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

General Information

Nature of business and principal activities	Provision of municipal services in terms of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and Municipal Systems Act, 2000 (Act No. 32 of 2000)
Mayoral committee	
Mayor	M Visser
	J Mkosana (Speaker)
	E van Niekerk (Chief WIP)
	R Jansen
	VS Dolopi (Corporate Services Chairperson)
	B Mpamba (MPAC Chairperson)
	PP van Niekerk
	TE Diena
	T Yola
	F Mans
	L Makenna (Technical COmmittee Chairperson)
Chief Finance Officer (CFO)	Mr RJ Shuping
Accounting Officers	Mr K.P Leserwane
	Mr RJ Shuping
Business address	Municipal Offices
	Church Street
	Hopetown
	8750
Postal address	Private Bag X3
	Hopetown
	8750
Bankers	Standard Bank of South Africa
Auditors	Office of the Auditor-General (Northern Cape)
Registration number	NC076

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Abbreviations used:

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

Accounting Officers' Responsibilities and Approval

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

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

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

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

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

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

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

The annual financial statements set out on pages 4 - 67, which have been prepared on the going concern basis, were approved by the accounting officers on 31 August 2024 and were signed on its behalf by:

Mr RJ Shuping
Acting Municipal Manager

Accounting Officers' Report

The accounting officers submit their report for the year ended 30 June 2024.

1. Review of activities

Main business and operations

The municipality is engaged in provision of municipal services in terms of the municipal finance management act, 2003 (act no. 56 of 2003) and municipal systems act, 2000 (act no. 32 of 2000) and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus (deficit) of R 112,501,474 and that the municipality's total liabilities exceed its assets by R 112,501,474.

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.

3. Subsequent events

The accounting officers are not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officers

The accounting officers of the municipality during the year and to the date of this report are as follows:

Name	Nationality
Mr K.P Leserwane	RSA
Mr RJ Shuping	RSA

5. Auditors

Office of the Auditor-General (Northern Cape) will continue in office for the next financial period.

The annual financial statements set out on page 4 - 70, which have been prepared on the going concern basis, were approved by the accounting officers on 31 August 2024 and were signed on its behalf by:

Mr RJ Shuping
Acting Municipal Manager

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	3	52,774	13,051
Receivables from non-exchange transactions	4&5	9,915,581	2,573,142
Receivables from exchange transactions	6	20,640,892	26,935,225
VAT receivable	7	24,951,942	21,602,931
Cash and cash equivalents	8	219,806	4,278,287
		55,780,995	**55,402,636**
Non-Current Assets			
Investment property	9	22,727,011	23,429,907
Property, plant and equipment	10	242,887,143	245,386,203
Intangible assets	11	42,621	67,382
		265,656,775	**268,883,492**
Total Assets		**321,437,770**	**324,286,128**
Liabilities			
Current Liabilities			
Other financial liabilities	12	1,448,242	776,669
Payables from exchange transactions	13	102,661,247	184,990,568
Employee benefit obligation	14	5,337,282	4,668,835
Unspent conditional grants and receipts	15	5,656,046	2,402,852
Provisions	16	912,753	846,506
Consumer deposits	17	815,817	764,928
		116,831,387	**194,450,358**
Non-Current Liabilities			
Other financial liabilities	12	1,817,487	2,311,394
Finance lease obligation	18	445,209	776,730
Employee benefit obligation	14	6,770,000	6,136,527
Provisions	16	4,563,766	4,522,580
Trade and other payables from exchange transactions	19	78,508,445	-
		92,104,907	**13,747,231**
Total Liabilities		**208,936,294**	**208,197,589**
Net Assets		**112,501,476**	**116,088,539**
Accumulated surplus		112,501,474	116,088,540
Total Net Assets		**112,501,474**	**116,088,540**

