



STELLENBOSCH

STELLENBOSCH • PNIEL • FRANSCHHOEK

MUNISIPALITEIT • UMASIPALA • MUNICIPALITY

Annual Financial Statements

30 JUNE 2024



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence
30 November 2024

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Table of Contents

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

	Page
General Information	2 - 4
Abbreviations	5
Accounting Officer's Responsibilities and Approval	6
Statement of Financial Position	7
Statement of Financial Performance	8
Statement of Changes in Net Assets	9
Cash Flow Statement	10
Comparison of Budget and Actual Amounts	11 - 20
Accounting Policies	21 - 54
Notes to the Audited Annual Financial Statements	55 - 135

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

General Information

Legal form of entity

Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)

Legislation governing the municipality's operations

Constitution of the Republic of south Africa (Act 108 of 1998)
Municipal Finance Management Act (Act 56 of 2003)
Local Government: Municipal Systems Act (Act 32 of 2000)
Local Government: Municipal Structures Act (Act 117 of 1998)
Municipal Property Rates Act (act of 6 2004)
Division of Revenue Act (Act 1 of 2007)

Nature of business and principal activities

The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment

Mayoral committee

Portfolio

Executive mayor and chairperson of mayoral committee
Deputy executive mayor
Speaker
Council Whip
MMC Human settlements
MMC Youth, sport and culture
MMC Planning, Local Economic Development and Tourism
MMC Environmental Management, Parks, Open Spaces, Cemeteries
MMC Community development
MMC Corporate services
MMC Financial services
MMC Protection services
MMC Infrastructure
MMC Rural Development

Councillor

G van Deventer
J Fasser
Q Smit
P Crawley
R Du Toit
JC Anthony
C van Wyk
J Williams

X Kalipa
L Nkamisa
J Fasser
R Pheiffer
P Johnson (Resigned: 12/06/2024)
J Joon

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

General Information

Council Members

Nr	Surname	Initials	Nr	Surname	Initials
1	Jooste	O	18	Pietersen	W
2	Rataza	M	19	De Taillefer	I
3	Mananga-Gugushe	N	20	Slabbert	M
4	Ntsunguzi	N	21	Petersen	W
5	Nalumango (Resigned: 10/06/2024)	R	22	Manuel	C
6	Schafer	S	23	Van Rooyen	R
7	Adams	R	24	Mcombring	N
8	Mdemka	X	25	Ferns	N
9	Hanekom	A	26	Vermeulen	E
10	Petersen	G	27	Serdyn	J
11	Olayi	N	28	Tomose	A
12	Mkhontwana	N	29	Nkopane	M
13	Ndalasi	Z	30	Danana	M
14	Noble (Resigned: 05/04/2024)	C	31	Masimini	E
15	Van Stade	M	32	Dalling	Z
16	Hendrikse	R	33	Groenewald	E
17	Andrews	J			

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

General Information

Executive management

Position

Municipal Manager
Chief Financial Officer (CFO)
Director: Infrastructure
Director: Corporate Services
Director: Planning and Economic Development
Director: Community and Protection Services

Name

Geraldine Mettler
Kevin Carolus
Preshane Chandaka
Annalene de Beer
Anthony Barnes
Gary Boshoff

Members of the Audit Committee

Chairperson:

Members:

Linda Cecil Nene
Reyhana Gani
Ruthaleen Lucinda Colette Strydom
Nimrod Llewellyn Mortimer

Registered head office

Plein Street
Stellenbosch
7600

Physical address

Plein Street
Stellenbosch
7600

Postal address

P O Box 17
Stellenbosch
7600

Bankers

First National Bank

Auditors

Auditor-General of South Africa (AGSA)

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Abbreviations

ASB	Accounting Standards Board
CIGFARO	Chartered institute of Government, Finance, Audit and Risk Officers
COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
DORA	Division of Revenue Act
DSACR	Department of Sport, Arts, Culture and Recreation
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
LGSETA	Local Government Services Sector Education and Training Authority
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPAC	Municipal Public Accounts Committee
MPRA	Municipal Property Rates Act
MSIG	Municipal System Improvement Grant
MSCOA	Municipal standard chart of accounts
SALGA	South African Local Government Association
SAPS	South African Police Services
SCM	Supply Chain Management
SRAC	Sports, Recreation, Arts and Culture

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

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 audited annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the audited 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 audited annual financial statements and was given unrestricted access to all financial records and related data.

The audited annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

I am 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 audited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

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

I would like to bring the following material matters to your attention:

I certify that the salaries, allowances and benefits of councillors as disclosed in note 34 to these audited annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The external auditors, being the Auditor-General of South Africa (AGSA), are responsible for independently reviewing and reporting on the municipality's audited annual financial statements.

The audited annual financial statements set out in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003), which have been prepared on the going concern basis, I have signed on behalf of the municipality on 31 August 2024:



Accounting Officer
Geraldine Mettler

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

	Note(s)	2024	2023
Assets			
Current Assets			
Cash and cash equivalents	2	150 678 869	246 945 413
Receivables from exchange transactions	4	251 987 494	217 120 693
Receivables from non-exchange transactions	5	86 667 444	70 092 489
Inventories	6	23 268 245	22 151 767
Value-added-tax	8	30 829 208	11 979 052
Other receivables from exchange transactions	7	54 389 107	38 652 229
Short term investments	3	455 716 603	331 767 247
Total Current Assets		1 053 536 970	938 708 890
Non-Current Assets			
Investment property	9	422 930 670	425 076 488
Property, plant and equipment	10	5 853 784 635	5 624 551 933
Biological assets	12	2 925 054	5 142 777
Heritage assets	13	1 312 810	1 312 810
Intangible assets	11	4 097 725	4 260 776
Trade and other receivables from exchange transactions	14	6 508 597	4 598 731
Total Non-Current Assets		6 291 559 491	6 064 943 515
Total Assets		7 345 096 461	7 003 652 405
Liabilities			
Current Liabilities			
Borrowings	18	69 853 210	55 046 811
Lease liabilities	17	-	694 514
Employee benefits	16	65 195 966	58 283 915
Consumer deposits	15	24 190 439	22 347 626
Trade and other payables from exchange transactions	19	320 683 582	324 793 769
Payables from non-exchange transactions	20	37 827 435	32 460 665
Total Current Liabilities		517 750 632	493 627 300
Non-Current Liabilities			
Borrowings	18	514 496 032	446 903 149
Employee benefits	16	206 670 001	191 200 001
Provision	21	106 740 477	95 421 976
Total Non-Current Liabilities		827 906 510	733 525 126
Total Liabilities		1 345 657 142	1 227 152 426
Net Assets		5 999 439 319	5 776 499 979
Community Wealth / Equity			
Accumulated surplus		5 727 759 087	5 589 788 223
Reserves and funds		271 680 259	186 711 771
Total Community Wealth / Equity		5 999 439 346	5 776 499 994

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

	Note(s)	2024	2023
Revenue			
Exchange Revenue			
Services charges – Electricity	22	874 585 643	779 983 813
Services charges – Water	22	203 270 709	162 138 204
Services charges – Waste water management	22	114 951 742	106 739 375
Services charges – Waste Management	22	96 326 521	89 836 854
Rental from fixed assets	23	11 055 806	12 373 336
Interest earned from receivables	24	23 504 654	16 467 413
Interests earned from current and non-current assets	25	57 311 807	42 250 158
Licences or permits	26	8 149 482	8 407 621
Agency services	27	3 697 082	3 438 321
Operational revenue	28	48 819 184	44 608 302
Sales of goods and rendering of services	29	25 260 049	21 697 627
Total Exchange Revenue		1 466 932 679	1 287 941 024
Non-Exchange Revenue			
Property rates	30	484 454 441	452 019 022
Fines, penalties and forfeits	31	166 867 895	146 657 768
Transfers and subsidies	32	342 231 985	311 629 905
Interest earned from receivables	24	4 239 407	3 418 263
Total Non-Exchange Revenue		997 793 728	913 724 958
Total Revenue		2 464 726 407	2 201 665 982
Expenditure			
Employee related cost	33	631 801 689	542 779 491
Remuneration of councillors	34	22 619 919	22 764 755
Bulk purchases	35	658 227 496	544 002 101
Inventory consumed	36	66 371 383	64 172 062
Debt impairment	37	49 123 660	70 722 081
Depreciation and amortisation	38	204 290 393	231 676 940
Impairment loss /(reversal) of impairment	39	2 756 436	1 572 668
Finance costs	40	63 411 228	59 928 458
Contracted services	41	278 249 405	229 356 127
Transfers and subsidies	42	21 324 136	17 758 255
Irrecoverable debts written off	43	101 629 854	91 945 701
Contribution to/(from) Landfill provision	44	583 529	(69 693 846)
Operating leases	45	6 145 742	9 292 497
Operational cost	46	132 062 028	132 292 422
Gain/(Loss) on disposals and fair value adjustments	47	3 480 147	834 920
Inventory adjustments to net realisable value	48	(290 008)	389 307
Total Expenditure		2 241 787 037	1 949 793 939
Surplus for the year		222 939 370	251 872 043

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

	Self insurance reserve	Capital replacement reserve	Total reserves	Accumulated surplus	Total net assets
Opening balance as previously reported	9 885 492	152 605 135	162 490 627	5 383 597 051	5 546 087 678
Adjustments					
Correction of errors	-	-	-	(18 436 426)	(18 436 426)
Balance at 01 July 2022 as restated*	9 885 492	152 605 135	162 490 627	5 362 137 323	5 524 627 950
Surplus for the year	-	-	-	251 872 043	251 872 043
Transfers to / from accumulated surplus for the year	-	161 293 889	161 293 889	(161 293 889)	-
Property, plant and equipment purchased	-	(137 072 745)	(137 072 745)	137 072 745	-
Total changes	-	24 221 144	24 221 144	227 650 899	251 872 043
Balance at 01 July 2023	9 885 492	176 826 279	186 711 771	5 589 788 203	5 776 499 974
Surplus for the year	-	-	-	222 939 370	222 939 370
Transfers to / from accumulated surplus for the year	-	262 985 070	262 985 070	(262 985 070)	-
Property, plant and equipment purchased	-	(178 016 582)	(178 016 582)	178 016 584	-
Total changes	-	84 968 488	84 968 488	137 970 884	222 939 372
Balance at 30 June 2024	9 885 492	261 794 767	271 680 259	5 727 759 087	5 999 439 346

We draw to your attention amounts restated for net assets as depicted in note 62

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

	Note(s)	2024	2023
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 824 843 027	1 630 358 920
Grants received		333 123 650	314 394 297
Interest		57 311 807	42 250 158
Payments			
Cash paid to employees		(632 039 518)	(579 747 395)
Cash paid to suppliers		(1 149 677 354)	(932 883 954)
Grants paid		(15 566 458)	(17 758 255)
Finance costs		(49 186 011)	(46 712 396)
Net cash from(used) operating activities	49	368 809 143	409 901 375
Cash flows from investing activities			
Receipts			
Capital asset sales		723 740	1 738 223
Payments			
Capital assets additions		(424 249 313)	(297 952 022)
Short term investments		(123 949 356)	(26 244 801)
Net cash flows from investing activities		(547 474 929)	(322 458 600)
Cash flows from financing activities			
Receipts			
Net movement in borrowings		82 399 282	23 213 468
Net cash flows from financing activities		82 399 282	23 213 468
Net increase/(decrease) in cash		(96 266 504)	110 656 243
Cash and cash equivalents at year begin		246 945 413	136 289 170
		150 678 909	246 945 413

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for the material variance
2024						
Financial performance						
Revenue by source						
Exchange revenue						
Service charges - Electricity	913 669 187	-	913 669 187	874 585 643	(39 083 544)	The under performance is due to consumers making use of alternative energy sources.
Service charges - Water	171 866 497	-	171 866 497	203 270 709	31 404 212	The municipality has billed more water charges than initially anticipated due to an increase in water consumption.
Service charges - Waste Water Management	113 677 435	-	113 677 435	114 951 742	1 274 307	
Service charges - Waste Management	107 653 574	-	107 653 574	96 326 521	(11 327 053)	
Sale of goods and rendering of services	22 123 608	-	22 123 608	25 260 049	3 136 441	
Agency services	3 617 114	-	3 617 114	3 697 082	79 968	
Interest earned from receivables	17 323 717	-	17 323 717	23 504 654	6 180 937	
Interest earned from current and non current assets	44 167 518	-	44 167 518	57 311 807	13 144 289	
Rental from fixed assets	13 013 749	-	13 013 749	11 055 806	(1 957 943)	
Licence and permits	7 993 809	-	7 993 809	8 149 482	155 673	
Operational revenue	47 544 383	-	47 544 383	48 819 184	1 274 801	
	1 462 650 591	-	1 462 650 591	1 466 932 679	4 282 088	

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for the material variance
Non-exchange revenue						
Property rates	473 588 918	-	473 588 918	484 454 441	10 865 523	The municipality recognised unclaimed deposits in the current financial year.
Fines, penalties and forfeits	155 565 187	-	155 565 187	166 867 895	11 302 708	
Transfer and subsidies - Operational	225 163 265	-	225 163 265	230 231 110	5 067 845	
Interest	3 292 796	-	3 292 796	4 239 407	946 611	
	857 610 166	-	857 610 166	885 792 853	28 182 687	
Total Revenue by source (excl. capital transfers and contributions)	2 320 260 757	-	2 320 260 757	2 352 725 532	32 464 775	

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for the material variance
Expenditure						
Employee costs	(623 835 797)	1 503 000	(622 332 797)	(631 801 689)	(9 468 892)	
Remuneration of councillors	(22 096 514)	-	(22 096 514)	(22 619 919)	(523 405)	
Bulk purchases - Electricity	(636 392 814)	9 682 987	(626 709 827)	(626 175 769)	534 058	
Inventory consumed	(97 491 474)	(4 877 555)	(102 369 029)	(98 423 110)	3 945 919	
Debt impairment	(71 053 115)	-	(71 053 115)	(49 123 660)	21 929 455	
Depreciation and amortisation	(239 798 581)	-	(239 798 581)	(204 290 393)	35 508 188	
Interest	(68 934 733)	3 771 400	(65 163 333)	(63 411 228)	1 752 105	
Contracted services	(289 033 616)	(11 367 066)	(300 400 682)	(278 249 405)	22 151 277	
Transfers and subsidies	(20 198 529)	(5 620 529)	(25 819 058)	(21 324 136)	4 494 922	
Irrecoverable debts written off	(115 712 979)	-	(115 712 979)	(101 629 854)	14 083 125	
Operational costs	(175 829 278)	6 921 963	(168 907 315)	(138 791 299)	30 116 016	
Losses on disposal of Assets	-	-	-	(3 480 147)	(3 480 147)	
Other Losses	-	-	-	(2 466 428)	(2 466 428)	
Total Expenditure	(2 360 377 430)	14 200	(2 360 363 230)	(2 241 787 037)	118 576 193	
Surplus	(40 116 673)	14 200	(40 102 473)	110 938 495	151 040 968	
Transfers and subsidies - capital (monetary allocations)	135 828 072	-	135 828 072	106 864 062	(28 964 010)	Revenue recognition of grants was not done due to non-spending of conditional grants on capital expenditure projects.
Transfers and subsidies - capital (in-kind)	-	-	-	5 136 813	5 136 813	
Surplus for the year	95 711 399	14 200	95 725 599	222 939 370	127 213 771	

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Reconciliation of total revenue

Reconciliation items

Revenue as per Budget statement - before capital transfers and subsidies

2 352 725 532

Add reconciling items:

Transfers and subsidies - Capital (Monetary allocations)

-

Transfers and subsidies - Capital (In-kind)

106 864 062

5 136 813

Total Revenue

2 464 726 407

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for the material variance
Financial position						
Assets						
Current assets						
Cash and cash equivalents	621 473 443	-	621 473 443	609 418 774	(12 054 669)	
Trade and other receivables from exchange transactions	248 105 399	-	248 105 399	251 987 494	3 882 095	
Receivables from non-exchange transactions	37 785 443	-	37 785 443	86 667 444	48 882 001	The variance is mainly due to the outstanding traffic fines issued.
Inventory	37 108 629	(4 777 555)	32 331 074	23 268 245	(9 062 829)	
VAT	12 014 179	-	12 014 179	33 106 172	21 091 993	
Other current assets	5 961 272	-	5 961 272	54 389 107	48 427 835	
Total current assets	962 448 365	(4 777 555)	957 670 810	1 058 837 236	101 166 426	
Non-current assets						
Investment property	426 892 921	-	426 892 921	422 930 670	(3 962 251)	
Property, plant and equipment	5 887 143 725	-	5 887 143 725	5 853 784 635	(33 359 090)	The variance is due to capital spending targets that were not reached as well as decrease in depreciation due to targets not achieved.
Biological assets	5 492 777	-	5 492 777	2 925 054	(2 567 723)	
Heritage assets	1 312 677	-	1 312 677	1 312 810	133	
Intangible assets	4 996 551	-	4 996 551	4 097 725	(898 826)	
Trade and other receivables from exchange transactions	4 581 571	-	4 581 571	6 491 436	1 909 865	
Non-current receivables from non-exchange transactions	17 161	-	17 161	17 161	-	
Total non-current assets	6 330 437 383	-	6 330 437 383	6 291 559 491	(38 877 892)	
Total assets	7 292 885 748	(4 777 555)	7 288 108 193	7 350 396 727	62 288 534	

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for the material variance
Liabilities						
Current liabilities						
Financial liabilities	62 456 896	-	62 456 896	69 853 210	7 396 314	
Consumer deposits	23 688 825	-	23 688 825	24 190 439	501 614	
Trade and other payables from exchange transactions	322 478 941	(1 020 355)	321 458 586	320 683 582	(775 004)	
Trade and other payables from non-exchange transactions	21 331 570	-	21 331 570	37 827 435	16 495 865	The variance is due to unspent conditional grants.
Provision	58 198 189	(3 771 400)	54 426 789	65 195 966	10 769 177	
VAT	5 028 816	-	5 028 816	-	(5 028 816)	
Total current liabilities	493 183 237	(4 791 755)	488 391 482	517 750 632	29 359 150	
Non-current liabilities						
Financial liabilities	584 555 129	-	584 555 129	514 496 032	(70 059 097)	The external loan amount to be taken up was reduced due to the slow capital spending.
Provision	322 387 252	-	322 387 252	313 410 478	(8 976 774)	
Total non-current liabilities	906 942 381	-	906 942 381	827 906 510	(79 035 871)	
Total liabilities	1 400 125 618	(4 791 755)	1 395 333 863	1 345 657 142	(49 676 721)	
Net assets	5 892 760 130	14 200	5 892 774 330	6 004 739 585	111 965 255	

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for the material variance
Community wealth/ Equity						
Accumulated Surplus/(Deficit)	5 573 258 327	14 200	5 573 272 527	5 733 059 354	159 786 827	An increase in the surplus for the current financial year has contributed to this variance.
Reserves	319 501 803	-	319 501 803	271 680 259	(47 821 544)	
Total current community wealth/ equity	5 892 760 130	14 200	5 892 774 330	6 004 739 613	111 965 283	

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for the material variance
Cash flow						
Cash flow from operating activities						
Receipts						
Property rates	481 303 031	-	481 303 031	484 454 441	3 151 410	
Service charges	1 481 790 190	-	1 481 790 190	1 286 848 344	(194 941 846)	The municipality under collected in terms of the service charges
Other revenue	179 433 659	-	179 433 659	53 539 981	(125 893 678)	Over estimation during the forecasting of other revenue
Transfers and Subsidies - Operational	224 378 500	-	224 378 500	221 122 775	(3 255 725)	
Transfers and Subsidies - Capital	123 891 103	-	123 891 103	112 000 875	(11 890 228)	
Interest	44 167 518	-	44 167 518	57 311 807	13 144 289	
	2 534 964 001	-	2 534 964 001	2 215 278 223	(319 685 778)	
Payments						
Suppliers and employees	(2 011 898 374)	-	(2 011 898 374)	(1 781 716 651)	230 181 723	The municipality paid less than anticipated.
Finance charges	(42 801 802)	-	(42 801 802)	(49 186 011)	(6 384 209)	
Transfers and subsidies	(20 635 518)	-	(20 635 518)	(15 566 458)	5 069 060	
	(2 075 335 694)	-	(2 075 335 694)	(1 846 469 120)	228 866 574	
Net cash from/(used) operating activities	459 628 307	-	459 628 307	368 809 103	(90 819 204)	

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for the material variance
Cash flow from investing activities						
Receipts						
Proceeds on disposal of PPE	-	-	-	723 740	723 740	The municipality took advantage of the increased interest rates and invested excess funds
Decrease (increase) in short term investments	-	-	-	(123 949 356)	(123 949 356)	
	-	-	-	(123 225 616)	(123 225 616)	
Payments						
Capital assets	(562 823 611)	-	(562 823 611)	(424 249 313)	138 574 298	The municipality had an under spending on its capital expenditure budget.
Net cash from/(used) investing activities	(562 823 611)	-	(562 823 611)	(547 474 929)	15 348 682	
Cash flow from financing activities						
Receipts						
Borrowing long term/refinancing	200 000 000	-	200 000 000	137 446 093	(62 553 907)	The municipality required less funding from borrowings than anticipated.
Payments						
Repayment of borrowing	(55 632 448)	-	(55 632 448)	(55 046 810)	585 638	The municipality required less funding from borrowings than anticipated.
Net cash from/(used) financing activities	144 367 552	-	144 367 552	82 399 283	(61 968 269)	
Net Increase/ (Decrease) in cash held	41 172 248	-	41 172 248	(96 266 543)	(137 438 791)	
Cash/cash equivalents at the year begin:	580 301 195	-	580 301 195	246 945 413	(333 355 782)	The amount budgeted includes investments as cash and cash equivalents, however these investments are taken into account in the Investing activities for the actual amount on the comparative basis.
Cash/cash equivalents at the year end:	621 473 443	-	621 473 443	150 678 869	(470 794 574)	

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	*Budget adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason for the material variance

Commentary

Budget adjustments are done in terms of section 28 and section 31 of the MFMA.

