non-exchange	-	-	5,540,671	-	-	-	5,540,671
Government grants & subsidies	82,714,515	-	1,847,664	12,958,753	-	-	97,520,932
Fines, Penalties and Forfeits	408,200	-	-	-	-	-	408,200
Provincial Service-in-kind	-	-	963,714	-	-	-	963,714
Total segment revenue	**309,602,784**	**-**	**32,237,859**	**12,958,753**	**223**	**-**	**354,799,619**
Entity's revenue							**354,799,619**

* See Note 49

Figures in Rand

61. Segment information (continued)

	Community and Social Services	Corporate Services	Finance Services	Infrastructure Services	Mayor and Council	Municipal Manager, Town Secretary and Chief Executive	Total
Expenditure							
Employee related costs	12,937,628	2,147,422	81,958,836	5,884,150	477,022	1,981,149	105,386,207
Remuneration of councilors	-	-	-	-	5,720,012	-	5,720,012
Depreciation and Amortisation	3,997,742	-	-	48,090,321	1,668,835	-	53,756,898
Finance costs	-	-	20,365,754	-	-	-	20,365,754
Inventory consumed	2,883,665	-	1,329,700	7,410,636	13,069	3,833	11,640,903
General expenses	6,406,826	420,534	7,350,093	6,550,760	4,565,061	141,115	25,434,389
Contracted Services	3,349,940	2,723,160	12,178,979	1,244,998	1,304,106	-	20,801,183
Bulk purchases	94,084,280	-	-	-	-	-	94,084,280
Actuarial gains/ losses	-	-	(877,000)	-	-	-	(877,000)
Fail value adjustment	-	-	(5,791)	-	-	-	(5,791)
Reversal of Impairment Loss/(Impairment Loss) on Receivables	-	-	39,755,252	-	-	-	39,755,252
Total segment expenditure	**123,660,081**	**5,291,116**	**162,055,823**	**69,180,865**	**13,748,105**	**2,126,097**	**376,062,087**
Total segmental surplus/(deficit)							**(21,262,468)**
Assets							
Inventories	23,101,224	-	1,374,827	-	-	-	24,476,051
Receivables from non-exchange transactions	41,960,137	-	-	-	-	-	41,960,137
Receivables from Exchange Transactions	137,932,829	-	-	-	18,389,564	-	156,322,393
Cash and cash equivalents	-	-	26,236,800	-	-	-	26,236,800
Investment property	-	-	8,767,885	-	-	-	8,767,885
Property, plant and equipment	78,719,046	-	15,002,911	690,895,998	3,911,197	-	788,529,152
Intangible assets	-	-	16,912	-	-	-	16,912
Heritage assets	-	-	6,833,773	-	-	-	6,833,773
Investments	-	-	42,148	-	-	-	42,148
Total segment assets	**281,713,236**	**-**	**58,275,256**	**690,895,998**	**22,300,761**	**-**	**1,053,185,251**

* See Note 49

Notes to the Annual Financial Statements

Figures in Rand

	Community and Social Services	Corporate Services	Finance Services	Infrastructure Services	Mayor and Council	Municipal Manager, Town Secretary and Chief Executive	Total
61. Segment information (continued)							
Total assets as per Statement of financial Position							**1,053,185,251**
Liabilities							
Borrowings	-	-	8,236,235	-	-	-	8,236,235
Payables from exchange transactions	132,534,548	2,147,422	122,858,698	160,026	81,028,986	-	338,729,680
Payables from non-exchange	-	-	11,130,539	447,247	-	-	11,577,786
VAT payable	-	-	13,177,722	-	-	-	13,177,722
Consumer deposits	-	-	3,026,958	-	-	-	3,026,958
Employee benefit obligation	-	-	37,791,920	-	-	-	37,791,920
Unspent conditional grants and receipts	2,617,125	-	-	6,824,997	-	-	9,442,122
Provisions	-	-	-	84,476,496	-	-	84,476,496
Total segment liabilities	**135,151,673**	**2,147,422**	**196,222,072**	**91,908,766**	**81,028,986**	**-**	**506,458,919**
Capital replacement							2,252,793
Accumulated surplus							544,473,539
Total liabilities as per Statement of financial Position							**1,053,185,251**

* See Note 49

Notes to the Annual Financial Statements

Figures in Rand

61. Segment information (continued)

2023

	Community and Social Services	Corporate Services	Finance Services	Infrastructure Services	Mayor and Council	Municipal Manager	Total
Revenue							
Service charges	166,854,719	-	-	-	-	-	166,854,719
Operational revenue	934,886	-	671,580	-	431,690	-	2,038,156
Rental of facilities and equipment	1,557,874	-	-	-	-	-	1,557,874
Interest Earned - Exchange Transactions	6,968,818	-	-	-	-	-	6,968,818
Licences and permits	-	-	400,134	-	-	-	400,134
Interest Earned - External Investments	-	-	2,706,597	-	-	-	2,706,597
Property rates	2,965,185	-	41,956,234	-	-	-	44,921,419
Interest earned from non-exchange	-	-	7,812,568	-	-	-	7,812,568
Government grants & subsidies	59,376,071	-	2,850,000	18,129,324	-	-	80,355,395
Fines, penalties and forfeits	647,512	-	-	44,134	-	-	691,646
Provincial Service and Kind	-	-	474,505	-	-	-	474,505
Total segment revenue	**239,305,065**	**-**	**56,871,618**	**18,173,458**	**431,690**	**-**	**314,781,831**
Entity's revenue							**314,781,831**