* See Note 60

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	24,962,593	24,388,008
Sale of goods and rendering of services	21	137,440	168,852
Commission received	22	386,379	605,590
Interest received - exchange transactions	23	6,426,857	5,890,941
Rental of facilities and equipment	24	641,789	480,495
Operational revenue		2,175,356	988,032
Total revenue from exchange transactions		**34,730,414**	**32,521,918**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	7,501,230	6,568,155
Eskom Debt Relief		30,074,825	-
Electricity and water availability charges		198,674	-
Interest - Property rates	26	1,254,037	-
Transfer revenue			
Government grants & subsidies	27	52,889,611	58,649,067
Licences and permits	28	393,047	140,098
Donation in kind	29	3,941,857	5,059,078
Fines, Penalties and Forfeits	30	97,150	37,919
Total revenue from non-exchange transactions		**96,350,431**	**70,454,317**
Total revenue		**131,080,845**	**102,976,235**
Expenditure			
Audit fees	31	(4,058,654)	(3,673,915)
Professional and consulting fees	32	(9,015,673)	(12,639,284)
Employee related costs	33	(39,102,180)	(35,870,175)
Remuneration of councillors	34	(6,011,393)	(4,736,628)
Depreciation and amortisation	35	(11,622,230)	(12,438,734)
Finance costs	36	(18,094,665)	(9,536,464)
Inventory consumed	37	(3,808,857)	(649,611)
Bulk purchases	38	(17,233,486)	(14,482,502)
Provision for impairments adjustment	39	(16,027,898)	(72,430,394)
Repairs and maintenance	40	(651,933)	(1,420,178)
General Expenses	41	(5,676,597)	(8,323,257)
Total expenditure		**(131,303,566)**	**(176,201,142)**
Operating deficit		**(222,721)**	**(73,224,907)**
Loss on disposal of assets and liabilities	42	(62,849)	(642,633)
Fair value adjustments	43	(702,896)	1,115,707
Actuarial gains/losses	14	(34,585)	-
Impairment loss	44	(2,563,994)	(7,690,156)
		(3,364,324)	**(7,217,082)**
Deficit for the year		**(3,587,045)**	**(80,441,989)**

* See Note 60

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2022	**196,530,529**	**196,530,529**
Changes in net assets		
Surplus for the year	(80,441,989)	(80,441,989)
Total changes	(80,441,989)	(80,441,989)
Opening balance as previously reported	134,286,622	134,286,622
Adjustments		
Correction of errors 60	(18,198,103)	(18,198,103)
Restated* Balance at 01 July 2023 as restated*	**116,088,519**	**116,088,519**
Changes in net assets		
Surplus for the year	(3,587,045)	(3,587,045)
Total changes	(3,587,045)	(3,587,045)
Balance at 30 June 2024	**112,501,474**	**112,501,474**

Note(s)

* See Note 60

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Property rates		8,142,261	(55,417,316)
Sale of goods and services		145,217,379	(74,428)
Grants		56,142,805	60,413,615
Interest income		6,426,857	5,890,941
		215,929,302	10,812,812
Payments			
Employee costs		(43,846,238)	(37,934,441)
Suppliers		(145,763,781)	58,183,165
Finance costs		(17,917,237)	(9,536,464)
		(207,527,256)	10,712,260
Net cash flows from operating activities	45	**8,402,046**	**21,525,072**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(12,129,225)	(17,445,726)
Proceeds from sale of property, plant and equipment	10	219	204,220
Net cash flows from investing activities		**(12,129,006)**	**(17,241,506)**
Cash flows from financing activities			
Repayment of other financial liabilities		(331,521)	(620,820)
Finance lease receipts		-	(40,462)
Net cash flows from financing activities		**(331,521)**	**(661,282)**
Net increase/(decrease) in cash and cash equivalents		**(4,058,481)**	**3,622,284**
Cash and cash equivalents at the beginning of the year		4,278,287	656,003
Cash and cash equivalents at the end of the year	8	**219,806**	**4,278,287**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	391,903	(240,501)	**151,402**	-	**(151,402)**	Note 58
Service charges	34,934,241	(7,544,330)	**27,389,911**	24,962,593	**(2,427,318)**	Note 58
Rental of facilities and equipment	774,591	253,748	**1,028,339**	641,789	**(386,550)**	Note 58
Interest received (trading)	1,653,511	5,436,563	**7,090,074**	-	**(7,090,074)**	Note 58
Agency services	-	2,730,792	**2,730,792**	137,440	**(2,593,352)**	Note 58
Licences and permits	-	-	**-**	386,379	**386,379**	Note 58
Municipal Revenue UD1	-	-	**-**	2,175,356	**2,175,356**	
Other income	2,549,357	-	**2,549,357**	-	**(2,549,357)**	Note 58
Operating revenue	4,593,869	3,919,005	**8,512,874**	-	**(8,512,874)**	Note 58
Interest received - investment	-	-	**-**	6,426,857	**6,426,857**	Note 58
Total revenue from exchange transactions	**44,897,472**	**4,555,277**	**49,452,749**	**34,730,414**	**(14,722,335)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	15,451,422	(9,483,485)	**5,967,937**	7,501,230	**1,533,293**	Note 58
Property rates - penalties imposed	-	-	**-**	30,074,825	**30,074,825**	
Interest, Dividends and Rent on Land	-	-	**-**	198,674	**198,674**	
Interest - Property rates	-	3,036,276	**3,036,276**	1,254,037	**(1,782,239)**	Note 58
Transfer revenue						
Government grants & subsidies	40,807,624	-	**40,807,624**	52,889,611	**12,081,987**	Note 58
Licences and permits	334,835	-	**334,835**	393,047	**58,212**	Note 58
Donation in kind	-	-	**-**	3,941,857	**3,941,857**	Note 58
Fines, Penalties and Forfeits	342,334	-	**342,334**	97,150	**(245,184)**	Note 58
Total revenue from non-exchange transactions	**56,936,215**	**(6,447,209)**	**50,489,006**	**96,350,431**	**45,861,425**	
Total revenue	**101,833,687**	**(1,891,932)**	**99,941,755**	**131,080,845**	**31,139,090**	
Expenditure						
Personnel	(35,876,751)	(3,056,750)	**(38,933,501)**	(39,102,180)	**(168,679)**	Note 58
Remuneration of councillors	(4,258,376)	(537,816)	**(4,796,192)**	(6,011,393)	**(1,215,201)**	Note 58
Inventory consumed	(2,847,575)	(1,218,288)	**(4,065,863)**	(3,808,857)	**257,006**	Note 58
Depreciation and amortisation	(15,836,000)	-	**(15,836,000)**	(11,622,230)	**4,213,770**	Note 58
Impairment loss/ Reversal of impairments	-	-	**-**	(2,563,994)	**(2,563,994)**	Note 58
Finance costs	(4,150,000)	(2,999,992)	**(7,149,992)**	(18,094,665)	**(10,944,673)**	Note 58
Debt Impairment	(599,325)	-	**(599,325)**	(16,027,898)	**(15,428,573)**	Note 58
Audit fees	-	-	**-**	(4,058,654)	**(4,058,654)**	Note 58
Professional and consulting fees	-	-	**-**	(9,015,673)	**(9,015,673)**	Note 58
Bulk purchases	(13,139,078)	3,830,000	**(9,309,078)**	(17,233,486)	**(7,924,408)**	Note 58
Repairs and maintenance	(8,906,470)	3,100,039	**(5,806,431)**	(651,933)	**5,154,498**	Note 58
Transfers and Subsidies	(11,868)	(50,000)	**(61,868)**	-	**61,868**	Note 58