All budget adjustments above relate to virements in terms of Council Approved Virement Policy.

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

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

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

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 in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003)

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

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

1. Summary of significant accounting policies

1.1 Going concern assumption

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

1.2 Capital replacement reserve (CRR)

In order to finance the acquisition of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of the Annual Budget. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

1.3 Self-insurance reserve

The municipality has a Self-insurance reserve to set aside amounts to offset potential losses or claims that cannot be insured externally. The balance of the self-insurance fund is invested in short-term investments. Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

1.4 Accumulated surplus

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

1.5 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

Materiality utilised for the statement of budget comparison (GRAP 24) comprises of the following components:

Accounting Policies

1.5 Materiality (continued)

Statement of financial Performance

Revenue: 1% of Total Revenue
Expenditure: 2% of Total expenditure

Statement of financial position

Assets: 1% of total assets
Liabilities: 2% of total liabilities
Net assets: 5% of accumulated surplus

Cash flow statement

The receipt items follow a revenue base as per the statement of financial performance and the payments follow an expenditure base as per the statement of financial performance.

1.6 Significant judgements and estimates

In the application of the municipality's accounting policies, which are described below, management is required to make judgement, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered too reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

1.7 Biological assets that form part of an agricultural activity

The municipality recognises biological assets that form part of an agricultural activity or agricultural produce when and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets that form part of an agricultural activity, is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable, is used to determine fair value.t

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

The municipality classifies biological assets as consumables which consist of timber in the form of pine trees. All biological assets are held for sale.

Agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying GRAP 12 or another applicable Standard of GRAP.

Item	Useful life
Trees in plantation forest	Indefinite

Accounting Policies

1.8 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 ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that is 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.

Subsequent measurement – cost model

Investment property is, subsequent to initial measurement, carried at cost less accumulated depreciation and any accumulated impairment losses.

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

Item	Useful life
Property-Land	Indefinite
Property-buildings	30-99 years

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

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

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

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 9).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 9).

When classification is difficult, the criteria used to distinguish investment property from owner -occupied property and from property held for sale in the ordinary course of operations, are as follows:

All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes, and that will not be sold within the next 12 months are classified as Investment Properties

A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:

(a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property;

Accounting Policies

1.8 Investment property (continued)

(b) commencement of development with a view to sale, for a transfer from investment property to inventories;

(c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or

(d) commencement of an operating lease (on a commercial basis) to another party, for a transfer from inventories to investment property.

1.9 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 municipality elected the cost model for Property, plant and equipment.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if

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

Initial recognition and measurement

Property, plant and equipment are initially recognised at cost on its acquisition date. 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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, its 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 municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

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

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised. Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Incomplete construction work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

Impairment

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.9 Property, plant and equipment (continued)

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable service amount, it is written down immediately to its recoverable service amount and an impairment loss is charged to the statement of financial performance.

Depreciation

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	indefinite
Machinery and equipment	Straight-line	1-66
Furniture and office equipment	Straight-line	2-24
Transport assets	Straight-line	4-21
Computer equipment	Straight-line	5-23
Community assets	Straight-line	4-50
Other property, plant and equipment	Straight-line	6-99
Capital restoration asset	Straight-line	5-30
Electrical infrastructure	Straight-line	10-100
Water supply infrastructure	Straight-line	10-100
Solid waste infrastructure	Straight-line	10-50
Roads infrastructure	Straight-line	10-100
Information and communication infrastructure	Straight-line	3-15
Waste water network	Straight-line	10-100
Stormwater infrastructure	Straight-line	10-50

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

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

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 10).

Accounting Policies

1.10 Intangible assets

Initial recognition and measurement

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality 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.

If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the amortisation method shall be changed to reflect the changed pattern. Such changes shall be accounted for as changes in accounting estimates in accordance with GRAP 3.

Subsequent measurement

Subsequent to initial measurement 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 goodwill, brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the amortisation method shall be changed to reflect the changed pattern. Such changes shall be accounted for as changes in accounting estimates in accordance with GRAP 3.

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
Internally generated: Capital development	Straight-line	5 - 7 years
Computer software	Straight-line	3 - 30 years
Service operating and land rights	Straight-line	5 - 30 years

Accounting Policies

1.10 Intangible assets (continued)

Derecognition

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of an intangible asset shall be included in surplus or deficit when the asset is derecognised.

1.11 Heritage assets

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

Initial recognition and measurement

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

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

Subsequent to initial measurement classes of heritage assets are carried at cost less any accumulated impairment losses.

Impairment

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

Reference to impairment paragraphs can be made to note 1.16, 1.17 and 1.18.

Compensation from third parties for heritage assets that have been impaired, lost or given up, shall be included in surplus or deficit when the compensation becomes receivable.

Dererecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

Transfers

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

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

Accounting Policies

1.12 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. Financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost. The municipality determines the classification of its financial instruments at initial recognition.

1.12.1 Classification of financial instruments

Financial assets

A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial asset at amortised cost being a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Financial assets measured at fair value being financial assets that meet either of the following conditions:

- Derivatives;
- Combined instruments that are designated at fair value;
- Instruments held for trading;
- Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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

The municipality has the following types of financial assets as reflected on the face of the Statement of financial position or in the notes thereto:

Type of financial asset	Classification in terms of GRAP 104
Long-term receivables	Financial assets at amortised cost
Consumer debtors	Financial assets at amortised cost
Other debtors	Financial assets at amortised cost
Short-term investment deposit - Call	Financial assets at amortised cost
Bank balances and cash	Financial assets at amortised cost

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, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets at amortised cost.

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The following main categories of financial liabilities and the classification determining how they are measured exist:

- Financial liabilities measured at amortised cost; or
- Financial liabilities measured at fair value.

The municipality has the following types of financial liabilities as reflected on the face of the Statement of financial position or in the notes thereto:

Type of financial liability	Classification in terms of GRAP 104
Long-term liabilities	Financial liability at amortised cost
Current portion of long-term liabilities	Financial liability at amortised cost
Other creditors	Financial liability at amortised cost

Accounting Policies

1.12 Financial instruments (continued)

1.12.2 Initial and subsequent measurement

Initial recognition and measurement

A financial instrument is recognised, when the municipality becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added or deducted from the fair value, as appropriate on initial recognition.

Subsequent measurement – Financial assets

Financial assets consist of cash and cash equivalents, deposits, receivables and investments.

Receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

A provision for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Changes in the carrying amount of the provision is recognised in the Statement of financial performance. When a receivable is considered uncollectible, it is written off against the provision. Any gains or losses arising from the change in fair value of investments measured at fair value are recognised in the Statement of financial performance.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to municipal entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial assets at amortised cost.

Financial assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of financial performance.

Subsequent measurement – Financial Liabilities

Financial liabilities consist of payables, interest bearing loans and bank overdrafts. These liabilities are subsequently measured at amortised cost, using the effective interest rate method. Finance costs are expensed in the Statement of financial performance in the period in which they are incurred except where stated otherwise (see accounting policy on borrowing costs).

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

Accounting Policies

1.12 Financial instruments (continued)

1.12.3 Derecognition

Financial assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial assets, the municipality continues to recognise the financial assets and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The municipality derecognises financial liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as having extinguished the original financial liability, and a new financial liability recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a nonexchange transaction, are accounted for in accordance with GRAP 23.

1.12.4 Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instruments is not active, the municipality establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs.

1.13 Leases

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

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

Entity as lessee - operating leases

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

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

Any contingent rent is expensed in the period in which they are incurred.

Accounting Policies

1.14 Inventory

Initial measurement:

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.

Inventories shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity;
- (b) and the cost of the inventories can be measured reliably.

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

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

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

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

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

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs. The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

1.15 Landfill site

Site restoration and dismantling cost - The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes:

- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located;
- changes in the measurement of an existing decommissioning, restoration and similar liability that result from change 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 discount rate; and
- the obligation the municipality incurs for having used the items during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

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

Accounting Policies

1.16 Impairment of property, plant and equipment, investment property, intangible assets and heritage assets

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

1.17 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity

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

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

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

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

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

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

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

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

Useful life is either:

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

Management has judged all assets as non cash generating assets.

Identification

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

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

Value in use

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

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

Discount rate

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

Accounting Policies

1.17 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.17 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

In assessing whether there is any indication that an asset may be impaired, the municipality will consider, as a minimum, the following indications:

External sources:

- (a) 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.
- (b) Significant changes with an adverse effect on the entity 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 entity operates or in the market to which an asset is dedicated.
- (c) 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:

- (d) Evidence is available of obsolescence or physical damage of an asset.
- (e) Significant changes with an adverse effect on the entity 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.
- (f) A decision to halt the construction of the asset before it is complete or in a usable condition.
- (g) Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

Accounting Policies

1.18 Impairment of non-cash-generating assets

Non cash generating assets are assets other than cash generating assets

Identification

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

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

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

In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

External sources of information

- (a) Cessation, or near cessation, of the demand or need for services provided by the asset.
- (b) Significant long-term changes with an adverse effect on the entity 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 entity operates.

Internal sources of information

- (c) Evidence is available of obsolescence or physical damage of an asset.
- (d) Significant long-term changes with an adverse effect on the entity 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.
- (e) A decision to halt the construction of the asset before it is complete or in a usable condition.
- (f) Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

Value in use

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

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

Depreciated replacement cost approach

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

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

Accounting Policies

1.18 Impairment of non-cash-generating assets (continued)

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

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

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

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

1.19 Employee benefits

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

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

the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or

the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

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

a municipality's decision to terminate an employee's employment before the normal retirement date; or

an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

Accounting Policies

1.19 Employee benefits (continued)

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

wages, salaries and social security contributions;

short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;

bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and

non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

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

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

as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service.

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

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.

Leave pay

Liabilities for annual leave are recognised as they accrue to employees. Liability is based on the total accrued leave days owing to employees and is reviewed annually.

Accounting Policies

1.19 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

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

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

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. In this aspect defined contribution plans can be considered as the pension fund.

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

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

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

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

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

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

The amount recognised as a defined benefit liability is the net total of the following amounts:

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit

Accounting Policies

1.19 Employee benefits (continued)

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the audited annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability)

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

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

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

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Accounting Policies

1.19 Employee benefits (continued)

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

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

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

Other long term employee benefit

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

Long term service awards is payable after 10 years of continuous service and after every 5 years thereafter to employees. Additional to this employees shall be entitled to a 14th cheque for continuous employment on their 30th and every 5th year onward. Furthermore a retirement gift is payable on retirement to employees with 10 years or more service. The provision is an estimate of the long service award based on historical staff turnover based on historical staff turnover. No other long service benefits are provided to employees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are recognised in the Statement of financial performance in the period that it occurs. Interest cost on employee benefit obligation is recognised as part of employee related cost.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

the present value of the defined benefit obligation at the reporting date;

minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

current service cost;

interest cost;

the expected return on any plan assets and on any reimbursement right recognised as an asset;

actuarial gains and losses, which shall all be recognised immediately;

past service cost; and

the effect of any curtailments or settlements.

Termination benefits

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

terminate the employment of an employee or group of employees before the normal retirement date; or

provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.19 Employee benefits (continued)

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

the location, function, and approximate number of employees whose services are to be terminated;

the termination benefits for each job classification or function; and

the time at which the plan will be implemented.

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

Where termination benefits fall due more than twelve months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

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

1.20 Provisions

Provisions are recognised when:

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

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

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

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

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

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

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

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

Accounting Policies

1.20 Provisions (continued)

Environmental rehabilitation provisions

At year end a provision is raised for the rehabilitation of landfill sites. The provision is the net present value of the future cash flows to rehabilitate damaged land at year end.

As the related asset is measured using the cost model:

changes in the liability is added to, or deducted from, the cost of the related asset in the current period;

the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;

if the adjustments result in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in the accounting policy on impairment of cash-generating assets and/or impairment of non-cash generating assets.

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

1.21 Contingent assets and contingent liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured 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 wholly within the control of the municipality.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the municipality.

Accounting Policies

1.22 Revenue

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

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

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

Recognition and measurement

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

1.22.1 Revenue from exchange transactions

Service charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being 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. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the billings done during July and August. The billing and invoiced amounts done in July are recognized in total as an accrual as all billing in July pertains to services rendered prior 30 June. An estimate is then made based on August billing pertaining to services rendered up until 30 June.

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 number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

The municipality accounts for availability charges as an exchange transaction.

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

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

interest is levied on outstanding debtors using the effective interest rate method.

Rentals on facilities and equipment are recognised on the straight-line basis over the term of the lease agreement

Pre-paid electricity

Revenue from the sale of electricity prepaid units is recognised when all the following conditions have been satisfied:

The municipality has transferred to the buyer 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.

Accounting Policies

1.22 Revenue (continued)

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

Interest earned and rentals received

Interest earned on investments is recognised in the statement of financial performance on the time proportionate basis that takes into account the effective yield on the investment.

Traffic charges

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

Income from agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Sale of goods

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

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

Revenue recognition of unclaimed deposits

Unclaimed deposits older than three (3) years are recognised as revenue.

1.22.2 Revenue from non-exchange transactions

Rates and taxes

Other than services in-kind not recognised in terms of paragraph .99, an inflow of resources from a non-exchange transaction that meets the definition of an asset shall be recognised as an asset when, and only when:

- (a) it is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
- (b) the fair value of the asset can be measured reliably.

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

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

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

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

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

Rebates and discounts are offset against the revenue. As per iGRAP 1, there is no intention to collect this revenue

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.22 Revenue (continued)

Fines

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the municipality is entitled to collect.

Subsequent to initial recognition and measurement, the municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

Donations and contributions

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

Transfers and subsidies

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

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

Unconditional grants

Equitable share allocations are recognised in revenue at the start of the financial year.

Conditional grants

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

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

Interest earned on unspent grants and receipts

Interest earned on unspent grants and receipts is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of financial performance in accordance with GRAP 9.

Services received in-kind

Services in-kind that are significant to the municipality's operations and/or service delivery objectives are recognised as assets or expenditure and the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

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

Accounting Policies

1.23 Statutory receivables

1.23.1 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.

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.

In estimating the future cash flows, an entity 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, an 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.

1.23.2 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.

1.23.3 Measurement

The municipality initially measures statutory receivables at their transaction amount.

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.

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 accounting policy on Revenue from exchange transactions or the accounting policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled to levy additional charges in terms of legislation, supporting regulations, by-laws or similar means on overdue or unpaid amounts, these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (taxes and transfers).

1.23.4 Impairment

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:

Accounting Policies

1.23 Statutory receivables (continued)

significant financial difficulty of the receivable, which may be evidenced by an application for debt counselling, business rescue or an equivalent.

it is probable that the receivable will enter sequestration, liquidation or other financial re-organisation.

a breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).

adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

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

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

1.24 Principal-agent arrangements

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).

Accounting Policies

1.24 Principal-agent arrangements (continued)

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

1.25 Borrowing costs

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

Borrowing costs are recognised as an expense in the Statement of financial performance in the period in which they are incurred.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised to the cost of the asset. All other borrowing costs are recognised as an expense in the period in which it is incurred. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is disclosed in the notes below.

Accounting Policies

1.26 Comparative of actual information to budgeted information

The annual budget figures have been prepared in accordance with the Municipal Budget and Reporting Regulations, 2009. A comparative of actual to budgeted amounts are reported in a separate additional financial statement, called the Statement of comparison of budget and actual amounts. Explanatory comment is provided in the notes to the statement giving motivations for over- or under spending on line items where it is found to be material. The budgeted figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is prepared and approved on an accrual basis by nature classification. The approved budget covers the period from 01 July 2023 to 30 June 2024.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the audited annual financial statements in determining whether a difference between the budgeted and actual amount is material.

1.27 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.

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

1.28 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

1.29 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 excludes unauthorised expenditure.

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

1.30 Related parties and related party transactions

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

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

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

Accounting Policies

1.30 Related parties and related party transactions (continued)

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).

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:

- all members of the governing body of the Municipality;
- 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;
- 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
- the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee. 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, and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

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

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

Key management as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

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

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

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

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

Accounting Policies

1.31 Change in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Details of changes in accounting policies, changes in estimates and correction of errors are disclosed in the notes to the audited annual financial statements where applicable.

1.32 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 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; and
- where disclosure is required by a specific standard of GRAP.

1.33 Value Added Tax

The municipality accounts for Value Added Tax on the cash (receipt) basis.

1.34 Budget information

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

The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

The audited 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.

Material variances are determined in accordance with the municipalities materiality framework. These material differences will be explained in the financial statements under note for budget differences referenced to the statement of budget comparison.

1.35 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the audited annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the audited annual financial statements.

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.

Accounting Policies

1.35 Events after reporting date (continued)

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.

1.36 Presentation currency

These audited annual financial statements are presented in South African Rand, which is the functional currency of the municipality and all values are rounded to the nearest hundred.

1.37 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of subcontractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

1.38 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.

Segmental information was based and identified on the MFMA S71 monthly budget statement/reports that are reviewed by senior management and council to make strategic decisions and in monitoring segment performance. The disclosure of information about segments in these reports is organised around the type of service delivered, in a standardised format, namely the C2 schedule.

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

Measurement

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

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

Accounting Policies

1.39 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of financial position only when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.40 Current year comparatives

When the presentation or classification of items in the audited annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, 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.

The presentation and classification of items in the current year is consistent with prior periods.

1.41 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 and are subject to an insignificant risk of change in value. Cash and cash equivalents are 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 carried at amortised cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

1.42 Housing arrangements

The Accounting Standards Board issued the guideline on Accounting for Arrangements Undertaken in terms of the National Housing Programme.

Where the municipality acts as a project manager in a housing arrangement, it is regarded as an agent in terms of the principles of GRAP 109 - Accounting by Principals and Agents.

Where the municipality is regarded as an agent, costs related to the construction of top structures and the related recovery thereof (revenue) is not be recognised in the Statement of financial performance of the municipality.

Where the municipality is identified as a project developer, the construction of the houses is performed by the municipality or by the appointment of a sub-contractor to undertake the construction on the municipality's behalf. The municipality applies the GRAP 11, Construction Contracts to account for these construction activities.

Where the municipality is regarded as the project developer and if the outcome of the construction contract can be estimated reliably, then contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to surveys of work performed. Otherwise, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Contract revenue will be in the form of a grant from the Department of Human settlements and presented and disclosed under transfers and subsidies in the Statement of financial performance.

Contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue shall comprise: (a) the initial amount of revenue agreed in the contract; and (b) variations in contract work, claims and incentive payments to the extent that: (i) it is probable that they will result in revenue; and (ii) they are capable of being reliably measured.

Contract costs shall comprise: (a) costs that relate directly to the specific contract; (b) costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and (c) such other costs as are specifically chargeable to the customer under the terms of the contract.

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.42 Housing arrangements (continued)

An expected deficit on a construction contract to which paragraph .49 applies shall be recognised as an expense immediately in accordance with paragraph .49.

1.43 Grants-in-aid

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

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

These transfers are recognised in the audited annual financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.44 Consumer deposits

The municipality recognises consumer deposits as a current liability when the municipality becomes a party to the contract i.e. when the deposit is made. The consumer deposit is recognised as a liability as the municipality has an obligation to pay the money back to the consumer once the consumer account is closed. As the timing of when a consumer will close their account is unknown, the consumer deposits are classified as a current liability.