* See Note 49

Figures in Rand

61. Segment information (continued)

	Community and Social Services	Corporate Services	Finance Services	Infrastructure Services	Mayor and Council	Municipal Manager	Total
Expenditure							
Employee related costs	72,364,490	1,916,796	-	7,314,735	14,695,050	-	96,291,071
Remuneration of councilors	-	-	-	5,855,587	-	-	5,855,587
Depreciation,amortisationand impairment loss	18,823,075	-	-	22,130,947	12,665,073	-	53,619,095
Finance costs	2,708,813	-	20,058,145	-	-	-	22,766,958
Fines written off	-	-	7,508,954	-	-	-	7,508,954
Inventories write down	(12,879)	-	-	-	-	-	(12,879)
Contracted services	2,947,000	12,432	9,348,927	32,030	1,525,429	488,437	14,354,255
Inventory consumed	3,510,165	-	-	1,043,536	-	-	4,553,701
General expenses	31,466,392	-	-	135,040	1,320,742	118,723	33,040,897
Gain/ (Loss) on Sale of Fixed Assets	-	-	-	125,500	-	-	125,500
Bulk Purchases	76,843,125	-	-	-	-	-	76,843,125
Actuarial gains/(Losses)	-	-	(2,936,759)	-	-	-	(2,936,759)
Fair value adjustment	-	-	(4,480)	-	-	-	(4,480)
Reversal of Impairment Loss/ (Impairment Loss) on Receivables	-	-	126,288,150	-	-	-	126,288,150
Total segment expenditure	**208,650,181**	**1,929,228**	**160,262,937**	**36,637,375**	**30,206,294**	**607,160**	**438,293,175**
Total segmental surplus/(deficit)							**(123,511,344)**

* See Note 49

Notes to the Annual Financial Statements

Figures in Rand

61. Segment information (continued)

	Community and Social Services	Corporate Services	Finance Services	Infrastructure Services	Mayor and Council	Municipal Manager	Total
Assets							
Inventories	23,077,762	-	2,438,776	-	-	-	25,516,538
Receivables from non-exchange transactions	-	-	24,608,223	-	-	-	24,608,223
Taxes	-	-	27,177,722	-	-	-	27,177,722
Receivables from Exchange Transactions	31,047,807	-	(43,317,253)	-	31,848,811	-	19,579,365
Cash and cash equivalents	-	-	28,141,098	-	-	-	28,141,098
Investment property	-	-	8,767,885	-	-	-	8,767,885
Property, plant and equipment	80,030,089	-	16,329,921	693,003,616	5,044,588	-	794,408,214
Intangible assets	-	-	20,582	-	-	-	20,582
Heritage assets	-	-	6,833,773	-	-	-	6,833,773
Investments	-	-	36,358	-	-	-	36,358
Total segment assets	**134,155,658**	**-**	**71,037,085**	**693,003,616**	**36,893,399**	**-**	**935,089,758**
Total assets as per Statement of financial Position							**935,089,758**
Liabilities							
Borrowings - current	-	-	1,046,232	-	-	-	1,046,232
Payables from exchange transactions	-	-	223,330,722	-	-	-	223,330,722
Payables from non-exchange	-	-	-	-	11,577,785	-	11,577,785
Consumer deposits	-	-	2,928,191	-	-	-	2,928,191
Employee benefit obligation -current	-	-	13,058,372	-	-	-	13,058,372
Unspent conditional grants and receipts	-	-	7,721,422	-	-	-	7,721,422
Borrowings - Non current	-	-	2,051,838	-	-	-	2,051,838
Employee benefit obligation - Non current	-	-	22,609,001	-	-	-	22,609,001
Provisions	-	-	83,786,528	-	-	-	83,786,528
Total segment liabilities	**-**	**-**	**356,532,306**	**-**	**11,577,785**	**-**	**368,110,091**
Capital replacement							2,252,793
Accumulated surplus							564,726,874
Total liabilities as per Statement of financial Position							**935,089,758**

* See Note 49

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

62. Inventory consumed

Consumables - Stationery and material	278,369	1,172,894
Materials and Supplies	11,362,534	3,380,808
	11,640,903	**4,553,702**

The cost of water production for the year amounted to R1.27 per kilolitre (2023: R1.27 per kilolitre)

63. Gains or losses on sale of fixed assets

64. Fair value adjustments

Other financial assets		
• Fair value through profit or loss	5,791	4,480

65. Change in estimate

Moveable and Immoveable assets

In the current period management have revised their estimate of useful lives of fixed assets nearing the end of their useful lives. The effect of this revision has increased the useful lives for the current and future periods by 3 - 5 years across different classes of fixed assets.

The impact on tax is Rnil as this relates to the current and future periods.

The impact on the cash flow statement is is Rnil as this relates to the current and future periods.

The review of useful life of assets was done based on the condition bands as follows:

Assets with a very good condition which are sound and well maintained, their useful life will have an indicative residual useful life of between 71-100%

Assets in a good condition but with minor natural deterioration due to usage will have an indicative residual useful life of 46-70%

Assets with a fair condition and having evident deterioration will have an indicative residual useful life of between 26-45%

Assets with a poor condition will have an indicative residual useful life of between 11-25%

Assets with a very poor condition will have estimated useful life of 0-10% of the original useful life.

* See Note 49