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
General Expenses	(16,094,542)	956,136	**(15,138,406)**	(5,676,597)	**9,461,809**	Note 58
Total expenditure	**(101,719,985)**	**23,329**	**(101,696,656)**	**(133,867,560)**	**(32,170,904)**	
Operating deficit	**113,702**	**(1,868,603)**	**(1,754,901)**	**(2,786,715)**	**(1,031,814)**	
Loss on disposal of assets and liabilities	(3,861,868)	1,930,934	**(1,930,934)**	(62,849)	**1,868,085**	Note 58
Fair value adjustments	-	-	**-**	(702,896)	**(702,896)**	Note 58
Actuarial gains/losses	-	-	**-**	(34,585)	**(34,585)**	
Transfer and subsidies	21,400,000	(6,700,000)	**14,700,000**	-	**(14,700,000)**	Note 58
In-kind	100,000	(100,000)	**-**	-	**-**	Note 58
	17,638,132	**(4,869,066)**	**12,769,066**	**(800,330)**	**(13,569,396)**	
Deficit before taxation	**17,751,834**	**(6,737,669)**	**11,014,165**	**(3,587,045)**	**(14,601,210)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	2,220	-	**2,220**	52,774	**50,554**	Note 58
Receivables from non-exchange transactions	28	-	**28**	9,915,581	**9,915,553**	Note 58
VAT receivable	-	-	**-**	24,951,942	**24,951,942**	Note 58
Consumer debtors	3,753,610	-	**3,753,610**	20,640,892	**16,887,282**	Note 58
Cash and cash equivalents	6,874,951	-	**6,874,951**	219,806	**(6,655,145)**	Note 58
	10,630,809	**-**	**10,630,809**	**55,780,995**	**45,150,186**	
Non-Current Assets						
Investment property	22,045,380	-	**22,045,380**	22,727,011	**681,631**	Note 58
Property, plant and equipment	271,388,951	(6,701,001)	**264,687,950**	242,887,143	**(21,800,807)**	Note 58
Intangible assets	34,301	(34,301)	**-**	42,621	**42,621**	Note 58
Heritage assets	2	(2)	**-**	-	**-**	Note 58
	293,468,634	**(6,735,304)**	**286,733,330**	**265,656,775**	**(21,076,555)**	
Total Assets	**304,099,443**	**(6,735,304)**	**297,364,139**	**321,437,770**	**24,073,631**	
Liabilities						
Current Liabilities						
Other financial liabilities	1,722,898	-	**1,722,898**	1,448,242	**(274,656)**	Note 58
Payables from exchange transactions	168,506,183	(25,018,100)	**143,488,083**	102,661,247	**(40,826,836)**	Note 58
VAT payable	3,330,457	-	**3,330,457**	-	**(3,330,457)**	Note 58
Employee benefit obligation	-	-	**-**	5,337,282	**5,337,282**	Note 58
Unspent conditional grants and receipts	-	-	**-**	5,656,046	**5,656,046**	Note 58
Provisions	12,649,619	-	**12,649,619**	912,753	**(11,736,866)**	Note 58
Consumer deposits	745,257	-	**745,257**	815,817	**70,560**	Note 58
Trade and other payables from exchange transactios	270,901	-	**270,901**	-	**(270,901)**	Note 58
	187,225,315	**(25,018,100)**	**162,207,215**	**116,831,387**	**(45,375,828)**	
Non-Current Liabilities						
Other financial liabilities	2,388,856	-	**2,388,856**	1,817,487	**(571,369)**	Note 58
Finance lease obligation	2	-	**2**	445,209	**445,207**	Note 58
Employee benefit obligation	-	-	**-**	6,770,000	**6,770,000**	Note 58
Provisions	2	-	**2**	4,563,766	**4,563,764**	Note 58
Trade and other payables from exchange transactions	-	-	**-**	78,508,445	**78,508,445**	
	2,388,860	**-**	**2,388,860**	**92,104,907**	**89,716,047**	
Total Liabilities	**189,614,175**	**(25,018,100)**	**164,596,075**	**208,936,294**	**44,340,219**	
Net Assets	**114,485,268**	**18,282,796**	**132,768,064**	**112,501,476**	**(20,266,588)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	114,485,268	18,282,796	**132,768,064**	112,501,474	**(20,266,590)**	Note 58