1.45 Unspent conditional grants

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

1.46 New standards and interpretations

1.46.1 Standards, amendments to standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:

	Effective date: Years beginning on or after	Expected impact:
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	The impact of the interpretation is not material. The impact of the amendment is not material. The impact of the interpretation is not material. The impact of the improvements are not material. The impact of the standard is not material. The impact of the amendments are not material.
• GRAP 25 (as revised): Employee Benefits	01 April 2023	
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	
• GRAP 2020: Improvements to the Standards of GRAP 2020	01 April 2023	
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	
• GRAP 1 (amended): Presentation of Financial Statements (Materiality)	01 April 2023	

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

	2024	2023
2. Cash and cash equivalents		
2.1 Cash and cash equivalents		
Cash and cash equivalents consist of the following:		
Call deposits and investments		
Deposit taking institutions (Call account)	56 294 377	97 732 060
Cash at bank		
Bank account	94 369 773	149 198 634
Cash on hand	14 719	14 719
Total cash and cash equivalents	150 678 869	246 945 413
The municipality had the following bank statement account balances		
FNB - Primary (62869253684)	85 135 796	140 578 930
FNB - Lamotte Trust (62869255169)	3 868 587	3 291 277
FNB - Charitable Trust (62869253733)	189 850	74 216
FNB - Longlands Trust (63010520062)	2 203 995	2 056 639
	91 398 228	146 001 062
Cash book reconciliation		
Grand cash book total	94 369 773	149 198 634
Less Lamotte trust cash book	(3 048 030)	(2 890 140)
Less Charitable trust cash book	(166 225)	(64 216)
Less Longlands cash book	(2 040 770)	(2 056 639)
	89 114 748	144 187 639
Reconciling the bank accounts to the cash book		
Primary Bank statement balance at the end of the year	85 135 796	140 578 930
Net movement/reconciling items	3 978 952	3 608 709
Cash book balance at the end of the year	89 114 748	144 187 639

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

	2024	2023
3. Short term investments		
Short term investments	455 716 603	331 767 247
FNB Investments		
Opening Balance	-	-
Deposits	120 000 000	-
Interest accrued	2 663 014	-
Withdrawals	(122 663 014)	-
	-	-
Nedbank Investments		
Opening balance	209 268 026	183 783 985
Deposits	175 481 647	200 000 000
Interest accrued	21 847 389	13 160 966
Withdrawals	(218 590 000)	(187 676 925)
	188 007 062	209 268 026
Standard Bank Investments		
Opening balance	-	81 126 949
Deposits	200 000 000	210 000 000
Interest accrued	1 967 671	9 194 172
Withdrawals	(101 541 507)	(300 321 121)
	100 426 164	-
ABSA Investments		
Opening balance	122 499 219	40 611 507
Deposits	354 518 353	270 000 000
Interest accrued	15 383 731	8 511 548
Withdrawals	(325 117 928)	(196 623 836)
	167 283 375	122 499 219



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence
30 November 2024

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

	2024	2023
4. Receivables from exchange transactions		
4.1 Consumer receivables from exchange transactions		
Electricity	181 083 506	154 999 597
Waste management	8 849 764	8 386 476
Waste water management	12 164 769	9 518 712
Water	48 080 590	42 050 232
Service charges	1 063 430	1 381 361
	251 242 059	216 336 378
4.2 Other consumer receivables from exchange transactions		
Property rental debtors	745 435	784 315
Total receivables from exchange transactions	251 987 494	217 120 693

The amount disclosed in this note is net of impairment. Refer to note 4.1 & 4.2 for the amount before the provision (gross) and the actual value of the provision.

4.1 Consumer receivables

The average credit period for consumer receivables is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of consumer receivables.

The management of the municipality is of the opinion that the carrying value of consumer receivables approximate their fair values.

The fair value of consumer receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and consumer receivables as well as the current payment ratio's of the municipality's consumer receivables.

	2024			2023		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables from exchange transactions						
Electricity	193 853 518	(12 770 012)	181 083 506	168 668 326	(13 668 729)	154 999 597
Waste management	59 730 963	(50 881 199)	8 849 764	47 653 550	(39 267 074)	8 386 476
Waste water management	50 818 824	(38 654 055)	12 164 769	40 323 455	(30 804 743)	9 518 712
Water	201 196 856	(153 116 266)	48 080 590	153 960 820	(111 910 588)	42 050 232
Service charges	14 333 531	(13 270 101)	1 063 430	13 769 316	(12 387 955)	1 381 361
Total consumer receivables from exchange transactions	519 933 692	(268 691 633)	251 242 059	424 375 467	(208 039 089)	216 336 378



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence
30 November 2024

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

4. Receivables from exchange transactions (continued)

4.1.1 Ageing of consumer receivables

2024

Consumer receivables from exchange transactions

Total by debt type

	Not due				Past due		
	Total	Current (0-30 days)	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Electricity	193 853 518	134 687 886	3 441 006	3 105 393	3 228 342	29 343 905	20 046 986
Waste management	59 730 963	7 187 615	943 191	844 837	859 804	7 979 630	41 915 886
Waste water management	50 818 824	11 184 061	756 999	641 734	689 836	5 345 409	32 200 785
Water	201 196 856	45 399 921	3 350 002	3 798 016	5 102 933	20 818 138	122 727 846
Service charges	14 333 531	919 970	65 931	49 620	32 793	491 660	12 773 557
Total by debt type	519 933 692	199 379 453	8 557 129	8 439 600	9 913 708	63 978 742	229 665 060



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence
30 November 2024

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

4. Receivables from exchange transactions (continued)

2023

	Not due				Past due		
	Total	Current (0-30 days)	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Consumer receivables from exchange transactions							
Total by debt type							
Electricity	168 668 326	114 529 574	402 841	322 645	276 106	42 950 590	10 186 570
Waste management	47 653 550	6 565 621	909 712	829 378	842 814	7 545 965	30 960 060
Waste water management	40 323 455	8 450 127	634 612	591 810	581 043	4 878 344	25 187 519
Water	153 960 820	31 466 117	2 685 373	2 899 798	3 297 217	15 548 336	98 063 979
Service charges	13 769 316	1 117 784	293 812	161 997	169 090	1 651 860	10 374 773
Total by debt type	424 375 467	162 129 223	4 926 350	4 805 628	5 166 270	72 575 095	174 772 901



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence
30 November 2024

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

4. Receivables from exchange transactions (continued)

4.1.2 Impairment reconciliation of consumer receivables

	2024				2023			
	Opening balance	Impairment raised	Impairment reversed	Closing balance	Opening balance	Impairment raised	Impairment reversed	Closing balance
Consumer receivables from exchange transactions								
Electricity	13 668 729	-	(898 717)	12 770 012	14 737 421	-	(1 068 692)	13 668 729
Waste management	39 267 074	11 614 125	-	50 881 199	29 359 118	9 907 956	-	39 267 074
Waste water management	30 804 743	7 849 312	-	38 654 055	24 146 043	6 658 700	-	30 804 743
Water	111 910 588	41 205 678	-	153 116 266	96 374 437	15 536 151	-	111 910 588
Service charges	12 387 955	882 146	-	13 270 101	11 211 915	1 176 040	-	12 387 955
Total consumer receivables	208 039 089	61 551 261	(898 717)	268 691 633	175 828 934	33 278 847	(1 068 692)	208 039 089



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence
30 November 2024

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

2024 2023

4. Receivables from exchange transactions (continued)

4.1.3 Consumer debt past due not impaired

2024

	Total	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Consumer receivables from exchange transactions						
Electricity	41 986 563	3 028 791	2 786 197	3 018 528	26 753 214	6 399 833
Waste management	768 667	102 162	69 752	51 212	253 488	292 053
Waste water management	702 334	96 321	73 851	86 332	175 210	270 620
Water	2 136 338	348 266	378 724	301 836	459 261	648 251
Service charges	159 359	9 943	11 728	9 448	63 438	64 802
Total consumer receivables	45 753 261	3 585 483	3 320 252	3 467 356	27 704 611	7 675 559

2023

	Total	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Consumer receivables from exchange transactions						
Electricity	42 596 126	167 806	114 382	100 460	41 614 869	598 609
Waste management	2 305 092	138 864	100 678	85 806	497 097	1 482 647
Waste water management	1 751 004	96 168	71 042	55 132	334 974	1 193 688
Water	11 748 805	436 972	404 096	332 473	1 220 927	9 354 337
Service charges	396 004	47 391	15 686	12 824	89 775	230 328
Total consumer receivables	58 797 031	887 201	705 884	586 695	43 757 642	12 859 609

The Council regards receivables from exchange transactions to be due for outstanding amounts more than 30 days to be past due.

The water and electricity accrual is in respect of consumption between the last meter reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers. The estimate of the consumption are being recorded as revenue without being invoiced.

4.2 Other receivables from exchange transactions

	2024			2023		
	Gross	Impairment	Total	Gross	Impairment	Total
Property rental debtors	33 113 953	(32 368 518)	745 435	31 500 615	(30 716 300)	784 315



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence
30 November 2024

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

4. Receivables from exchange transactions (continued)

4.2.1 Ageing of other receivables from exchange transactions

2024

	Not due			Past due			
	Total	Current (0 - 30 days)	31 - 60 days	61 - 90 days	91 - 120 days	120 - 365 days	365+ days
Property rental debtors	33 113 953	587 568	179 982	398 518	183 873	1 584 409	30 179 603

2023

	Not due			Past due			
	Total	Current (0 - 30 days)	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Property rental debtors	31 500 615	537 829	200 891	620 592	342 711	1 538 555	28 260 037

4.2.2 Impairment reconciliation of other receivables from exchange transactions

	2024			2023		
	Opening balance	Impairment raised	Closing balance	Opening balance	Impairment raised	Closing balance
Property rental debtors	30 716 300	1 652 218	32 368 518	28 463 410	2 252 890	30 716 300



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence
30 November 2024

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

2024 2023

4. Receivables from exchange transactions (continued)

4.2.3 Other receivables from exchange transactions past due not impaired

2024

	Past due					
	Total	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Property rental debtors	158 724	7 671	55 029	4 324	29 259	62 441

2023

	Past due					
	Total	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Property rental debtors	308 358	12 717	117 523	13 791	79 166	85 161

The impairment provision calculation is calculated by assessing each individual debtor and assessing the probability of future payment using a formula considering historical trends in relation to the individual debtors payment history.

	Rates	Services	Interest	Sundry	Total
Government debt as at 30 June 2023					
Nat. dept of Public Works	135 040	919 892	6 145	15 418	1 076 495
Prov. dept of Transport and Public Works	117 379	25 485	8 757	11 250	162 871
Western Cape Education department	906	1 619 815	1 281	128	1 622 130
Department of Health	-	532 340	242	204	532 786
Dept of local government and housing	8 163	21 836	2 932	3 277	36 208
Other government departments	236	168 359	84	1 016	169 695
	261 724	3 287 727	19 441	31 293	3 600 185

	Rates	Services	Interest	Sundry	Total
Government debt as at 30 June 2024					
Nat. dept of Public Works	807 082	6 647 761	1 064 193	13 123	8 532 159
Prov. dept of Transport and Public Works	152 865	109 226	23 166	-	285 257
Western Cape Education department	1 024	2 414 221	16 529	52	2 431 826
Department of Health	-	669 869	-	-	669 869
Dept of local government and housing	157 950	453 161	61 248	3 662	676 021
Other government departments	832	170	147	1 007	2 156
	1 119 753	10 294 408	1 165 283	17 844	12 597 288



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence
30 November 2024

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

	2024	2023
5. Receivables from non-exchange transactions		
	5.1	
Consumer receivables		
Property rates	29 072 921	28 204 232
Other receivables		
Accrued income	5 298 358	10 648 502
Fines	52 296 165	31 239 755
	57 594 523	41 888 257
Total receivables	86 667 444	70 092 489

5.1 Receivables from non-exchange transactions

	2024			2023		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables						
Property rates	66 235 109	(37 162 188)	29 072 921	57 925 803	(29 721 571)	28 204 232
Other receivables						
Accrued income	5 298 358	-	5 298 358	10 648 850	-	10 648 850
Fines	233 078 454	(180 782 289)	52 296 165	227 276 286	(196 036 531)	31 239 755
	238 376 812	(180 782 289)	57 594 523	237 925 136	(196 036 531)	41 888 605
Total	304 611 921	(217 944 477)	86 667 444	295 850 939	(225 758 102)	70 092 837

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

5. Receivables from non-exchange transactions (continued)

5.1.1 Ageing of receivables from non-exchange transactions

2024

	Not due			Past due			
	Total	Current (0-30 days)	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Consumer receivables							
Property rates	66 235 109	24 692 898	1 118 891	1 233 366	844 862	9 234 885	29 110 207
Other receivables							
Accrued income	5 298 358	912 284	-	-	-	-	4 386 074
Fines	233 078 454	10 082 954	10 345 650	10 445 974	12 562 199	67 658 106	121 983 571
	238 376 812	10 995 238	10 345 650	10 445 974	12 562 199	67 658 106	126 369 645
	304 611 921	35 688 136	11 464 541	11 679 340	13 407 061	76 892 991	155 479 852

2023

	Not due			Past due			
	Total	Current (0-30 days)	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Consumer receivables							
Property rates	57 925 803	24 203 822	990 992	1 056 224	767 734	7 219 197	23 687 834
Other receivables							
Accrued income	10 648 850	3 552 665	-	-	-	-	7 096 185
Fines	227 276 286	9 831 956	10 088 110	10 185 936	12 249 480	65 973 850	118 946 954
	237 925 136	13 384 621	10 088 110	10 185 936	12 249 480	65 973 850	126 043 139
	295 850 939	37 588 443	11 079 102	11 242 160	13 017 214	73 193 047	149 730 973

No debtors were pledged as security.

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

	2024	2023
--	------	------

5. Receivables from non-exchange transactions (continued)

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

Property rates	29 072 921	28 204 232
Fines	52 296 165	31 239 755
	81 369 086	59 443 987

Financial asset receivables included in receivables from non-exchange transactions above

Accrued Income	5 298 358	10 648 502
----------------	-----------	------------

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

5. Receivables from non-exchange transactions (continued)

5.1.2 Impairment reconciliation of receivables from non-exchange transactions

	2024			2023		
	Opening balance	Impairment movement	Closing balance	Opening balance	Impairment movement	Closing balance
Consumer receivables						
Property rates	29 697 191	7 464 997	37 162 188	32 151 675	(2 430 104)	29 721 571
Other receivables						
Fines	196 036 531	(15 254 242)	180 782 289	155 516 346	40 520 185	196 036 531
Total	225 733 722	(7 789 245)	217 944 477	187 668 021	38 090 081	225 758 102



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence
30 November 2024

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

2024 2023

5. Receivables from non-exchange transactions (continued)

5.1.3 Ageing of impaired receivables from non-exchange transactions past due not impaired

2024

	Past due					
	Total	31-60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Consumer receivables						
Property rates	3 121 467	399 541	281 084	210 465	1 732 941	497 436
Other receivables						
Fines	42 213 208	1 873 717	1 891 887	2 275 159	12 253 667	23 918 778
	45 334 675	2 273 258	2 172 971	2 485 624	13 986 608	24 416 214

2023

	Past due					
	Total	31 - 60 days	61 - 90 days	91 - 120 days	121- 365 days	365+ days
Consumer receivables						
Property rates	3 240 103	340 214	282 168	203 168	1 250 253	1 164 300
Other receivables						
Fines	21 407 799	950 227	959 442	1 153 813	6 214 265	12 130 052
	24 647 902	1 290 441	1 241 610	1 356 981	7 464 518	13 294 352

Statutory receivables general information

Transaction(s) arising from statute

Property rates related transactions arise in terms of the Municipal Property Rates Act, 6 of 2004, Municipal Finance Management Act, 56 of 2003, as well as the Property Rates Policy of the municipality approved by Council as part of the Budget Process.

Traffic fines arise from the National Road Traffic Act 93 of 1996, National Road Traffic Regulations 2000, National Land Transport Act 5 of 2009 and Criminal Procedure Act 51 of 1971. Prosecutor performs prosecutorial functions in terms of a general delegation awarded by the National Prosecuting Authority and is subject to the control of the Control Prosecutor at the Magistrate's Court in Stellenbosch.

VAT transactions arise from the Value Added Tax Act 89 of 1991. VAT is an indirect tax on the consumption of goods and services in the economy. VAT is levied on all goods and services subject to certain exemptions, exceptions, deductions and adjustments provided for in the Value Added Tax Act 89 of 1991.

Determination of transaction amount

Property rates transaction amounts are determined in line with the Annual Tariff List of the municipality approved by Council as part of the Budget Process in terms of the Municipal Finance Management Act, 56 of 2003.

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

VAT transactions amounts are determined in line with the Value Added Tax Act 89 of 1991. VAT increased from 14% to 15% from 1 April 2018.

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

2024

2023

5. Receivables from non-exchange transactions (continued)

Interest or other charges levied/charged

Interest or other charges levied on Property rates balances are in line with the Annual Tariff List of the municipality approved by council as part of the Budget Process in terms of the Municipal Finance Management Act, 56 of 2003. "Interest" means a charge levied, on all arrear accounts calculated at an interest rate which is one percent higher than the prime interest rate.

Traffic fines: Additional charges includes contempt of court fees / warrant of arrest fee determined in terms of the Criminal Procedure Act.

The rates and interest charges are determined by the Value Added Tax Act 89 of 1991.

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

The basis used to assess Property Rates receivables is to look at the extent to which debtors on an individual basis defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

The basis used to assess Traffic fine receivables is to look at the extent to which debtors per group of fines (Municipal fines, Provincial fines) defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

No impairment on VAT Receivable, balance expected to be fully recoverable

Discount rate applied to the estimated future cash flows

Interest is calculated using the nominal interest rate as stipulated in the municipal by-laws (Prime plus 1%). This rate is also considered an appropriate discount rate.

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

Significant impairment losses recognised or reversed

Traffic Fines: Impairment Recognised: Annually the outstanding receivables are assessed in terms of the value of fines issued in comparison to the receipts generated from such fines. The remaining balance is considered recoverable based on this payment percentage.

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

	2024	2023
6. Inventories		
Consumables	2 241 649	551 893
Materials and supplies	10 110 877	9 937 091
Water	2 865 719	2 562 783
Housing stock	8 050 000	9 100 000
Total Inventories	23 268 245	22 151 767

R66 371 383 (2023: R64 172 062) of total inventory was recognised as an expense in the current year.

The amount of write-down of inventories recognised as an expense and a reduction in inventory carrying value is R(290 008) (2023: R389 807).

No inventories were pledged as securities.

7. Other receivables from exchange transactions

Deposits	13 882 018	1 895 810
Goods received/Invoice received	-	113 356
Other receivable	6 039 523	2 769 459
Licensing and registration	3 673 272	3 290 273
Prepayments and advances	30 794 294	30 583 331
Total	54 389 107	38 652 229

8. Value-added-tax

VAT Receivable / (Payable)	30 829 208	11 979 052
----------------------------	------------	------------

The municipality is registered for VAT on the payment/ cash basis.

VAT meets the definition of a statutory receivable as per the accounting policy. For statutory receivable information regarding VAT refer to note 5. The statutory receivable amounts are as follows R8 270 605 (2023:R8 315 239)

VAT Breakdown

Net VAT control (As per VAT 201)	8 270 605	8 315 239
VAT Accrual (Payable)	(22 962 600)	(17 210 862)
VAT Accrual Receivable	45 521 203	20 874 675
	30 829 208	11 979 052

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

		2024	2023
9. Investment property			
9.1 Reconciliation of carrying value			
Opening carrying value			
Cost		438 586 232	438 586 232
Accumulated depreciation and impairment losses		(13 509 744)	(13 086 177)
		425 076 488	425 500 055
Depreciation	38	(420 818)	(423 567)
Impairment loss / reversal of impairment loss	38	(1 725 000)	-
Closing carrying value		422 930 670	425 076 488
Cost		438 586 232	438 586 232
Accumulated depreciation and impairment losses		(15 655 562)	(13 509 744)
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.			
There were no restrictions placed on any investment properties.			
Maintenance of investment property			
There were no repairs and maintenance expensed on rental properties. This is mainly due to the fact that rental agreements as entered into with the lessee states maintenance of these properties will be for the lessee's expense.			
Amounts recognised in surplus or deficit			
Rental revenue from Investment Property		11 055 806	12 373 336

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

10. Property, plant and equipment

10.1 Summary

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	492 959 498	(27 052 477)	465 907 021	488 646 498	(27 052 477)	461 594 021
Transport Assets	199 932 779	(90 295 252)	109 637 527	177 457 548	(84 644 016)	92 813 532
Electrical Infrastructure	1 598 481 834	(539 261 554)	1 059 220 280	1 491 911 258	(498 647 037)	993 264 221
Water Supply Infrastructure	2 022 399 746	(574 086 113)	1 448 313 633	1 933 229 910	(525 367 418)	1 407 862 492
Sanitation Infrastructure	1 331 799 109	(296 860 182)	1 034 938 927	1 315 767 046	(268 037 759)	1 047 729 287
Solid Waste Infrastructure	141 404 397	(18 255 242)	123 149 155	70 897 949	(16 268 130)	54 629 819
Other Infrastructure	33 785 570	-	33 785 570	33 785 570	-	33 785 570
Machinery and Equipment	84 580 317	(64 613 352)	19 966 965	82 863 210	(61 025 913)	21 837 297
Furniture and Office Equipment	56 384 977	(43 195 187)	13 189 790	55 196 043	(39 674 267)	15 521 776
Computer Equipment	79 849 067	(55 175 873)	24 673 194	78 382 896	(49 748 173)	28 634 723
Information and Communication Infrastructure	18 791 151	(3 860 402)	14 930 749	4 710 223	(3 581 375)	1 128 848
Roads Infrastructure	1 440 095 335	(573 118 428)	866 976 907	1 383 148 215	(527 228 051)	855 920 164
Storm water Infrastructure	87 559 967	(49 644 575)	37 915 392	83 709 964	(48 596 116)	35 113 848
Community Assets	201 143 486	(36 968 466)	164 175 020	171 532 955	(31 326 030)	140 206 925
Other assets	559 180 959	(122 176 454)	437 004 505	546 051 098	(111 541 688)	434 509 410
- Operational Buildings	359 450 388	(81 983 885)	277 466 503	357 952 843	(74 653 091)	283 299 752
- Housing Selling Schemes	199 730 571	(40 192 569)	159 538 002	188 098 255	(36 888 597)	151 209 658
Total	8 348 348 192	(2 494 563 557)	5 853 784 635	7 917 290 383	(2 292 738 450)	5 624 551 933

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Depreciation	Impairment loss/ reversal	Total
Land	461 594 021	5 063 000	(750 000)	-	-	-	-	465 907 021
Transport Assets	92 813 533	23 290 517	(344 380)	-	-	(6 122 142)	-	109 637 527
Electrical Infrastructure	993 264 216	97 726 158	-	-	8 844 419	(40 614 513)	-	1 059 220 280
Water Supply Infrastructure	1 407 862 484	89 431 389	-	(261 552)	-	(48 718 688)	-	1 448 313 633
Sanitation Infrastructure	1 047 729 289	16 032 063	-	-	-	(28 822 425)	-	1 034 938 927
Solid Waste Infrastructure	54 629 820	70 506 448	-	-	-	(1 987 113)	-	123 149 155
Other Infrastructure	33 785 570	-	-	-	-	-	-	33 785 570
Machinery and Equipment	21 837 301	2 506 158	(128 404)	-	-	(4 248 090)	-	19 966 965
Furniture and Office Equipment	15 521 781	1 650 402	(87 203)	-	-	(3 895 191)	-	13 189 790
Computer Equipment	28 634 713	2 475 540	(207 429)	-	-	(6 229 630)	-	24 673 194
Information and Communication Infrastructure	1 128 844	14 080 929	-	-	-	(279 024)	-	14 930 749
Roads Infrastructure	855 920 166	56 947 121	-	-	-	(45 890 380)	-	866 976 907
Storm water Infrastructure	35 113 847	3 850 003	-	-	-	(1 048 458)	-	37 915 392
Community Assets	140 206 920	29 610 536	-	-	-	(5 642 435)	-	164 175 020
Other assets	434 509 406	13 987 714	(468 753)	-	-	(9 992 426)	(1 031 436)	437 004 505
- Operational Buildings	279 135 576	7 660 930	-	-	-	(8 298 567)	(1 031 436)	277 466 503
- Housing Selling Schemes	155 373 830	6 326 784	(468 753)	-	-	(1 693 859)	-	159 538 002
Total	5 624 551 911	427 157 978	(1 986 169)	(261 552)	8 844 419	(203 490 515)	(1 031 436)	5 853 784 635

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – 2023

	Opening balance	Additions	Disposals	Transfers made	Depreciation	Impairment loss/ reversal	Total
Land	461 617 521	-	(23 500)	-	-	-	461 594 021
Transport Assets	100 800 738	1 785 330	(800 349)	-	(7 399 519)	(1 572 668)	92 813 532
Electrical Infrastructure	992 044 730	65 825 855	-	(19 658 509)	(44 947 855)	-	993 264 221
Water Supply Infrastructure	1 388 821 188	72 409 987	(315 773)	(399 106)	(52 653 804)	-	1 407 862 492
Sanitation Infrastructure	1 049 114 057	35 586 649	(44 321)	-	(36 927 098)	-	1 047 729 287
Solid Waste Infrastructure	58 802 151	5 459 983	(7 504 068)	-	(2 128 247)	-	54 629 819
Other Infrastructure	27 534 497	6 251 073	-	-	-	-	33 785 570
Machinery and Equipment	26 696 562	2 685 751	(14 282)	-	(7 530 735)	-	21 837 297
Furniture and Office Equipment	18 734 827	2 125 114	(6 624)	-	(5 331 541)	-	15 521 776
Computer Equipment	29 095 628	6 955 475	(4 429)	-	(7 411 951)	-	28 634 723
Information and Communication Infrastructure	1 413 468	211 635	(151)	-	(496 104)	-	1 128 848
Roads Infrastructure	834 247 304	70 470 099	(640 602)	-	(48 156 636)	-	855 920 164
Storm water Infrastructure	35 910 480	290 596	(3 170)	-	(1 084 058)	-	35 113 848
Community Assets	131 667 701	14 409 056	(509 732)	-	(5 360 100)	-	140 206 925
Other assets	411 726 217	33 598 392	(163 400)	-	(10 651 799)	-	434 509 410
- Operational Buildings	272 112 571	20 185 053	-	-	(8 997 872)	-	283 299 752
- Housing Selling Schemes	139 613 646	13 413 339	(163 400)	-	(1 653 927)	-	151 209 658
Total	5 568 227 069	318 064 995	(10 030 401)	(20 057 615)	(230 079 447)	(1 572 668)	5 624 551 933

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

	2024	2023
10. Property, plant and equipment (continued)		
10.2 Construction work-in-progress		
Work in Progress		
The following assets were still in the process of being constructed at year end:		
Community Assets	23 568 298	8 711 629
Electrical Infrastructure	255 721 590	157 995 431
Other infrastructure	33 578 152	33 578 152
Information and Communication Infrastructure	12 780 606	-
Roads Infrastructure	114 504 564	68 286 049
Sanitation infrastructure	182 498 512	259 668 367
Solid waste infrastructure	81 437 349	11 304 522
Storm Water Infrastructure	7 217 748	3 367 743
Water Supply Infrastructure	169 366 173	159 325 356
Internally Generated Intangible Assets	1 742 452	1 526 451
Other Assets	34 300 233	20 381 396
Total	916 715 677	724 145 096

There were no projects that were significantly delayed or halted during the current financial year. Significant delays are regarded as projects which has not seen any progress for a period exceeding 12 months.

10.3 Property, plant and equipment pledged as security

No assets have been pledged as security during the current financial year.

10.4 Maintenance of property, plant and equipment

10.4.1 Maintenance of property, plant and equipment by nature and type of expenditure

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

Property, plant and equipment	92 712 588	55 115 009
-------------------------------	------------	------------

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

		2024	2023
11. Intangible assets			
11.1 Reconciliation of carrying value			
2024			
		Computer software	Total
Opening carrying value as at 01 July 2023			
Cost		16 033 795	16 033 795
Accumulated depreciation and impairment		(11 773 018)	(11 773 018)
		4 260 777	4 260 777
Additions from acquisitions		216 001	216 001
Amortisation	38	(379 053)	(379 053)
		(163 052)	(163 052)
Closing carrying value as at 30 June 2024		4 097 725	4 097 725
Cost		16 249 796	16 249 796
Accumulated amortisation and impairment		(12 152 071)	(12 152 071)
		4 097 725	4 097 725
2023			
		Computer software	Total
Opening carrying value as at 01 July 2022			
Cost		20 500 151	20 500 151
Accumulated depreciation and impairment		(15 271 026)	(15 271 026)
		5 229 125	5 229 125
Additions		207 100	207 100
Amortisation	38	(1 175 449)	(1 175 449)
		(968 349)	(968 349)
Carrying value of disposals / transfers			
Cost		(4 673 456)	(4 673 456)
Accumulated depreciation and impairment		4 673 456	4 673 456
		-	-
Closing carrying value as at 30 June 2023		4 260 776	4 260 776
Cost		16 033 795	16 033 795
Accumulated amortisation and impairment		(11 773 019)	(11 773 019)
		4 260 776	4 260 776
Pledged as security			
There were no items of intangible assets that were pledged as security in the current financial year.			
Restricted title			
There were no items of intangible assets that that a restricted title in the current financial year.			

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

	2024		2023	
12. Biological assets				
12.1 Reconciliation of carrying value				
	2024		2023	
	Biological assets measured at fair value	Total	Biological assets measured at fair value	Total
Opening carrying value	5 142 777	5 142 777	5 142 777	5 142 777
Additions from acquisitions	-	-	-	-
Disposals through sales	-	-	-	-
Gains / Losses on disposals	-	-	-	-
Harvests	(723 740)	(723 740)	-	-
	4 419 037	4 419 037	5 142 777	5 142 777
Fair value less costs to sell adjustments				
Consumable assets	(1 493 983)	(1 493 983)	-	-
Closing carrying value	2 925 054	2 925 054	5 142 777	5 142 777



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence
30 November 2024

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

2024 2023

12. Biological assets (continued)

2024 - Nature and quantities of each biological asset	Opening Balance	Decrease due to harvest	Fair value movement	Total
Botmanskop Plantation	293 463	(109 324)	(56 159)	127 980
Paradyskloof Plantation	4 849 313	(614 416)	(1 437 823)	2 797 074
	5 142 776	(723 740)	(1 493 982)	2 925 054

2023 - Nature and quantities of each biological asset	Opening Balance	Decrease due to harvest	Fair value movement	Total
Botmanskop plantation	293 463	-	-	293 463
Paradyskloof Plantation	4 849 313	-	-	4 849 313
	5 142 776	-	-	5 142 776

The determination of fair value was as follows:

Principle:

Price determination was done on the basis of current sale value of the tender for the current year i.e. R602.10/m³ excluding 15% VAT . This value was given to all trees as the estimated yield takes into consideration the age of the trees. The harvestable age starts from 20 years old where the minimum estimated yield would be 100m³/ha.

It must also be noted that this yield is based on optimum growing conditions and the existing microclimates, and thus the yield might vary per compartment. Refer to the Forestry Handbook p204 which can be obtained at the municipal offices.

Description of the Biological Assets

Botmanskop plantation (Block E)

Some compartments remain which can be harvested at a later stage due to the age of the trees.

Paradyskloof plantation (Block G)

Some compartments remain which can be harvested at a later stage due to the age of the trees.

Strategy to mitigate risks

The strategy to mitigate risks attached to this category of assets is to prevent the spread of runaway veld fires by maintaining fire breaks.

Pledged as security

There were no items of biological assets pledged as security in the current financial year.

Non-Financial Information

Quantities of each biological asset (In hectars)

Botmanskop Plantation	4	10
Paradyskloof Plantation	16	32
	20	42

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

2024 2023

13. Heritage assets

13.1 Reconciliation of carrying value

2024

	Land and buildings	Monuments and parks	Other assets	Total
Opening carrying value as at 01 July 2023				
Cost	275 982	892 883	143 945	1 312 810
Cost	275 982	892 883	143 945	1 312 810

2023

	Land and buildings	Monuments and parks	Other assets	Total
Opening carrying value as at 01 July 2022				
Cost	-	892 883	143 945	1 036 828
Additions from acquisitions	275 982	-	-	275 982
	275 982	892 883	143 945	1 312 810
Cost	-	892 883	143 945	1 036 828
Additions from acquisitions	275 982	-	-	275 982
	275 982	892 883	143 945	1 312 810



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence
30 November 2024

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

	2024	2023
--	------	------

13. Heritage assets (continued)

13.2 Heritage assets pledged as security

There were no heritage assets pledged as security during the current financial year.

Heritage assets used for more than one purpose

A significant portion of the following heritage assets are used for office accommodation and is therefore included in the balance of property, plant and equipment:

The following heritage assets are used by the municipality for more than one purpose

Neethlingshuis and De Withuis	61 981 836	62 337 914
58 - 60 Andringa Street	1 848 421	1 858 476
35B Mark Street	3 112 063	3 121 213
127 Dorp Street, Transvalia, Alma & Bosmanshuis flats	12 587 685	12 618 351
116 - 118 Dorp Street, Voorgelegen - offices	5 496 842	5 516 951
4 Reservoir West, Mooiwater	2 048 737	2 056 781
34 Mark Street, Rynse Komplex; Toy Museum, Tourism	8 087 685	8 118 351
PMU Building, Alexander Street, Burger Huis	1 551 474	1 558 009
Merriman, Bergzicht Training Centre, Oude Libertas Theatre & Restaurant	61 460 908	61 652 545
Die Laan, Landbou Saal	4 322 684	4 329 471
Total	162 498 335	163 168 062

Expenditure incurred to repair and maintain heritage assets

The expenditure relating to repairs and maintenance of these buildings is included in the statement of financial performance and disclosed under note 10 to the financial statements.

There was no repairs and maintenance expenditure incurred on other remaining heritage assets.

14. Non-current receivables

Trading services debtors

4.1

Electricity	493 864	554 827
Waste management	847 721	534 875
Waste water management	685 293	417 415
Water	3 344 996	2 139 941
Property rental debtors	503 839	369 630
Service charges	615 723	564 882
Total	6 491 436	4 581 570

Other receivables

Public organisation	17 161	71 703
Transferred to current receivables	-	(54 542)
Total non-current other receivables	17 161	17 161

15. Consumer deposits

Electricity	13 509 055	12 362 360
Sundry	171 511	204 420
Rental properties	752 824	769 496
Water	9 198 636	8 452 937
Wayleave	558 413	558 413
Total	24 190 439	22 347 626

Deposits are released on termination of the contract or when the contractual services are delivered.

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

		2024	2023
16. Employee benefits			
Non-current employee benefits			
Post employment health care benefits	16.1	180 536 001	166 384 001
Long-service awards benefits	16.4	26 134 000	24 816 000
		206 670 001	191 200 001
Current employee benefits			
Post employment health care benefits	16.1	11 259 000	9 772 000
Bonus	16.2	15 545 103	14 629 565
Staff leave	16.3	34 417 842	30 740 330
Long-service awards benefits	16.4	3 974 021	3 142 020
		65 195 966	58 283 915
Total		271 865 967	249 483 916

16.1 Post employment health care benefits

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. The plan is treated as a defined benefit plan under GRAP 25. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2023 by C Weiss 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.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

2024 2023

16. Employee benefits (continued)

	Number	Number
In-service members (eligible employees on medical aid)	723	673
In-service non-members (eligible employees w/o medical aid)	427	454
Continuation members (retirees and surviving dependants)	174	175
Total members	1 324	1 302

Characteristics and risks of defined benefit plans [GRAP 25.143(a)]

The Municipality administers a defined benefit pension plan that provides retirement, disability, and death benefits to eligible employees. The plan is funded by both the entity and the employees through mandatory contributions based on a percentage of the employees' salaries.

Eligible employees appointed before 1 July 2003 will receive a post-employment subsidy of 70% of the contribution payable should they be a member of a medical scheme at retirement, and provided that they have not been promoted since then and do not receive a promotion in future. Promotions result in new employment contracts, and new contracts contain a 60% post-employment subsidy benefit. Hence, all other eligible employees will receive a 60% post-employment subsidy, should they be a member of a medical scheme at retirement.

The eligible employees' post-employment subsidy rates were provided, and it was assumed that all employees appointed before 1 July 2003 and who have not been promoted since then, will not receive a promotion in future.

Continuation members and their eligible dependants receive either a 60% or 70% subsidy, as described above. However, there are three members with special arrangements, whereby they are in receipt of a 50% subsidy.

Risks associated with the defined benefit plan [GRAP 25.143(a)]

Longevity Risk: There is a risk that eligible individuals live longer than expected, potentially increasing the liability of the plan as their benefits are payable for longer than expected.

Inflation Risk: There is a risk that future CPI inflation and medical aid contribution inflation are higher than assumed and present in an uncontrolled manner.

Volatility of open ended Defined Benefit Obligation:

The risk that the DBO may be volatile which is exacerbated by its long-term nature.

Regulatory Risk

The risk that changes in post-employment medical aid benefit may increase the defined benefit obligation for Stellenbosch Municipality.

Plan amendments, curtailments, and settlements [GRAP 25.147(c)]

During the reporting period, there were no amendments, curtailments, or settlements that had a significant effect on the plan's obligations Stellenbosch municipality.

The liability in respect of past service has been estimated as follows:

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

	2024	2023
16. Employee benefits (continued)		
In-service members (eligible employees on medical aid)	71 149 001	67 805 000
In-service non-members (eligible employees w/o medical aid)	8 034 000	7 341 000
Continuation members (retirees and surviving dependants)	112 612 000	101 010 001
Total liability	191 795 001	176 156 001

Maturity Profile

The defined benefit obligation of the municipality's health care plan has a weighted average duration of approximately 14 years. This duration reflects the estimated time period over which the accrued benefits are expected to be settled.

Maturity profile of the defined benefit obligation [GRAP 25.154(c)]

The following table provides a maturity analysis of the present value of the defined benefit obligations, showing the undiscounted cash flows to be paid in respect of benefits to be provided under the plan:

Future year intervals	Projected Benefit Payments
Within 1 year	11 259 000
Between 1 - 2 years	12 469 000
Between 2 - 3 years	13 486 000
Between 3 - 4 years	14 837 000
Between 4 - 5 years	16 315 000
6 to 10 years	107 361 000
11 to 15 years	165 322 000
16 to 20 years	240 230 000
21 to 25 years	333 471 000
26 to 30 years	432 527 000
31 to 40 years	1 112 025 000
41 to 50 years	1 184 921 000
51 to 60 years	915 484 000
61 to 70 years	464 345 000
71 to 80 years	126 925 000
	5 150 977 000

The benefits payments are scheduled based on the expected retirement ages of current employees and the provisions of the plan that determine the timing of benefits payments. The distribution of these payments is subject to changes in demographic factors such as retirements, mortality rates, and changes in employment within the Municipality.

The estimated current service cost for the upcoming year has been determined to be R 5 603 000, while the interest cost for the same period is projected to be R 22 676 000. For comparison, in 2023/2024, the current service cost and interest cost were R 5 165 000 and R 21 118 000, respectively.

Non-current	180 536 001	166 384 001
Current	11 259 000	9 772 000
Total liability	191 795 001	176 156 001

The municipality contributes to the following medical aids:

- Bonitas
- Key Health
- LA Health
- Samwumed
- Sizwe-Hosmed

The principal assumptions used for the purposes of the actuarial valuations were as follow:



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence
30 November 2024

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

2024 2023

16. Employee benefits (continued)

Rates of interest

Discount rate	12.17%	11.74%
CPI inflation rate	6.17%	8.37%
Medical aid contribution inflation rate	7.67%	3.11%

General:

It is assumed that the municipality's health care arrangements and subsidy policy would remain as outlined in the accounting policy, and that the level of benefits receivable and the contributions payable would remain unchanged, with the exception of allowing for inflationary adjustments. Implicit in this approach is the assumption that current levels of cross-subsidy from in-service members to continuation members within the medical scheme are sustainable, and will continue.

Basis for determining the discount rate [GRAP 25.147(d)]

The discount rate used to calculate the defined benefit obligation was determined based on the yield curve of current market rates of appropriate term that are denominated in the currency in which the benefits will be paid and that have maturities approximating the terms of the plan's obligations. The corresponding index-linked yield at this term is 5.18%. 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 28 June 2024.

Actuarial assumptions of defined benefit obligation [GRAP 25.151]

The following are the significant actuarial assumptions used to calculate the present value of the defined benefit obligations for the Municipality's pension plan as of 31 June 2024. The assumptions are expressed in absolute terms to provide clarity on their impact:

Mortality rate

Assumption: SA 85 - 90

This mortality table is used to estimate the life expectancy of plan participants, based on current trends and historical data within the sector.