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	10,034,955	-	**10,034,955**	(10,312,587)	**(20,347,542)**	Note 58
Sale of goods and services	27,063,994	-	**27,063,994**	30,970,904	**3,906,910**	Note 58
Grants	62,206,600	(6,700,000)	**55,506,600**	56,142,805	**636,205**	Note 58
Interest income	-	-	**-**	6,426,857	**6,426,857**	Note 58
	99,305,549	**(6,700,000)**	**92,605,549**	**83,227,979**	**(9,377,570)**	
Payments						
Employee costs	(71,661,810)	-	**(71,661,810)**	(44,353,228)	**27,308,582**	Note 58
Suppliers	-	-	**-**	(19,012,646)	**(19,012,646)**	Note 58
Finance costs	(4,150,000)	-	**(4,150,000)**	(11,791,580)	**(7,641,580)**	Note 58
	(75,811,810)	**-**	**(75,811,810)**	**(75,157,454)**	**654,356**	
Net cash flows from operating activities	**23,493,739**	**(6,700,000)**	**16,793,739**	**8,070,525**	**(8,723,214)**	
Cash flows from investing activities						
Capital assets	(21,400,000)	6,700,000	**(14,700,000)**	(12,129,006)	**2,570,994**	Note 58
Cash flows from financing activities						
Repayment of borrowings	(1,286,240)	-	**(1,286,240)**	-	**1,286,240**	Note 58
Net increase/(decrease) in cash and cash equivalents	807,499	-	**807,499**	(4,058,481)	**(4,865,980)**	Note 58
Cash and cash equivalents at the beginning of the year	6,010,829	-	**6,010,829**	4,278,288	**(1,732,541)**	Note 58
Cash and cash equivalents at the end of the year	**6,818,328**	**-**	**6,818,328**	**219,807**	**(6,598,521)**	

Significant Accounting Policies

1. Significant accounting policies

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

1.1 Basis of preparation

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Significant judgements and sources of estimation uncertainty

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

Trade receivables

The calculation in respect of the impairment of trade receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per trade receivable per service.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Useful lives of waste and water network and other assets

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

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 14.

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

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

1.5 Investment property

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

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

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

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

Fair value

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

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

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

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

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

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

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

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, including 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).

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

Significant Accounting Policies

1.6 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition.