Discount rate:

Assumption: 12.17%

The discount rate is based on the yield curve of current market rates available and expected to be available during the estimated period of the obligations.

Medical aid contribution inflation rate

Assumption: 7.67%

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

CPI Inflation rate:

Assumption: 6.17%

Inflation is considered in the projection of salary increases and the adjustment of retirement benefits.

Proportion of Eligible In-Service Non-Members Joining a Scheme by Retirement

It has been assumed that 15% of eligible in-service non-members will be on a medical scheme by retirement (should they not exit employment before then) and continue with the subsidy at and after retirement.

Family Profile

It has been assumed that female spouses will be five years younger than their male counterparts. Furthermore, we've assumed that 60% of eligible employees on a health care arrangement at retirement will have a subsidised spouse dependant. For current retiree members, actual subsidised spouse dependants were used and the potential for remarriage was ignored.

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

2024 2023

16. Employee benefits (continued)

Continuation of Membership:

It has been assumed that 75% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

Normal retirement age

The average retirement age for all active employees was assumed to be 62 years.

Amounts recognised in the statement of financial position

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

Present value of unfunded obligations	191 795 001	176 156 001
---------------------------------------	-------------	-------------

Amounts recognised in the statement of financial performance

The amounts recognised in the statement of financial performance is as follows:

Service cost: Current service cost	5 165 000	5 820 000
Net interest expense: Interest cost	21 118 000	21 656 000
Remeasurements: Actuarial (gains)/ losses	(660 010)	(30 656 325)
Total post-retirement benefit included in employee related costs	33 25 622 990	(3 180 325)

Movements in the present value of the defined benefit obligation

Opening balance	176 156 001	189 158 001
Current service cost	5 165 000	5 820 000
Interest cost	21 118 000	21 656 000
Actual employer benefit payments	(9 983 990)	(9 821 675)
Actuarial loss/ (gain) recognised in the year	(660 010)	(30 656 325)
Present value of fund obligation at the end of the year	191 795 001	176 156 001

Sensitivity analysis on the Accrued Liability (R Millions)

Assumption	Change	In-service	Continuation	Total	% change
Central assumptions		79.183	112.612	191.795	
Health care inflation	1%	94.299	122.556	216.855	13%
	-1%	67.047	103.909	170.956	-11%
Discount rate	1%	67.579	104.306	171.885	-10%
	-1%	93.772	122.221	215.993	13%
Post-employment mortality	1 yr	77.311	108.973	176.284	-3%
	(1)	81	106	181	3
Average retirement age	- 1 year	86.652	112.612	199.264	4%
Continuation of membership at retirement	-10%	69.304	112.612	181.916	-5%

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

2024 2023

16. Employee benefits (continued)

Sensitivity analysis on Current-service and Interest Costs

Assumption	Change	Current-service cost	Interest cost	Total	% Change
Central assumptions		5 165 000	21 118 000	26 283 000	
Health care inflation	1%	6 309 000	23 970 000	30 279 000	15%
	-1%	4 268 000	18 750 000	23 018 000	-12%
Discount rate	1%	4 346 000	20 382 000	24 728 000	-6%
	-1%	6 214 000	21 938 000	28 152 000	7%
Post-retirement mortality	+1 yr	5 046 000	20 487 000	25 533 000	-3%
	-1 yr	5 290 000	21 746 000	27 036 000	3%
Average retirement age	-1 yr	5 586 000	21 947 000	27 533 000	5%
Membership continuation	-10%	4 539 000	19 986 000	24 525 000	-7%

Methods and assumptions used in sensitivity analysis [GRAP 25.152(b)]

The sensitivity analyses were prepared using the projected unit credit method, which is consistent with the method used to value the DBO in the financial statements. The analyses assume a parallel shift in the respective actuarial assumptions while holding all other assumptions constant. It is important to recognize that the use of this method does not imply that the impact of changes in actuarial assumptions is linear or follows any predictable pattern.

Expected contributions for the next reporting period [GRAP 25.154(b)]

For the financial year ended 30 June 2024, Stellenbosch Municipality expects to contribute approximately R 5 603 000 (2023: R 5 165 000) to the defined benefit plan. This estimated contribution takes into account current salary levels, the number of participating employees, and actuarial assumptions regarding demographic and financial factors. These contributions are designed to secure sufficient assets to meet the plan's future benefits obligations as they become due.

16.2 Bonus

Provision for bonus	16.2.1	15 545 103	14 629 565
Less: Transfer to current portion		(15 545 103)	(14 629 565)
Total non-current benefit		-	-
Current		15 545 103	14 629 565

Amounts recognised in the statement of financial position

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

Present value of unfunded obligations	15 545 103	14 629 565
---------------------------------------	------------	------------

Amounts recognised in the statement of financial performance

The amounts recognised in the statement of financial performance are as follow:

16.2.1 Provision for bonus

Movements in the present value of the defined benefit obligation

Opening Balance	14 629 565	13 928 763
Increases	915 538	700 802
Closing balance	15 545 103	14 629 565

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

	2024	2023
16. Employee benefits (continued)		
16.3 Staff leave		
Provision for staff leave	16.3.1 34 417 842	30 740 330
Less: Transfer to current portion	(34 417 842)	(30 740 330)
Total non-current benefit	-	-
Current	34 417 842	30 740 330
Amounts recognised in the statement of financial position		
The amounts recognised in the statement of financial position are as follow:		
Present value of unfunded obligations	34 417 842	30 740 330
16.3.1 Provision for staff leave		
Movements in the present value of the defined benefit obligation		
Opening Balance	30 740 330	32 871 279
Increases/(Decreases)	5 751 360	(42 432)
Reductions (Payments, remeasurement etc.)	(2 073 848)	(2 088 517)
Closing balance	34 417 842	30 740 330
16.4 Long-service awards benefits		
Provision for long-service awards	16.4.1 30 108 021	27 958 020
Less: Transfer to current portion	(3 974 021)	(3 142 020)
Total non-current benefit	26 134 000	24 816 000
Non-current	26 134 000	24 816 000
Current	3 974 021	3 142 020
Total liability	30 108 021	27 958 020



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence
30 November 2024

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

2024 2023

16. Employee benefits (continued)

Long-service awards

The municipality operates a funded defined benefit plan for all its employees. Under the plan, a Long Service Award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2024 by Arch consulting. 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.

At year end 1142 (2023: 1145) employees were eligible for Long Services Awards.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	11.38%	11.12%
General Salary inflation	6.62%	7.3%
Net effective discount rate	4.47%	3.56%

Characteristics and risks of defined benefit plans

The Municipality offers employees LSA for every five years of service completed, from ten years of service to 45 years of service, inclusive. In the month that each "completed service" milestone is reached, the employee is granted an LSA. Working days are valued at 1/249th of annual earnings per day.

Risks associated with the defined benefit plan

Termination of service risk: There is a risk that fewer eligible employees terminate their service at the Municipality i.e. more long service awards vest than expected

Inflation Risk: There is a risk that future CPI inflation and earnings inflation are higher than assumed and present in an uncontrolled manner.

Regulatory Risk

There is a risk that changes to legislation with respect to long service awards may increase the defined benefit obligation for Stellenbosch Municipality.

Enforcement of eligibility criteria and rules

The risk that eligibility criteria and rules are not strictly or consistently enforced, to the detriment of the Municipality.

GRAP 25 defines the determination of the Discount Rate Assumption to be used as follows:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Volatility of open ended Defined Benefit Obligation:

The risk that the long service award DBO may be volatile which is exacerbated by its long-term nature.

Amounts recognised in the statement of financial position

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

Present value of unfunded obligations	30 108 021	27 958 020
---------------------------------------	------------	------------

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

		2024	2023
16. Employee benefits (continued)			
Amounts recognised in the statement of financial performance			
The amounts recognised in the statement of financial performance are as follow:			
Current service cost		2 185 000	2 224 000
Interest cost		3 008 000	2 926 000
Actuarial losses / (gains) recognised		182 442	(2 139 584)
Total expense included in employee related costs	33	5 375 442	3 010 416

16.4.1 Provision for long service awards

Movements in the present value of the defined benefit obligation

Opening Balance	27 958 020	27 729 020
Increases	5 375 443	5 150 000
Reductions (Payments, remeasurement etc.)	(3 225 442)	(4 921 000)
Closing balance	30 108 021	27 958 020

The following table provides a maturity analysis of the present value of the defined benefit obligations, showing the undiscounted cash flows to be paid in respect of benefits to be provided under the plan:

Future year intervals	Projected Benefit Payments
Within 1 year	3 974 000
Between 1 - 2 years	4 616 000
Between 2 - 3 years	4 777 000
Between 3 - 4 years	3 734 000
Between 4 - 5 years	4 467 000
6 to 10 years	28 508 000
11 to 15 years	33 429 000
16 to 20 years	30 676 000
21 to 30 years	43 911 000
31 to 40 years	5 912 000
	164 004 000

The benefits payments are scheduled based on the expected long service terms of current employees and the provisions of the plan that determine the timing of benefits payments. The distribution of these payments is subject to changes in demographic factors such as normal salary cost inflation and withdrawal rates.

The estimated current service cost for the upcoming year has been determined to be R 2 304 000, while the interest cost for the same period is projected to be R 3 158 000. For comparison, in 2023/2024, the current service cost and interest cost are R 2 185 000 and R 3 008 000, respectively.

Sensitivity Analysis

Methods and assumptions used in sensitivity analysis

The sensitivity analyses were prepared using the projected unit credit method, which is consistent with the method used to value the DBO in the financial statements. The analyses assume a parallel shift in the respective actuarial assumptions while holding all other assumptions constant. It is important to recognize that the use of this method does not imply that the impact of changes in actuarial assumptions is linear or follows any predictable pattern.



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence
30 November 2024

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

2024

2023

16. Employee benefits (continued)

Expected contributions for the next reporting period

For the financial year ended 30 June 2024, Stellenbosch Municipality expects to contribute approximately R 2 304 000 (2023: R 2 185 000) to the defined benefit plan. This estimated contribution takes into account current salary levels, the number of participating employees, and actuarial assumptions regarding demographic and financial factors. These contributions are designed to secure sufficient assets to meet the plan's future benefits obligations as they become due.

Sensitivity analysis on Current-service and Interest Costs

Assumption	Change	Current service cost	Interest cost	Total	% change
Central assumptions		2185000	3008000	5193000	
General earnings inflation rate	1%	2357000	3199000	5556000	7%
	-1%	2032000	2834000	4866000	-6%
Discount rate	1%	2049000	3391000	5129000	-1%
	-1%	2340000	2469000	5264000	1%
Average retirement age	2 yr	2406000	3391000	5797000	12%
	(2)	1 888 000	2 469 000	4 357 000	(16)
Rates of termination of service	x2	1643000	2462000	4105000	-21%
	x0.5	2581000	3373000	5954000	15%

Sensitivity analysis on the defined benefit obligation

Assumption	Change	DBO	% Change
Central assumptions		30 108 000	
General earnings inflation	1%	31 852 000	6%
	-1%	28 518 000	-5%
Discount rate	1%	28 485 000	-5%
	-1%	31 915 000	6%
Average retirement age	+2 yr	33 623 000	12%
	-2 yr	24 931 000	-17%
Rates of termination of service	x2	25 145 000	-16%
	-x0.5	33 418 000	11%

Basis for determining the discount rate

The discount rate used to calculate the Long service award defined benefit obligation was determined based on the yield curve of current market rates of appropriate term that are denominated in the currency in which the benefits will be paid and that have maturities approximating the terms of the plan's obligations. The corresponding index-linked yield at this term is 5.09%. 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 28 June 2024.

Actuarial assumptions of defined benefit obligation

The following are the significant actuarial assumptions used to calculate the present value of the long service award for the Municipality as of 31 June 2024. The assumptions are expressed in absolute terms to provide clarity on their impact:

Discount rate:

Assumption: 11.21%

The discount rate is based on the yield curve of current market rates available and expected to be available during the estimated period of the obligations.



AUDITOR-GENERAL
SOUTH AFRICA

Notes to the Audited Annual Financial Statements

	2024	2023
--	------	------

16. Employee benefits (continued)

General earnings inflation rate

Assumption: 11.21%
The discount rate is based on the yield curve of current market rates available and expected to be available during the estimated period of the obligations.

Promotional earnings scale

As per the Valuation report for LSA, an additional promotional earnings scale is taken into account in the escalation in addition to the above General earnings inflation rate based on the age band of qualifying employees.

Mortality rate

Assumption: SA 85 - 90
This mortality table is used to estimate the life expectancy of long service award participants, based on current trends and historical data within the sector and adjusted for female lives.

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

	2024	2023
17. Lease liabilities		
Operating lease liabilities	-	694 514
Less: Transferred to current liabilities	-	(694 514)
Total non-current liabilities	-	-
18. Borrowings		
Annuity loans from the Development Bank of South Africa have settlement periods of 14 to 15 years with fixed interest varying from 9.25% to 11.10% per annum.		
Annuity loans from Nedbank Limited have settlement periods of 10 years with fixed interest rates varying from 10.71% to 8.8% per annum.		
Annuity loan from Standard Bank has a settlement period of 10 years with fixed interest rate of 11% per annum.		
Total borrowings		
Annuity and bullet loans	584 349 242	501 949 960
Less: Current portion transferred to current liabilities	(69 853 210)	(55 046 811)
Total non-current borrowings	514 496 032	446 903 149

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

	2024	2023
19. Trade and other payables from exchange transactions		
Bulk purchases	19.1 91 950 423	73 788 181
Contractors	19.2 34 900 579	35 605 791
Control and clearing accounts	19.3 10 768 550	6 080 751
Other payables	19.4 183 064 027	209 319 046
Total	320 683 579	324 793 769
Current	320 683 582	324 793 769
19.1 Bulk purchases		
Bulk water	8 742 225	308 973
Bulk electricity	83 208 198	73 479 208
Total	91 950 423	73 788 181
19.2 Contractors		
Retentions	34 900 579	35 605 791
19.3 Control and clearing accounts		
Cash and bank	2 471 629	2 018 791
Goods received/invoice received	108 488	-
Group life control	807 652	899 695
Salary Control - Employee Related Costs	7 380 781	3 162 265
Total	10 768 550	6 080 751
19.4 Other payables		
Payables and accruals	140 056 109	149 092 498
Unallocated deposits	14 326 424	34 786 092
Advance payments	28 681 494	25 440 456
Total	183 064 027	209 319 046

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

20. Payables from non-exchange transactions

		2024					2023				
		Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance
Capital											
Monetary Allocations	20.1	21 186 045	120 455 201	(106 296 778)	(8 030 315)	27 314 153	18 529 953	101 704 298	(98 811 831)	(771 499)	20 650 921
Operational											
Monetary Allocations	20.2	11 874 620	22 942 167	(20 156 336)	(4 147 169)	10 513 282	11 252 018	36 125 199	(31 044 532)	(4 522 941)	11 809 744
Total		33 060 665	143 397 368	(126 453 114)	(12 177 484)	37 827 435	29 781 971	137 829 497	(129 856 363)	(5 294 440)	32 460 665

For **2024** the Department of Cultural Affairs and Sport approved a roll-over of unspent operational funds for the Library Community Library Services Grant to be transferred and be utilised for Capital purposes. This resulted in a reclassification of the opening balance from operating conditional grants to the amount of R535 124.

For **2023** The Department of Cultural Affairs and Sport approved a roll-over of unspent operational funds for the Library Community Library Services Grant to be transferred and be utilised for Capital purposes. This resulted in a reclassification of the opening balance from operating conditional grants to the amount of R1 808 460. The Department of Human Settlements (now Department of Infrastructure, due to completion of projects allowed the municipality to shift unspent operational funds from the Idas Valley project to Capital funds for the same project. This resulted in a reclassification of the opening balance from operating conditional grants to the amount of R2 319 792

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

20. Payables from non-exchange transactions (continued)

20.1 Unspent capital monetary allocations

	2024					2023				
	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance
District Municipalities										
Western Cape	146 959	-	-	-	146 959	146 959	-	-	-	146 959
National Government										
Integrated National Electrification Programme Grant	8 030 315	20 000 000	(20 000 000)	(8 030 315)	-	8 382 170	28 350 000	(28 701 855)	-	8 030 315
Integrated Urban Development Grant	-	56 439 500	(56 439 500)	-	-	-	62 459 650	(62 459 650)	-	-
Municipal Disaster Relief Grant	-	30 132 000	(10 718 878)	-	19 413 122	-	-	-	-	-
Total	8 030 315	106 571 500	(87 158 378)	(8 030 315)	19 413 122	8 382 170	90 809 650	(91 161 505)	-	8 030 315
Private Enterprises										
Other transfers private enterprises	440 392	-	-	-	440 392	440 392	-	-	-	440 392
Provincial Government										
Western Cape	12 568 379	13 883 701	(19 138 400)	-	7 313 680	9 560 432	10 894 648	(7 650 326)	(771 499)	12 033 255
Total unspent capital monetary allocations	21 186 045	120 455 201	(106 296 778)	(8 030 315)	27 314 153	18 529 953	101 704 298	(98 811 831)	(771 499)	20 650 921

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

20. Payables from non-exchange transactions (continued)

20.2 Unspent operational monetary allocations

	2024					2023				
	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance
District Municipalities										
Western Cape	500 000	378 000	(119 700)	-	758 300	484 000	615 000	(599 000)	-	500 000
Households										
Other transfers (cash)	340 000	-	-	-	340 000	-	340 000	-	-	340 000
National Government										
Expanded Public Works Programme Integrated Grant	1 180 159	4 519 000	(4 518 999)	(1 180 158)	2	-	4 928 000	(3 747 841)	-	1 180 159
Integrated Urban Development Grant	-	2 970 500	(2 970 500)	-	-	-	3 287 350	(3 287 350)	-	-
Local Government Financial Management Grant	-	1 550 000	(1 448 412)	-	101 588	-	1 550 000	(1 550 000)	-	-
Total	1 180 159	9 039 500	(8 937 911)	(1 180 158)	101 590	-	9 765 350	(8 585 191)	-	1 180 159
Non-profit Institutions										
National Research Foundation	102 000	258 000	-	-	360 000	102 000	-	-	-	102 000
Private Enterprises										
Other transfers private enterprises	6 264 108	990 604	(96 991)	-	7 157 721	5 334 735	2 365 413	(1 436 040)	-	6 264 108

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

20. Payables from non-exchange transactions (continued)

Provincial Government

Western Cape

3 249 778	12 276 063	(11 001 734)	(2 967 011)	1 557 096	5 092 708	23 039 436	(20 424 301)	(4 522 941)	3 184 902
-----------	------------	--------------	-------------	------------------	-----------	------------	--------------	-------------	------------------

Public Corporations

Other transfers public corporations

238 575	-	-	-	238 575	238 575	-	-	-	238 575
---------	---	---	---	----------------	---------	---	---	---	----------------

Total unspent operational monetary allocations

11 874 620	22 942 167	(20 156 336)	(4 147 169)	10 513 282	11 252 018	36 125 199	(31 044 532)	(4 522 941)	11 809 744
-------------------	-------------------	---------------------	--------------------	-------------------	-------------------	-------------------	---------------------	--------------------	-------------------

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.

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

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

		2024	2023
21. Provision			
Landfill Sites	21.1	106 740 477	95 421 976
Non-current		106 740 477	95 421 976
21.1 Landfill Sites			
Opening Balance		95 421 976	160 533 093
Additional provisions raised/(Reversed)		583 529	(77 151 099)
Increases (Passage of Time/Discounted Rate)		10 734 972	12 039 982
Closing balance		106 740 477	95 421 976
Non-current		106 740 477	95 421 976

Landfill site provision

The municipality has a present obligation to rehabilitate the landfill site which stems from licensing agreements 19/2/5/1/B4/45/WL0182/22 issued in terms of the Environmental Conservation Act, 1989 (Act 73 of 1989)

In terms of the licensing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R106 740 477 (2023: R95 421 976) to restore the site at the end of its useful life.

The unwinding of the provision for landfill site for the current year was R10 734 972 (2023: R12 039 982) was included in the finance cost in the statement of financial performance.

Cells 1 and 2 have reached full capacity and must be rehabilitated. The expected future cash outflows for cells 1 and 2 should commence in the 2025/2026 financial year. Cell 3 has come into use at the end of 30 June 2013 financial year and is the current landfill site in use. The expected future cash outflows is between July 2044 and July 2048 for cell 3.

The provision has been determined based on an independent valuation performed by a firm of consulting engineers as at 30 June 2024

Key cost parametres:

- Inflation rate 5.4% (2023: 5.6%)
- Discount rate 11.75% (2023: 11.25%)

Refer to note 44 for contribution to the provision.

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

	2024	2023
22. Services charges		
Electricity		
Exchange – Consumption	874 585 643	779 983 813
Waste management		
Exchange – Consumption	96 326 521	89 836 854
Waste water management		
Exchange – Consumption	114 951 742	106 739 375
Water		
Exchange – Consumption	203 270 709	162 138 204
Total	1 289 134 615	1 138 698 246
The amounts disclosed above for service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.		
23. Rental from fixed assets		
Market related	6 359 726	7 590 891
Non-market related	4 696 080	4 782 445
Total	11 055 806	12 373 336
24. Interest earned from receivables		
Exchange receivables	24.1 23 504 654	16 467 413
Non-exchange receivables	24.2 4 239 407	3 418 263
Total	27 744 061	19 885 676
24.1 Interest earned from exchange receivables		
Consumer receivables		
Electricity	3 776 833	1 870 939
Water	11 555 709	8 514 053
Waste water management	3 027 593	2 231 528
Waste management	3 992 025	2 806 309
Service charges	1 152 494	1 044 584
	23 504 654	16 467 413
24.2 Interest earned from non-exchange receivables		
Consumer receivables		
Property rates	4 239 407	3 418 263
25. Interests earned from current and non-current assets		
Bank accounts	8 848 063	5 423 264
Short-term investments and call accounts	48 463 744	36 826 894
Total	57 311 807	42 250 158
26. Licences or permits		
Exchange revenue	26.1 8 149 482	8 407 621

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

	2024	2023
26. Licences or permits (continued)		
26.1 Licenses and permits - Exchange revenue		
Market porters	206 910	164 642
Road and transport	7 942 115	8 240 238
Trading	457	2 741
Total	8 149 482	8 407 621
27. Agency services		
Provincial	3 697 082	3 438 321
<p>The municipality collects license fees on behalf of the Provincial Government Western Cape and receives a 12% agency fee.</p> <p>The municipality, as an agent, recognises only the 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.</p> <p>No resources are held by the municipality on behalf of the principle.</p>		
28. Operational revenue		
Administrative Handling Fees	256 661	284 601
Breakages and Losses Recovered	3 011	2 691
Collection Charges	55 573	2 727 349
Incidental Cash Surpluses	1 982	5 657
Inspection fees	8 309	29 644
Insurance Refund	2 818 339	1 065 491
Merchandising, Jobbing and Contracts	4 917 486	4 860 840
Recovery Maintenance	534 756	614 166
Request for information	60 470	58 649
Sale of Property	1 618 109	-
Skills Development Levy Refund	931 782	864 945
Staff and Councillors Recoveries	420 158	629 244
Development Charges	37 192 548	33 465 025
Total	48 819 184	44 608 302
29. Sales of goods and rendering of services		
Application Fees for Land Usage	1 188 087	1 138 591
Building Plan Approval	8 719 636	6 783 438
Cemetery and Burial	1 270 896	1 106 042
Clearance Certificates	589 505	464 612
Computer Services	-	13 800
Encroachment Fees	6 487 688	5 533 562
Entrance Fees	261 922	1 037 941
Fire Services	246 318	182 325
Housing (Boarding Services)	-	351 907
Library Fees	678	917
Parking Fees	5 722 596	4 422 045
Photo copies, Faxes and Telephone charges	79 116	65 744
Removal of Restrictions	58 391	131 196
Sale of Goods	604 146	460 209
Scrap, Waste & Other Goods	29 970	-
Re-allocation Fees	1 100	5 298
Total	25 260 049	21 697 627

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

	2024	2023
30. Property rates		
Agricultural property	20 789 622	19 435 922
Business and commercial properties	169 353 450	160 005 178
Public benefit organisations	41 684	38 949
Public service purposes properties	10 225 108	9 564 881
Residential properties	267 044 169	248 858 631
Vacant land	17 000 408	14 115 461
Total	484 454 441	452 019 022

Assessment Rates are levied on the value of land and improvements, which valuation is performed every four years. Interim valuations are processed on an annual basis to consider any changes in individual property values, due to amendments. The current Valuation Roll came into effect on 01 July 2021. With reference to Section 78 of the Local Government: Municipal Property Rates Act, No. 6,2004, five reviews have been finalised and one supplementary valuation has been performed during the financial year and implemented accordingly.

The following assessment rates were charged for the period ending June 2024:

Residential Property – R 0.005068

Business and Commercial Property – R 0.010643

Agricultural Property – R 0.001267

Public Service Purposes – R 0.010643

Public Service Infrastructure – R 0.001267

Public Benefit Organization – R 0.001267

Vacant Residential – R 0.010136

Vacant other – R 0.020273

Property Rates are levied monthly on property owners' accounts and are payable the 7th of each month. Property owners may request to pay their Rates annually, which amount will be levied in July and must be paid by the 7th of October annually. Interest on outstanding accounts for Property Rates is levied as per Council's Credit Control and Debt Collection Policy.

Relief Measures

The relief measures on property rates are generally described in paragraph 8 of the approved Property Rates Policy of the Municipality. This includes the specific under mentioned relief measures:

Rebate and gross monthly household income for Qualifying senior citizens and Disabled persons:

Gross monthly household income %

Up to R8 000 - 100%

From R8 001 to R 11 000 - 75%

From R11 001 to R13 000 - 50%

From R13 001 to R17 000 - 25%

Municipal valuation threshold value

On qualifying residential properties, property owners will receive a rebate up to a maximum value of R250 000, which amount includes a value of R15 000 as per Section 17(1)(h) of the Local Government: Municipal Property Rates Act, No. 6, 2004, and an additional value of R235 000 reduction granted as per paragraph 8.2.1(ii) of the approved Property Rates Policy.

Paragraph 8.2.1 (ii) is only applicable on properties with valuations up to R5 000 000.

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

	2024	2023
--	------	------

30. Property rates (continued)

Stellenbosch special rebate

A rebate of 20% may be granted as per paragraph 8.6 of the approved Rates policy of the municipality.

Other rebates

Rebates have also been granted to qualifying non-profit organizations and to organizations who qualified for any other rebate as defined in the Property Rates Policy. Any other exclusions or exemptions have been granted in accordance with the Local Government: Municipal Property Rates Act, No. 6, 2004.

31. Fines, penalties and forfeits

Fines	31.1	143 331 671	146 657 768
Forfeits		23 536 224	-
Total		166 867 895	146 657 768

31.1 Fines

Traffic fines

Municipal fines	143 096 788	146 459 602
-----------------	-------------	-------------

Other fines

Building fines	79 652	11 044
Law enforcement	22 720	126 077
Overdue books	26 028	20 021
Pound fees	106 483	41 024
	234 883	198 166

Total	143 331 671	146 657 768
--------------	--------------------	--------------------

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

		2024	2023
32. Transfers and subsidies - Revenue			
Operational			
Allocations in-kind	32.1	9 338 292	-
Monetary allocations	32.2	220 892 818	211 295 154
Total transfers and subsidies: Operational		230 231 110	211 295 154
Capital			
Allocations in-kind	32.3	5 136 813	22 920
Monetary allocations	32.4	106 864 062	100 311 831
Total transfers and subsidies: Capital		112 000 875	100 334 751
Total		342 231 985	311 629 905
32.1 Allocations in-kind: Operational			
Provincial government		9 338 292	-
The municipality received services in the form of consultancy fees to the value of R9 338 292 from the western cape provincial government.			
32.2 Monetary allocations: Operational			
District municipalities		119 700	599 000
National governments		8 937 911	8 585 191
National revenue fund		200 488 473	179 633 999
Provincial government		11 346 734	22 476 964
Total		220 892 818	211 295 154
32.3 Allocations in-kind: Capital			
District municipalities		5 055 000	-
Private enterprises		81 813	-
Public corporations		-	22 920
Total		5 136 813	22 920
32.4 Monetary allocations: Capital			
National government		87 158 378	91 161 505
Provincial governments		19 705 684	9 150 326
Total		106 864 062	100 311 831
Included in above are the following transfers and subsidies received:			
Conditional grants received		143 397 369	137 829 497
Unconditional grants received		200 488 473	179 634 000
		343 885 842	317 463 497

Grant revenue is recognised when all the conditions of the grant has been met.

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

33. Employee related cost

Senior management	33.1	11 246 668	10 969 702
Municipal staff	33.2	620 555 021	531 809 789
Total		631 801 689	542 779 491

33.1 Senior management costs

2024

	G Mettler (MM)	K Carolus (CFO)	G Boshoff	A De Beer	S Chandaka	A Barnes	Total
Basic salary	1 428 140	1 078 401	1 499 662	1 559 662	1 586 329	1 267 310	8 419 504
Bonuses	248 608	208 927	134 310	164 157	123 118	208 927	1 088 047
Allowances	225 904	301 543	101 925	40 800	41 485	40 800	752 457
Bargaining council	137	137	137	137	137	137	822
Group life insurance	24 471	20 471	20 471	20 471	20 471	20 471	126 826
Medical	43 973	32 810	-	-	-	54 068	130 851
Pension	272 953	197 081	-	-	-	245 377	715 411
Unemployment insurance	2 125	2 125	2 125	2 125	2 125	2 125	12 750
	2 246 311	1 841 495	1 758 630	1 787 352	1 773 665	1 839 215	11 246 668

2023

	G Mettler (MM)	K Carolus (CFO)	G Boshoff	A De Beer	S Chandaka	A Barnes	Total
Basic salary	1 358 591	1 076 049	1 495 051	1 552 174	1 312 093	1 269 894	8 063 852
Bonuses	258 074	210 323	210 732	210 453	175 215	165 211	1 230 008
Allowances	220 800	302 778	100 800	41 233	53 920	40 800	760 331
Bargaining council	130	130	130	130	119	130	769
Group life insurance	23 469	19 723	19 723	19 723	18 096	19 723	120 457
Medical	42 802	30 834	-	-	-	49 221	122 857
Pension	249 844	180 661	-	-	-	228 350	658 855
Unemployment insurance	2 125	2 125	2 125	2 125	1 948	2 125	12 573
	2 155 835	1 822 623	1 828 561	1 825 838	1 561 391	1 775 454	10 969 702

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

	2024	2023
33. Employee related cost (continued)		
33.2 Municipal staff costs		
Basic salary	360 808 704	339 618 066
Bonuses	-	19 026
Service-related benefits	108 015 875	85 681 154
Allowances	15 108 668	14 123 027
Bargaining council	249 820	233 077
Group life insurance	7 511 641	7 034 390
Medical	29 722 149	26 984 782
Pension	59 651 027	55 643 449
Post-retirement benefit: Medical	25 622 990	(3 180 325)
Long service awards	5 375 442	3 010 416
Leave Gratuity Increases/(Reversals)	5 751 360	(42 432)
Unemployment insurance	2 737 345	2 685 159
Total	620 555 021	531 809 789

Please refer to note 16 for detailed breakdown of the employee benefit items contained with the employee related costs note as disclosed above in note 33.2. These include: Post retirement benefit: medical, long service awards, leave gratuity and bonus provision.

34. Remuneration of councillors

Executive Mayor/Mayor	34.1	1 040 254	1 069 085
Chief whip	34.2	792 276	774 160
Speaker	34.3	842 114	862 911
Deputy executive mayor	34.4	846 402	880 812
Executive committee	34.5	7 846 941	7 456 851
All other councillors	34.6	11 251 932	11 720 936
Total		22 619 919	22 764 755

34.1 Executive Mayor/Mayor

Allowances and service related benefits

Basic salary	810 646	844 285
Cell phone allowance	49 608	44 800
Travelling allowance	180 000	180 000
	1 040 254	1 069 085

34.2 Chief whip

Allowances and service related benefits

Travelling allowance	167 957	167 957
Basic salary	534 615	526 585
Cell phone allowance	49 608	42 000
	752 180	736 542

Social contributions

Pension fund contributions	40 096	37 618
Total	792 276	774 160

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

	2024	2023
34. Remuneration of councillors (continued)		
34.3 Speaker		
Allowances and service related benefits		
Basic salary	612 506	638 111
Cell phone allowance	49 608	44 800
Travelling allowance	180 000	180 000
	842 114	862 911
34.4 Deputy executive mayor		
Allowances and service related benefits		
Basic salary	792 506	833 434
Cell phone allowance	49 608	44 800
Travelling allowance	4 288	2 578
	846 402	880 812
34.5 Executive committee		
Allowances and service related benefits		
Basic salary	6 959 809	6 473 839
Cell phone allowance	493 730	422 100
Travelling allowance	151 830	296 549
	7 605 369	7 192 488
Social contributions		
Medial aid benefits	34 560	34 560
Pension fund contributions	207 012	229 803
	241 572	264 363
Total	7 846 941	7 456 851

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

		2024	2023
34. Remuneration of councillors (continued)			
34.6 All other councillors			
Allowances and service related benefits			
Basic salary		9 104 592	9 835 721
Cell phone allowance		1 532 079	1 404 050
Travelling allowance		276 660	157 456
		10 913 331	11 397 227
Social contributions			
Medial aid benefits		67 680	83 520
Pension fund contributions		270 921	240 189
		338 601	323 709
Total		11 251 932	11 720 936
35. Bulk purchases			
Electricity: Eskom		626 175 769	521 011 668
Water		32 051 727	22 990 433
Total		658 227 496	544 002 101
36. Inventory consumed			
Consumables		35 032 652	39 239 118
Housing stock		1 060 000	150 000
Materials and supplies		30 278 731	24 782 944
Total		66 371 383	64 172 062
37. Debt impairment			
Trade and other receivables from exchange transactions contribution/(reversal)	4	56 912 905	31 475 278
Property Rates contribution/(reversal)	5	7 464 997	(1 273 382)
Fines impairment contribution/(reversal)		(15 254 242)	40 520 185
Total		49 123 660	70 722 081
38. Depreciation and amortisation			
Amortisation			
Intangible assets	11.1	379 052	1 175 448
Depreciation			
Investment property	9.1	420 819	423 567
Property, plant and equipment	10	203 490 522	230 077 925
		203 911 341	230 501 492
Total		204 290 393	231 676 940

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

		2024	2023
39. Impairment loss /(reversal) of impairment			
Investment property	9.1	1 725 000	-
Property, plant and equipment		1 031 436	1 572 668
Total		2 756 436	1 572 668
40. Interest, dividends and rent on land			
Interest	40.1	63 411 228	59 928 458
40.1 Interest cost			
Financial liabilities			
• Annuity loans		49 186 011	46 712 396
Discounting of financial instruments	19	3 490 245	1 176 080
Interest costs non-current provisions	21	10 734 972	12 039 982
Total		63 411 228	59 928 458
41. Contracted services			
Consultants and professional services	41.1	23 809 802	26 705 395
Contractors	41.2	124 084 673	83 230 276
Outsourced services	41.3	130 354 930	119 420 456
Total		278 249 405	229 356 127
41.1 Consultants and professional services			
Business advisory services			
Audit committee		507 191	296 411
Business and financial management		2 864 992	3 793 067
Forensic investigators		228 993	279 541
Human resources		10 250	54 110
Organisational		33 150	-
Project management		704 822	10 472 838
Research and advisory		11 315 735	3 684 757
Valuer and assessors		2 153 994	936 051
Total business advisory services		17 819 127	19 516 775
Laboratory services			
Water		822 851	1 707 535
Legal services			
Issue of summons		73 082	78 970
Legal advice and litigation		5 094 742	5 402 115
Total legal services		5 167 824	5 481 085
Total consultants and professional services		23 809 802	26 705 395

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

	2024	2023
41.2 Contractors		
General services		
Artists and performers	373	-
Bore waterhole drilling	7 614	7 614
Catering services	1 954 395	940 929
Employee wellness	5 706	92 875
Event promoters	1 920 000	1 638 094
Forestry	4 164 442	1 858 713
Gardening services	216 658	147 486
Gas	1 304	1 337
Graphic designers	-	146 789
Interior decorator	79 364	199 849
Management of informal settlements	6 749 988	6 899 621
Medical services	84 624	55 716
Pest control and fumigation	85 311	80 396
Plants, flowers and other decorations	824 264	708 526
Preservation/Restoration/Dismantling/Cleaning services	121 589	266 900
Sewerage services	6 789 331	6 414 822
Stage and sound crew	240 185	145 195
Tracing agents and debt collectors	2 460 755	2 206 910
Transportation	2 067 693	1 721 769
Total general services	27 773 596	23 533 541
Maintenance services		
Maintenance of buildings and facilities	7 952 663	7 106 472
Maintenance of equipment	12 015 858	3 443 803
Maintenance of unspecified assets	70 797 741	43 686 063
Total maintenance service	90 766 262	54 236 338
Trading services		
Prepaid electricity vendors	5 544 815	5 460 397
Total contractor	124 084 673	83 230 276
41.3 Outsourced services		
Business and advisory services		
Accounting and Auditing	274 828	128 530
Project Management	3 035 986	1 958 390
Total business and advisory services	3 310 814	2 086 920

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

	2024	2023
General services		
Animal Care	700	11 650
Catering Services	-	17 884
Cleaning Services	2 060 890	1 513 186
Clearing and Grass Cutting Services	1 238 332	1 705 461
Drivers Licence Cards	929 040	721 725
Internal Auditors	1 800	172 328
Litter Picking and Street Cleaning	3 319 619	3 106 885
Medical Services	-	636
Personnel and Labour	29 400	-
Professional Staff	331 308	303 600
Refuse Removal	54 625 143	53 682 787
Traffic Fines Management	13 065 594	9 646 176
Transport Services	252 584	313 299
Total general services	75 854 410	71 195 617
Trading services		
Security Services	51 189 706	46 137 919
Total outsourced services	130 354 930	119 420 456
42. Transfers and subsidies - Expenditure		
Operational		
Allocations in-kind	42.1 5 757 678	4 264 641
Monetary allocations	42.2 15 566 458	13 493 614
Total transfers and subsidies: Operational	21 324 136	17 758 255
42.1 Allocations in-kind: Operational		
Households - Social Relief	5 757 678	4 264 641
42.2 Monetary allocations: Operational		
Households	7 146 603	962 361
Non-profit institutions	8 419 855	12 531 253
Total	15 566 458	13 493 614

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

	2024	2023
43. Irrecoverable debts written off		
Electricity	17 146	154 306
Refuse	6 074	904 123
Sewerage	6 198	781 479
Water	54 046	4 536 770
Housing rental	9 357	582 310
Rates	272 573	2 007 210
Traffic fines	101 264 460	82 979 503
	101 629 854	91 945 701
44. Contribution to/(from) Landfill provision		
Landfill site	583 529	(69 693 846)
45. Operating leases		
Furniture and Office Equipment	1 363 775	2 033 762
Investment Properties	4 267 101	6 068 633
Machinery and Equipment	514 866	1 190 102
Total	6 145 742	9 292 497

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

	2024	2023
46. Operational cost		
Achievements and Awards	24 559	17 754
Advertising, Publicity and Marketing	2 216 581	2 110 817
Assets less than the Capitalisation Threshold	-	163 991
Bank Charges, Facility and Card Fees	1 727 211	1 803 393
Bargaining Council	6 071 063	6 845 910
Bursaries (Employees)	546 312	527 015
Cleaning Services	4 407	2 583
Commission	2 100 418	1 832 347
Communication	10 538 542	10 328 853
Deeds	-	2 348
Drivers Licences and Permits	32 764	12 660
Entertainment	34 435	7 380
External Audit Fees	8 318 351	8 104 988
External Computer Service	21 633 340	23 831 956
Fines and Penalties	220 513	-
Full Time Union Representative	141 602	154 242
Hire Charges	9 584 861	11 816 150
Honoraria (Voluntarily Workers)	48 000	48 165
Indigent Relief	3 466 400	4 519 318
Insurance Underwriting	6 570 415	8 060 606
Learnerships and Internships	292 118	348 216
Licences	1 563 688	1 734 225
Management Fee	9 226 281	8 969 582
Municipal Services	19 736 269	15 209 418
Office Decorations	4 188	19 374
Printing, Publications and Books	408 542	324 046
Professional Bodies, Membership and Subscription	182 973	195 226
Registration Fees	5 183 881	4 373 990
Remuneration to Ward Committees	701 019	806 560
Resettlement Cost	25 877	36 945
Samples and Specimens	1 324 381	1 024 635
Search Fees	95 813	56 260
Skills Development Fund Levy	5 186 870	4 805 444
Storage of Files (Archiving)	76 657	81 361
Supplier Development Programme	-	28 125
System Access and Information Fees	44 984	55 193
Travel Agency and Visa's	6 395	23 217
Travel and Subsistence	896 822	729 760
Uniform and Protective Clothing	9 445 734	8 575 384
Vehicle Tracking	638 116	639 319
Workmen's Compensation Fund	3 741 646	4 065 666
Total	132 062 028	132 292 422

The following principle agent arrangements were in place in relation to the expenditure as contained in note 46 to the annual financial statements:

EasyPay (Agent) is a payment platform used to collect municipal service payments from third parties. These payments are accepted by EasyPay on behalf of the Municipality (Principal), from third parties. A service charge is levied by EasyPay for collection of the payments. This fee is recognised as commissions paid.

Ontec (Agent) sells and collects money from the sale of prepaid electricity on behalf of the Municipality. Ontec pays over the monies collected to the Municipality, minus the collection fee levied, determined at a rate specific in the Service Level Agreement. The municipality recognises 100% of the money's collected as revenue from exchange transactions and the collection fee paid to Ontec (which includes costs incurred on debit or credit card electricity sales and cash handling fees incurred), is recognized as an expense.

TMT (Agent) manages the collection of traffic fines (both legacy fines issue before 1 July 2017 and fines issued after this date), on behalf of the Municipality. TMT pays over the monies collected to the Municipality. The municipality recognises 100% of the money's collected as revenue from non - exchange transactions and the fee incurred to TMT is recognized as an expense.

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

	2024	2023
46. Operational cost (continued)		
These arrangements are subject to standard terms and conditions upon termination.		
None of the municipalities assets are under the custodianship of the agents.		
47. Gain/(Loss) on disposals and fair value adjustments		
Gains/(losses) on disposals	47.1 (1 986 164)	(834 920)
Fair value adjustment	47.2 (1 493 983)	-
Total	(3 480 147)	(834 920)
47.1 Gains/(losses) on disposals		
Property, plant and equipment	(1 986 164)	(834 920)
47.2 Fair value adjustment		
Biological assets	(1 493 983)	-
48. Inventory adjustments to net realisable value		
Inventory	(290 008)	389 307
49. Net cash from/(used) operating activities		
Surplus for the year	222 939 370	251 872 043
Adjustments for:		
Depreciation and amortisation	204 290 392	231 676 940
Bad debts written off	101 629 854	91 945 701
Impairment Losses	2 756 436	1 572 668
(Gains) / Losses on disposal of assets	1 986 169	834 920
Fair value adjustment	4 984 228	1 176 080
Finance Cost	10 734 972	12 039 982
Increase / (Decrease) in provisions	583 529	(77 151 099)
Increase / (Decrease) employee benefit	22 382 051	(14 203 147)
Increase / (Decrease) operating Lease - Straight Lining	(694 514)	(1 423 508)
Inventory losses	769 992	539 307
Other changes, movements in PPE	(6 570 703)	(565 178)
Other changes, movements in surplus	-	(36 069)
Debtors impairment	49 123 660	70 722 081
Rehabilitation provision capitalised	-	7 457 254
Allocations in kind	(3 580 614)	-
Non-exchange assets received	(5 136 813)	-
Movement in working capital		
(Increase) / Decrease in receivables from non-exchange transactions	(110 322 734)	(126 330 983)
(Increase) / Decrease in inventory	(1 886 470)	(7 540 104)
(Increase) / Decrease in receivables from exchange transactions	(91 872 527)	(86 170 423)
(Increase) / Decrease in other receivables from exchange	(15 736 878)	(13 688 476)
(Increase) / Decrease in VAT Receivable	(18 850 156)	6 672 381
Increase / (Decrease) in trade and other payables from exchange	(529 573)	55 256 803
Increase / (Decrease) in payables from non-exchange	5 366 770	2 764 392
Increase / (Decrease) in consumer deposits	1 842 813	1 533 990
Increase / (Decrease) in long term receivables	(5 400 111)	945 820
Net cash flows from operating activities	368 809 143	409 901 375

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

2024 2023

50. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At amortised cost	Total
Cash and cash equivalents	153 702 171	153 702 171
Receivables from exchange	251 987 494	251 987 494
Other receivables from exchange	23 594 813	23 594 813
Receivables from non-exchange	5 298 358	5 298 358
Short term investments	455 716 603	455 716 603
Trade and other receivables from exchange transactions (Non-current)	6 508 597	6 508 597
	896 808 036	896 808 036

Financial liabilities

	At amortised cost	Total
Consumer deposits	24 190 439	24 190 439
Borrowings	584 349 242	584 349 242
Payables from exchange transactions	283 813 652	283 813 652
	892 353 333	892 353 333

2023

Financial assets

	At amortised cost	Total
Cash and cash equivalents	249 968 715	249 968 715
Receivables from exchange	217 120 693	217 120 693
Other receivables from exchange	8 068 898	8 068 898
Receivables from non-exchange	10 648 502	10 648 502
Short term investments	331 767 247	331 767 247
Trade and other receivables from exchange transactions (Non-current)	4 598 731	4 598 731
	822 172 786	822 172 786

Financial liabilities

	At amortised cost	Total
Consumer deposits	22 347 626	22 347 626
Borrowings	501 949 960	501 949 960
Payables from exchange transactions	295 291 353	295 291 353
	819 588 939	819 588 939



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence
30 November 2024

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

2024

2023

51. Risk management

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	24 190 439	-	-	-
Borrowings	127 802 183	122 490 834	330 048 262	286 195 664
Payables from exchange transactions	320 683 582	-	-	-
At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	22 347 626	-	-	-
Borrowings	104 080 467	104 080 467	278 469 805	244 345 506
Payables from exchange transactions	324 793 769	-	-	-

Risk from biological assets

The municipality is exposed to financial risks arising from changes in wood prices. The municipality does not anticipate that wood prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in wood prices. The municipality reviews its outlook for wood prices regularly in considering the need for active financial risk management.

Interest rate risk management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

In the case of receivables whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term receivables and other debtors are individually evaluated annually at the reporting date for impairment or discounting. A report on the various categories of receivables are drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The municipality had no variable rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

2024 2023

51. Risk management (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Receivables from exchange transactions comprise of a large number of ratepayers, dispersed across different industries and

geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these receivables. Receivables from exchange transactions are presented net of the allowance for impairment.

Receivables from non-exchange transactions comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these receivables. Receivables from non - exchange transactions are presented net of the allowance for impairment.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables. Receivables are provided for based on estimated irrecoverable amounts, determined by reference to a non payment rate.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Payment to accounts of consumer debtors who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

There is no collateral held for security in respect of consumer debtors.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:	2024	2023
Cash and cash equivalents	153 702 171	249 968 715
Short term investments	455 716 603	331 767 247
Receivables from exchange transactions	251 987 494	217 120 693
Other receivables from exchange transactions	23 594 813	8 068 898
Receivables from non-exchange transactions	5 298 358	10 648 502
Trade and other receivables from exchange transactions (Non-current)	6 508 597	4 598 731

Foreign currency risk management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

	2024	2023
--	------	------

51. Risk management (continued)

Other price risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

52. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment - Infrastructure Assets	307 576 396	279 991 372
• Property, plant and equipment - Community Assets	4 593 068	3 483 552
• Property, plant and equipment - Computer Equipment	268 380	2 346 805
• Property, plant and equipment - Furniture and Equipment	9 635	185 519
• Property, plant and equipment - Machinery and Equipment	-	69 539
• Property, plant and equipment - Other assets	5 803 929	10 275 564
• Property, plant and equipment - Transport Assets	3 656 443	2 952 099
• Heritage Assets	40 017	272 329
	321 947 868	299 576 779

Total capital commitments

Already contracted for but not provided for	321 947 868	299 576 779
---	-------------	-------------

Total commitments

Total commitments

Authorised capital expenditure	321 947 868	299 576 779
--------------------------------	-------------	-------------

This committed expenditure relates to property, plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated.

The amounts as disclosed are VAT inclusive.

The asset classes as stipulated is depicted as per the classes of Property, plant and equipment in note 10. The infrastructure items have been grouped together due to the fact that these items will only be unbundled once the projects are completed.

53. Related party disclosures

Loans granted to related parties

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from 01 July 2004. Loans, together with conditions thereof granted prior to this date are disclosed in note 18 in the annual financial statements.

Remuneration of management

Compensation of key management and personnel is set out in notes 33 and 34 respectively in the annual financial statements.

All Councillors and Employees have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over Council in making financial and operating decisions.

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

2024

2023

54. Awards to close family members - SCM Regulation 45

Awards to close family members of persons in the service of Stellenbosch Municipality

Supplier name - Award Number	Employee name	Relationship	State Institution	Expenditure		
AECOM - B/SM 50/23	FA Lubbe	Spouse	NECSA	Rates award, no actual expenditure	-	-
	R De Kock	Spouse	City of Cape Town		-	-
	E Bekker	Spouse	Gauteng department of Education		-	-
	L Burger	Spouse	Education Department		-	-
	A Peinke	Spouse	Ethenkwini municipality		-	-
	MB Wessels	Parent	Western cape education		-	-
	R van der Walt	Spouse	Western cape education		-	-
Bergstan South Africa - B/SM 50/23	C Christians	Child	Western cape education	Rates award, no actual expenditure	-	-
Bigen Africa B/SM 50/23	R Aartsma	Child	DWS Pretoria	Rates award, no actual expenditure	-	-
JPCE - B/SM 50/23 & SWM 1	JA Minnie	Spouse	City of Cape Town	Amount approved	103 318	-
NCC Environmental service - B/SM 50/23	C Rhoda	Spouse	City of Cape Town	Rates award, no actual expenditure	-	-
Neil Lyners and associates - B/SM 50/23 & ESH 2	A Potgieter	Child	City of Cape Town	Approved amount	3 459 930	-
Royal Mndawe Holdings (Pty) Ltd - B/SM 50/23	A Xuwuka	Spouse	Coega Development Corporation	Rates award, no actual expenditure	-	-
Zutari - B/SM 50/23 & B/SM 93/23	HC Ahlschlager	Spouse	Special Investigating Unit	Rates award, no actual expenditure	-	1 498 896
	K Nadasen	Spouse	National Department of Public Works		-	-
	MR Marques	Spouse	Department of Internal Affairs		-	-
	TJ Ndaka	Spouse	Western cape education		-	-
Zana Manzi Services (Pty) Ltd - B/SM 101/23	Gloria Luthuli	Child	Desmond Tutu Child & Youth Care Centre.	Award value	7 719 007	-

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

				2024	2023
54. Awards to close family members - SCM Regulation 45 (continued)					
Alprene Plastic Products (Pty) Ltd - B/SM 61/23 & B/SM 62/23	Christopher Glazer	Spouse	Department of Forestry, Fisheries, and the Environment	Rates award, no actual expenditure	-
Red Ant Security Relocation and Eviction services (Pty) Ltd - B/SM 27/23 & B/SM 84/23	Noxolo Lesiela	Spouse	Mogale City Local Municipality	Rates, actual order amount	8 564 998
Tridentchem (Pty) Ltd - B/SM 69/23 & B/SM 71/24	George February	Spouse	Western Cape Education Department	Rates award, actual expenditure	825 298
Jvz construction (Pty) Ltd - B/SM 92/23	RE Matthee	Spouse	Correctional Services - Security	Approved amount	11 138 326
Ducharme asset management B/SM 108/23 & FQ 21/24	Lamahlabi Mbekeni	Spouse	Department of rural development and land reform	Rates, actual order amount	187 335
Resource innovations africa (Pty) Ltd - B/SM 64/23	MR Ramdeo	Spouse	Ethekweni municipality.	Rates, actual order amount	1 619 358
Kemanzi (Pty) Ltd - B/SM 11/24	JN Du Toit	Spouse	City of Cape Town	Rates, actual order amount	2 031 400
Growie property group B/SM 07/23	Amanda Growie	Spouse	Department of roads & transport	Rates, no actual spending	-
FG Transport CC B/SM 38/23 & FQ 07/24	H Pool	Spouse	WCED educator	Rates, actual order amount	933 807
Immex (Pty) Ltd - B/SM 38/23	Kaylyn Flagg	Child	Western cape education department	rates, no actual spending	-
	A Dorfling	Spouse	Department Of Education	rates, no actual spending	-
Ian Dickie and Company (Pty) Ltd - FQ/69/24 & FQ 17/23	Deon Samuels	Spouse	SA police service	Rates, actual order amount	11 213
Rhode Security and fire cc - FQ 111/24	Patricia Barbara Rhode	Spouse	Western Cape Education Department	Rates, actual order amount	247 595
Akhile Management and Consulting - B/SM 64/24	M Hadebe	Spouse	Ekhuruleni Municipality	Approved amount	527 598
Cigicell (Pty) Ltd - B/SM 52/24	Modise Nyawane	Spouse	Department of education	Estimate	5 100 000
Nedbank B/SM 78/24 & B/SM 81/23	Venisha Subramoney	Spouse	Department of Education	Total loan amount	267 180 084
Kemp & Associates - B/SM 61/24 & B/SM 54/22	M Williams	Spouse	Stellenbosch Municipality	rates, no actual spending	-
	D October	Spouse	Cape Agulhas Municipality		-

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

					2024	2023
54. Awards to close family members - SCM Regulation 45 (continued)						
Actom - D/SM 2/24	Sybrand Nel	Child	City of Cape Town	Actual deviation amount	204 028	-
TMT - D/SM 19/24	Daniel Lubbe Monique du Toit	Spouse Spouse	Department of Education City of Cape Town	Actual deviation amount	- 7 032 203	- -
Kemanzi (Pty) Ltd - B/SM 71/22 & FQ 22/23	JN Du Toit	Spouse	Department of Local Government	Approved amount	-	796 241
Conlog (Pty) Ltd - B/SM 03/23	N Moodley	Spouse	Department of Health	Approved amount	-	-
Redhills Electronics - FQ18/23	L Hartley	Spouse	Education Department	Approved amount	-	200 000
Ikapa Reticulation - B/SM 10/23	Cindy SchuylerDavids	Child	Education Department	Rates, actual order amount	-	20 472 196
Rhode Security & Fire CC T/A Rhotech FQ 59/23	RE Matthee	Spouse	Correctional Services	Rates, actual order amount	-	200 000
Cape Petroleum FQ 95/23	Lydia B. Mdyogolo	Spouse	Department of Education	Approved amount	-	151 510
Van Zyl Kruger Inc B/SM 54/22	Peter Marais	Parent	Member Of Parliament	Actual expenditure	-	48 832
Van Der Spuy (Wp) Inc BSM 54/22	Mariaan Van Zyl	Spouse	Department of Education	Rates award, no actual expenditure	-	-
Etienne Walter Vermaak B/SM 54/22	JMC Vermaak	Spouse	Phamacist @ Department of Health	Rates award, no actual expenditure	-	-
Empa structures B/SM 05/23	Gaylon Petersen	Spouse	Driver City of Cape Town	Actual award value	-	414 102
Adapt IT Holding Limited D/SM 13/23	Dudley Muziwanadoda	Spouse	Sanral	Actual award value	-	335 942
Resource Innovation Africa D/SM 14/23	Siyothozoza Mbmabo	Spouse	Ethekweni Municipality	Actual award value	-	1 187 049
Red Ant Security D/SM 17/23	Kaveesh Ramdoe	Spouse	Mogale City Local Municipality	Rates, actual order amount	-	1 670 153
Herold Gie Attorneys B/SM 54/22	Noxolo Lesiela	Spouse	Senior Clerk @ City of Cape Town	Rates award, no actual expenditure	-	-
	K Meyer	Parent				

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

					2024	2023
54. Awards to close family members - SCM Regulation 45 (continued)						
Webber & Wentzel B/SM 54/22	Jennifer Abraham	Parent	Department of Education	Rates award, no actual expenditure	-	-
	Clive Truter	Parent	Department of Education		-	-
	Anlerie Marelese	Parent	West Coast Education District		-	-
	Truter					
	Esther Watson	Parent	Department of public service		-	-
	Johannes Cornelius	Parent	Beaufort West Municipality		-	-
	Louw Smit					
	Busisiwe Thembekile	Parent	Department Of Education		-	-
	Mahlangu					
	Nicoas Dias	Spouse	City of Cape Town		-	-
	Khomotso Nonyane	Spouse	Petro SA		-	-
	Alison Smith	Parent	South African Airways		-	-
	Sizi Qolohle	Parent	National Treasury		-	-
	Hein Prinsloo	Parent	Development Bank of Southern Africa		-	-
	Jolande Botha	Parent	Department of Education		-	-
	Paul van den Brink	Spouse	Wesgro		-	-
	Barbara Watson	Parent	Independent Non-executive Director of the PIC		-	-
	Pieter Coetzee	Parent	Tshwane metro Police Department		-	-
	Sizi Solohle	Parent	National Treasury		-	-
					316 885 498	131 901 382



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence
30 November 2024

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

	2024	2023
55. Unauthorised, irregular, fruitless and wasteful expenditure		
55.1 Unauthorised expenditure		
The municipality incurred no unauthorised expenditure in both the current and previous financial year.		
55.2 Irregular expenditure		
Opening balance as previously reported	30 129 574	26 402 075
Correction of prior period error	(2 869 426)	-
Opening balance as restated	27 260 148	26 402 075
Add: Irregular expenditure - current	12 420 386	30 992 707
Add: Irregular expenditure – prior period	-	4 796 449
Less: Amounts written-off – current	(27 248 674)	(34 931 082)
Closing balance	12 431 860	27 260 149

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

Irregular expenditure was identified as it breached the procurement process in terms of the Supply Chain Management Policy	12 420 386	10 113 039
	-	25 676 116

The Auditor-General, in its findings during the 2019/2020 financial year, identified that the Municipality awarded that does not comply with Preferential Procurement Regulations 2017. The Auditor-General, in its findings during the 2017/2018 financial year, identified that the Municipality did not include a specific condition that local production and content is applicable when inviting bidders to tender (advertisement). Furthermore the Municipality also did not include the local production and content in the bid documents (MBD 6.2) and the suppliers declared accordingly. The Auditor-General concluded that the tender award does not comply with Preferential Procurement Regulations 2017.

Total	12 420 386	35 789 155
--------------	-------------------	-------------------

55.3 Fruitless and wasteful expenditure

The municipality incurred no fruitless and wasteful expenditure in both the current and previous financial year.

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

2024 2023

56. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA

Opening balance	-	7 205
Current year subscription / fee	6 612 659	6 316 571
Early settlement discount	(330 633)	(315 829)
Current year expenditure	(1 570 507)	(1 500 186)
Prepaid expenditure	(4 711 519)	(4 500 556)
Amount paid - previous years	-	(7 205)
	-	-

Audit fees

Opening balance	-	16 509
Current year subscription / fee	9 542 703	9 323 542
Amount paid - current year	(9 536 439)	(9 323 542)
Amount paid - previous years	-	(16 509)
	6 264	-

PAYE, UIF and SDL

Current year subscription / fee	102 010 888	92 036 184
Amount paid - current year	(102 010 888)	(92 036 184)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	139 092 944	129 984 910
Amount paid - current year	(139 092 944)	(129 984 910)
	-	-

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

2024 2023

56. Awards to close family members - SCM Regulation 45 (continued)

Councillors' arrear consumer accounts

There were no councillor arrear accounts more than 90 days as at 30 June 2024.

Distribution Losses

In terms of section 125(2)(d)(i) of the Municipal Finance Management Act, the municipality experienced the following distribution losses for the year under review.

Electrical distribution losses (KW)

System Input	357 647 395	344 236 600
Sales	(337 518 453)	(329 632 095)
	20 128 942	14 604 505

Electricity losses are calculated as 5.63% (2023: 4.24%). Electricity losses are within the industry norm.

Water distribution losses (KL)

System Input	12 563 518	10 807 188
Sales	(8 631 963)	(7 859 839)
	3 931 555	2 947 349

Water losses are calculated as 31.3% (2023: 27.27%). Water losses are above the industry norm. The increase in water losses is due to various bulk water mains damaged by the excessive rain and subsequent flood events. The repairs could only be performed once the flood water subsided.

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

2024

2023

57. Retirement benefit information

The municipality makes provision for post-retirement benefits to eligible Councillors and employees who belong to different pension schemes. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

These schemes are subject to a tri-annual, bi-annual or annual actuarial valuation as set out hereunder.

SALA Pension fund

The SALA Pension Fund operates both as a defined benefit and defined contribution scheme.

The statutory valuation performed as at 1 July 2021 stated that the net assets of the fund amounted to R12 238 000 000 (30 June 2018: R14 298 600 000), with funding levels of 85.5% (30 June 2018: 96%). The actuary recommended that employers continue to contribute at the current rate of 19.18% of pensionable salary.

The actuaries are satisfied with the investment strategy of the fund. The nature of the assets is, in their opinion, suitable for the nature of the liabilities of the Fund as defined in the rules of the fund. The matching of assets with the liabilities of the Fund is adequate; and the insurance arrangements are appropriate compared to the cover provided can be regarded as financially sound at the valuation date.

LA retirement Fund (Previously Cape Joint Pension Fund)

The LA RETIREMENT FUND operates both as a defined benefit and defined contribution scheme.

Defined benefit scheme

The contribution rate of the defined benefit scheme is 27%; 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2023 disclosed an actuarial valuation amounting to R1 338 791 000 (30 June 2022: R1 391 841 000), with a surplus of R226 285 000 (2022: R144 158 000), with a funding level of 120.3% (30 June 2022: 111.6%).

Defined contribution scheme

The actuarial valuation report at 30 June 2023 indicated that the defined contribution scheme of the fund is in a sound financial position, with net assets amounting to R2 163 627 000 (30 June 2022: R1 976 184 000), net investment reserve of Rnil (30 June 2022: Rnil) and with a funding level of 100% (2022: 100%).

Cape Joint Retirement Fund (CRF)

The most recent statutory valuation performed as at 30 June 2023 revealed that the assets of the fund amounted to R42 710 035 000 (30 June 2022: R36 502 914 000), with funding levels of 120.1% and 100.2% (30 June 2022: 131.6% and 100.4%) for the Pensions Account and the Share Account respectively. The contribution rate paid by the members (7,50%/9%) and the municipalities (19,50%/18%) is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities, given normal circumstances and that the Fund is in a sound financial condition as at the valuation date.

Municipal Councillors Pension Fund

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2018 stated that the net assets of the fund amounted to R1 798 030 000 (30 June 2017: R1 480 549 000), with funding levels of 103.26% (30 June 2017: 101.31%). The contribution rate paid by the members (13,75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future. The Actuary certified that the Fund was in a sound financial condition as at 30 June 2018, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended Contingency Reserves in full.

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

2024

2023

57. Retirement benefit information (continued)

The Municipal Workers Retirement Fund (Previously South African Municipal Workers Union National Provident Fund)

The Municipal Workers Retirement Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%. From 1 July 2017, members and employers that fall under other bargaining councils or forums are not bound by the above minimum contribution rates. The statutory valuation performed as at 30 June 2021 stated that the assets of the fund amounted to R10 866 257 000 (30 June 2017: R7 720 948 000), with funding levels of 100.0% (30 June 2017: 102.0%). The Fund's assets exceeded the member liabilities as at 30 June 2021, by a margin of R 130.4 million or 1.2%. In the valuation report the actuaries have chosen to allocate R 100.3 million to the Risk Reserve, to allow for projected excess salary-multiple death and disability claims in the year following the valuation date (in excess of the contributions allocated toward these risk benefits over this period), while also leaving a reasonable margin against future claims variability. Accordingly there is a small positive balance in the Investment Reserve. The value of the assets is more than sufficient to cover the accrued liabilities (Members' Shares), and the required level of risk reserve in respect of the self-insured risk benefits, and the Fund is therefore financially sound.

National Fund for Municipal Workers

The fund operates as a defined contribution fund and in terms of the rules of the fund category A and category C members contribute at a rate as agreed upon by the Local Authority and the member, subject to an absolute minimum contribution of 2% and 5% of their remuneration respectively. Category C-Members, appointed after 1 July 2012, who are not part of the Schedule shall make monthly contributions to the Fund equal to 7.5% of their pensionable salary.

The most recent statutory valuation performed as at 30 June 2019 stated that the net assets of the fund amounted to R17 107 067 000 (30 June 2018: R15 393 671 000), with funding levels of 100.40% (30 June 2018: 100.46%). The actuary certified that the assets of the fund are sufficient to cover 100.40% of the members' liabilities, also that it can be expected that the funding level of a fund of this nature will fluctuate around 100%, for example due to timing differences in investment and receipt of monies, slight mismatching of assets and liabilities and processing errors.

The Local Authority must contribute in respect of category A and category C members such an amount as agreed between the Local Authority and the fund, subject to a minimum contribution rate of 2% and 5% of their remuneration respectively. Category B members are members who belong to both category A and C and the Local Authority must, on behalf of such members, not contribute less than 7% of their remuneration. The contribution rates stipulated above include the amount payable towards the insured risk benefits policy.

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

2024 2023

58. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had total community wealth of R6 004 739 613.

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.

59. Deviations from SCM regulations - SCM Regulation 36

In terms of section 36 of the municipality SCM regulations, any deviations from SCM policy needs to be approved by the accounting officer and noted by Council. The awards listed below have been approved by the accounting officer and noted by Council.

All deviations considered by the accounting officer are processed in terms of the SCM regulations and the municipality's SCM policy. This process entails being assessed by the SCM Bid Adjudication Committee in terms of the stipulated criteria for emergency procurements and circumstances where it is impractical or not possible to follow the official procedure.

Deviation from, and ratification of minor breaches of, the procurement processes

In terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the audited annual financial statements.

SCM paragraph

reference

36 (1)(a) i	Dispense with the official procurement processes in an emergency	24 771 246	6 298 623
36 (1)(a) ii	Dispense with official procurement processes if such goods or services are produced or available from a single source or sole provider.	15 680 919	335 943
36 (1)(a) v	Dispense with official procurement processes in any other exceptional case where it is impractical or impossible to follow the official procurement processes.	18 275 924	26 804 533

Total deviations

58 728 089 33 439 099

The deviations and value disclosed is representative of the award value. In the event of a rates based award, an estimate is utilised based on certain projected provisions. In the event that an award value is not present, nor an estimate due to certain conditions, the actual expenditure incurred will be disclosed.

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

	2024	2023
60. Contingent liabilities		
Contingency arising out of litigation	18 869 071	42 656 699
Litigation is the process of taking a civil law suit (legal dispute) to Court. A civil case refers to a legal dispute between two or more parties seeking resolution through the civil court system. Civil litigation refers to the legal process of resolving disputes between parties seeking monetary damages, specific performance, or other remedies instead of criminal sanctions. These cases arise from a wide range of issues, including contract disputes, personal injury claims, property disputes, employment grievances, and more.		
Contingency arising out of mediation	250 000	250 000
Mediation is a process by which a mediator assists the parties in a legal dispute by facilitating discussions between the parties, assisting them in identifying issues and exploring areas of compromise.		
Contingency arising out of arbitration	1 000 000	-
Arbitration is a procedure in which a dispute is submitted, by agreement of the parties, to one or more arbitrators who make a binding decision on the dispute. In choosing arbitration, the parties opt for a private dispute resolution procedure instead of going to court.		
Municipal landfill site	-	-
The municipality has a present obligation to rehabilitate the landfill site which stems from licensing agreements 19/2/5/1/B4/45/WL0182/22 issued in terms of the Environmental Conservation Act, 1989 (Act 73 of 1989). The obligation is immediately enforceable upon closure of the landfill site. As part of these licensing obligations, the municipality is responsible for post-closure obligations namely, ground water monitoring, decommissioning, monitoring committee and gas monitoring. The duration of the time for the cost to be incurred is contingent on the decision making of the regional director as stipulated in the licence conditions. At 30 June 2024, a decision has not been made by the regional director on the post-closure obligations for the municipality as per the licence agreements, as a result thereof, a reliable estimate of the costs to be incurred cannot be reliably estimated due to the uncertainty of the key events contained within the licencing conditions.		
VAT on library grants	11 808 695	9 868 979
The municipality has approached SARS to provide a VAT ruling in relation to library grants received by the transferring department. The current contingency relates to the question as to the services rendered by the municipality in relation to libraries in the municipal area are not part of the municipalities mandate and consequently, the grant received is therefore potentially not exempt of VAT due to the benefit being for the transferring department. The contingency relates to the outcome of SARS ruling in relation to this item. The amount disclosed is an estimate of the VAT amount, potential interest and penalties which the municipality may be exposed to.		
	31 927 766	52 775 678
Prior period error		
Contingent liabilities previously reported	-	42 906 699
VAT on library grant	-	9 868 979
The municipality has sought guidance on the treatment of VAT on the library grants and has concluded that a contingency does exist and therefore gives rise to a contingent liability in the prior year as well. The amount in relation to this error is R9 868 979	-	-
	-	52 775 678

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

2024

2023

61. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of four major functional areas. These four functional segments are governance and administration, community and public safety, economic and environmental services as well as trading services. The segments were organised around the type of service delivered and the target market.

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

Reportable segments are identified based on activities performed of the municipality that generates economic benefits or service potential including internal services that contribute to achieving the municipality's objectives without necessarily generating net cash inflows.

Management has only identified segment information for which data is reported on and reviewed during the decision making process of the municipality. Aspects relating to GRAP 18 paragraph 21 (a) - (j) which does not form part of the review process of the management reports will not form part of the segment information.

Segmental reporting was based and identified on the MFMA S71 monthly budget statements/reports that are reviewed by senior management and council to make strategic decisions and in monitoring segment performance. The disclosure of information about segments in these reports are organised around the type of service delivered, in a standardised format namely the C2 schedule. This is considered appropriate for external reporting purposes to achieve the objectives of GRAP 18.

Types of goods and/or services by segment

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

Reportable segment

Community and public safety

Governance and administration

Economic and environmental services

Trading services

Goods and/or services

Primary services providing community safety, crime prevention and law enforcement.

Primary services in relation to financial management, financial and governance decision making.

Urban and developmental planning in accordance with the relevant laws and regulations. Environmental planning and protection for long term sustainability.

Primary basic service provision including water, electricity, sanitation and refuse.

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

	2024	2023			
61. Segment information (continued)					
2023					
	Community and public safety	Economic and environmental services	Trading services	Governance and administration	Total
Segment revenue					
External revenue from non-exchange transactions	15 720 658	230 422 659	142 183 424	521 979 955	910 306 696
External revenue from exchange transactions	20 373 230	35 755 279	1 156 596 625	16 498 315	1 229 223 449
Interest revenue	-	-	15 422 829	46 713 004	62 135 833
Total	36 093 888	266 177 938	1 314 202 878	585 191 274	2 201 665 978
Segment expenses					
Total segment expenses	(242 236 969)	(269 790 035)	(879 658 134)	(263 363 198)	(1 655 048 336)
Depreciation and amortisation	(17 231 499)	(54 739 290)	(145 591 708)	(14 114 453)	(231 676 950)
Interest expense	-	-	(58 752 378)	(1 176 080)	(59 928 458)
Impairment losses	(1 572 667)	-	-	-	(1 572 667)
Contribution to/from provisions	-	-	69 693 846	-	69 693 846
Debt impairment	(3 256 569)	(40 520 184)	(28 218 707)	1 273 381	(70 722 079)
Inventory losses/write downs	(25 000)	-	-	(364 308)	(389 308)
Cost of housing sold	(150 000)	-	-	-	(150 000)
Total	(264 472 704)	(365 049 509)	(1 042 527 081)	(277 744 658)	(1 949 793 952)
Surplus for the year	(228 378 816)	(98 871 571)	271 675 797	307 446 616	251 872 026
Other information					
Total capital expenditure	20 352 978	73 678 259	192 921 927	31 111 831	318 064 995

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

2024 2023

61. Segment information (continued)

2024

	Community and public safety	Economic and environmental services	Trading services	Governance and admin	Total
Segment revenue					
External revenue from non-exchange transactions	15 534 706	223 396 995	170 366 231	584 256 389	993 554 321
External revenue from exchange transactions	17 804 445	42 352 126	1 308 677 280	17 282 367	1 386 116 218
Interest revenue	-	-	22 352 159	62 703 708	85 055 867
Total	33 339 151	265 749 121	1 501 395 670	664 242 464	2 464 726 406
Segment expenses					
Total segment expenses	(268 621 923)	(289 952 401)	(1 073 838 402)	(288 438 701)	(1 920 851 427)
Depreciation and amortisation	(10 153 511)	(55 986 974)	(128 805 049)	(9 344 855)	(204 290 389)
Interest expense	-	-	(59 920 983)	(3 490 244)	(63 411 227)
Impairment losses	-	-	(1 031 435)	(1 725 000)	(2 756 435)
Contribution to/from provisions	-	-	(583 528)	-	(583 528)
Debt impairment	(2 571 325)	15 254 242	(54 341 579)	(7 464 997)	(49 123 659)
Inventory losses/write downs	10 000	-	302 936	(22 928)	290 008
Cost of housing sold	(1 060 000)	-	-	-	(1 060 000)
Total	(282 396 759)	(330 685 133)	(1 318 218 040)	(310 486 725)	(2 241 786 657)
Surplus for the year	(249 057 608)	(64 936 012)	183 177 630	353 755 739	222 939 749
Other information					
Total capital expenditure	30 590 468	90 290 352	268 754 904	37 522 252	427 157 976

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

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

Information about geographical areas

All the municipality's operations are located in the Republic of South Africa in the Cape Winelands area. Information to report on different geographical areas is not available would be expensive and impractical to develop.:

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

62. Prior period error and reclassification

62.1 Adjustments of Statement of financial position items

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Assets					
Current assets					
Cash and cash equivalents	2	248 533 953	1 434 762	-	249 968 715
Short term investments	3	331 767 247	-	-	331 767 247
Receivables from exchange transactions	4	217 629 743	(509 050)	-	217 120 693
Other receivables from exchange transactions	7	40 746 627	(1 623 860)	(470 538)	38 652 229
Inventories	6	36 030 865	(13 879 098)	-	22 151 767
Receivables from non-exchange transactions	5	68 615 257	1 006 694	470 538	70 092 489
VAT Control		12 014 194	(35 142)	-	11 979 052
		955 337 886	(13 605 694)	-	941 732 192
Non-current assets					
Investment property	9	425 076 488	-	-	425 076 488
Property, plant and equipment	10	5 634 083 486	(9 531 553)	-	5 624 551 933
Intangible assets	11	6 098 776	(1 838 000)	-	4 260 776
Biological assets	12	5 142 777	-	-	5 142 777
Heritage assets	13	1 312 802	-	-	1 312 802
Trade and other receivables from exchange transactions	14	4 598 731	-	-	4 598 731
		6 076 313 060	(11 369 553)	-	6 064 943 507
Total assets		7 031 650 946	(24 975 247)	-	7 006 675 699
Net assets and liabilities					
Current liabilities					
Consumer deposits	15	23 688 825	(1 341 199)	-	22 347 626
Employee benefits	16	58 283 915	-	-	58 283 915
Payables from exchange transactions	19	327 287 591	(2 493 822)	-	324 793 769
Borrowings	18	55 046 811	-	-	55 046 811
Lease liabilities		694 514	-	-	694 514
Payables from non-exchange transactions	20	33 793 304	(1 332 639)	-	32 460 665
		498 794 960	(5 167 660)	-	493 627 300
Non-current liabilities					
Employee benefits	16	191 200 001	-	-	191 200 001
Borrowings		446 903 149	-	-	446 903 149
Provisions	21	95 421 976	-	-	95 421 976
		733 525 126	-	-	733 525 126
Total net assets		162 490 627	24 221 144	-	186 711 771
Reserves and funds		5 636 840 233	(44 028 708)	-	5 592 811 525
Accumulated surplus		5 799 330 860	(19 807 564)	-	5 779 523 296
Total net assets and liabilities		7 031 650 946	(24 975 224)	-	7 006 675 722

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

62. Prior period error and reclassification (continued)

62.2 Adjustments of Statement of financial performance items

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue					
Non-exchange revenue					
Property rates	30	444 035 356	-	7 983 666	452 019 022
Transfers and subsidies	32	311 441 843	188 062	-	311 629 905
Fines, penalties and forfeits	31	146 657 768	-	-	146 657 768
Interest on receivables	24	3 418 263	-	-	3 418 263
		905 553 230	188 062	7 983 666	913 724 958
Exchange revenue					
Services charges - Electricity	22	779 983 813	-	-	779 983 813
Services charges - Water	22	162 138 204	-	-	162 138 204
Services charges - Waste water management	22	106 739 375	-	-	106 739 375
Services charges - Waste management	22	89 836 854	-	-	89 836 854
Rental	23	12 373 336	-	-	12 373 336
Interest on investments	25	42 250 158	-	-	42 250 158
Interest on receivables	24	16 467 413	-	-	16 467 413
Licences or permits	26	8 407 621	-	-	8 407 621
Agency services	27	3 438 321	-	-	3 438 321
Operational revenue	28	44 253 512	354 790	-	44 608 302
Sales of goods and rendering of services	29	29 681 293	-	(7 983 666)	21 697 627
		1 295 569 900	354 790	(7 983 666)	1 287 941 024
Total revenue		2 201 123 130	542 852	-	2 201 665 982
Expenditure					
Employee related cost	33	542 779 491	-	-	542 779 491
Remuneration of councillors	34	22 764 757	-	-	22 764 757
Depreciation & amortisation	38	231 679 002	(2 062)	-	231 676 940
Contribution to allowance for doubtful debt		70 722 081	-	-	70 722 081
Finance costs	40	59 928 458	-	-	59 928 458
Bulk purchases	35	544 002 101	-	-	544 002 101
Inventory consumed	36	64 172 062	-	-	64 172 062
Contracted services	41	228 438 291	917 836	-	229 356 127
Transfers and subsidies	42	17 758 255	-	-	17 758 255
Operational cost	46	131 489 785	802 637	-	132 292 422
Operating leases	45	9 292 497	-	-	9 292 497
Contribution to/from provision		(69 693 846)	-	-	(69 693 846)
Irrecoverable debt written off		91 945 701	-	-	91 945 701
Gain/(Loss) on disposals and fair value adjustments		389 307	-	-	389 307
Impairment losses		1 572 668	-	-	1 572 668
Loss on disposal of assets	47	639 332	195 588	-	834 920
Total expenditure		1 947 879 942	1 913 999	-	1 949 793 941

Stellenbosch Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

62. Prior period error and reclassification (continued)

62.3 Correction of errors

The following prior period errors adjustments occurred:

Inventory

In the prior financial year the land inventory population was reinspected as items pertaining to land inventory had already been transferred. Consequently a derecognition had occurred and corrected in the financial statements. The financial effect of this transaction is depicted below:

Nature of error

Land inventory amount previously disclosed	- 14 146 828
Correction journal processed	- (14 146 828)
	- -

Property plant and equipment

An in depth review was done on the entire Fixed Asset Register to identify food to waste project that was no longer deemed feasible by the municipality. The municipality also received donated assets of R106 147. The financial effect of removing these items from the Fixed Asset Register is shown below.

Nature of error

Property, plant and equipment previously reported	- 5 634 083 486
Correction processed	- (9 531 553)
	- 5 624 551 933

Accumulated surplus

The accumulated surplus was restated due to multiple reasons. In the prior year the municipality omitted to disclose the effect of the transfer to and from the capital replacement reserve and the accumulated surplus. The municipality also corrected multiple errors. The financial effect of these errors are displayed below. The financial effect of the transfer in relation to the capital replacement reserve of R24 221 144 is also depicted below.

Nature of error

Amount previously reported	- 5 636 840 233
Capital replacement reserve transfer correction	- (24 221 144)
Correction of error: property, plant and equipment	- (5 943 793)
Correction of error: Cash and cash equivalents	- 1 434 761
Correction of error: Receivables	- (2 131 984)
Correction of error: Inventory	- (13 879 097)
Correction of error: Liabilities: Payables	- 1 387 566
Correction of error: Liabilities: Consumer deposits	- 1 341 197
Correction of error: Intangibles	- (1 837 998)
Correction of error: Suplus adjustment	- (178 215)
	- 5 592 811 526

Notes to the Audited Annual Financial Statements

62. Prior period error and reclassification (continued)

62.4 Reclassification

Special rating area reclassification

Special ratings area was previous classified as an exchange transaction under sales of goods and rendering of services. After investigation and analysing the relevant underlying evidence, it was concluded that special ratings area is in fact a non-exchange transaction and has been reclassified accordingly to property rates. This change is also in line with National Treasury's Municipal Standard Chart of Accounts (mSCOA).

Nature of reclassification

Special ratings area previously disclosed on the financial statements.	-	7 983 666
Amount reclassified to Property Rates	-	(7 983 666)
	-	-

63. Additional disclosure in terms of the Broad-Based Black Economic Empowerment Act

Information on compliance with the Broad-Based Black Economic Empowerment Act (B-BBEE) is included in the Annual Report under the section titled Employment Equity.

64. Change in estimate

The useful lives of all asset classes were adjusted during the 2023/2024 financial year to more accurately reflect the period of economic benefits or service potential derived from these assets. Refer to note 10. The effect of changing the remaining useful life of assets for the municipality during 2023/2024 has decreased the depreciation charge for the current year by R 2 060 848. It is impracticable to estimate the effect of these changes on future periods.