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

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	10 - 30 years
Roads and streets	Straight-line	5 - 80 years

1.6 Property, plant and equipment (continued)

Storm Water	Straight-line	5 - 80 years
Electricity	Straight-line	10 - 60 years
Water	Straight-line	10 - 100 years
Sanitation	Straight-line	10 - 60 years
Waste Management	Straight-line	10 - 60 years
Other	Straight-line	30 years
Recreation Facilities	Straight-line	30 years
Community Facilities	Straight-line	15 - 30 years
Office equipment	Straight-line	5 - 15 years
Motor vehicles	Straight-line	5 - 15 years
Furniture and other Office equipment	Straight-line	5 - 15 years
Furniture and fittings	Straight-line	5 - 15 years
Plant and equipment	Straight-line	5 - 15 years
Computer equipment	Straight-line	5 - 15 years

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

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

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

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

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

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

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

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

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

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

1.7 Site restoration and dismantling cost

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

1.7 Site restoration and dismantling cost (continued)

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

1.8 Intangible assets

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

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

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

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

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

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

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

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

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

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

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

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

1.8 Intangible assets (continued)

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	5 years

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

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

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

1.9 Heritage assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.9 Heritage assets (continued)

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

1.10 Financial instruments

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

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

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

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

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

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

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

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

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

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

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

1.10 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.10 Financial instruments (continued)

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables from exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or

- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at fair value.

- Financial instruments at amortised cost.

- Financial instruments at cost.

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

Fair value measurement considerations

Significant Accounting Policies

1.10 Financial instruments (continued)

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or

- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

1.10 Financial instruments (continued)

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;

- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has

transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :

- derecognise the asset; and

- recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

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

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

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

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

Significant Accounting Policies

1.10 Financial instruments (continued)

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

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived. An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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

Transfers).

Presentation

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

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

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

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

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

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

1.11 Statutory receivables

Identification

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

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

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

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

Significant Accounting Policies

1.11 Statutory receivables (continued)

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

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

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

Significant Accounting Policies

1.11 Statutory receivables (continued)

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

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

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

Derecognition

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

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- 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.

1.12 VAT receivables

Current tax assets and liabilities

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

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 entity assesses the classification of each element separately.

Finance leases - lessee

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

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

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

Any contingent rents are expensed in the period in which they are incurred.

Significant Accounting Policies

1.13 Leases (continued)

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.14 Inventories

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.15 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

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

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

1.16 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.17 Employee benefits

Identification

Employee benefits

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

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

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

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

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

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

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

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

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

1.17 Employee benefits (continued)

Short-term employee benefits

Recognition and measurement

All 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 cell phones) for current employees.

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

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

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

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

Post-employment benefits

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

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

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

1.17 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Recognition and measurement

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

When an employee has rendered service to the entity during a reporting period, the entity recognise 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 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 contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount 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 obligation.

1.17 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Recognition and measurement

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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 recognise 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

1.17 Employee benefits (continued)

- 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.

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 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, an 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, an 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).

1.17 Employee benefits (continued)

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 [OR is not] 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.

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 post-retirement obligations

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

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.

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 entity 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;

1.17 Employee benefits (continued)

- 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, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The entity 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.

The entity 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 12 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.

1.18 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

1.18 Provisions and contingencies (continued)

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

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

Provisions are not recognised for future operating surplus (deficit).

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model, the related depreciation, based on the estimated useful life of the landfill site is recognised immediately in surplus or deficit.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

1.19 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.20 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

Rendering of services

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

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

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

Service charges relating to electricity, water and sanitation are based on consumption. Meters are read and billed on a monthly basis and revenue is accounted for when invoiced. Estimated consumptions are made monthly when meters have not been read. The estimates of consumption are accounted for as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are accounted for as revenue or as a write back of revenue in the invoicing period. Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year end based on the average consumption history.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Significant Accounting Policies

1.20 Revenue from exchange transactions (continued)

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Income from agency services: Income from agency services are accounted for on a monthly basis once the income collected/retrieved on behalf of agents has been quantified. The income is accounted for in terms of the agency agreement.

Significant Accounting Policies

1.21 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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.

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.

Property rates are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

Conditional grants and receipts

Grants and transfers received or receivable are recognised as assets when the resources that have been transferred to the municipality meet the definition and criteria for recognition as assets.

A corresponding liability is recognised to the extent that the grant and transfer recognised as an asset, is subject to conditions that require that the municipality either consumes the future economic benefits or service potential of the asset as specified, or that in the event that the conditions are breached, the municipality returns such future economic benefits or service potential to the transferor.

The liability is transferred to revenue when the conditions attached to the grants and transfers are met.

Grants and transfers that are not subject to any conditions are recognised as revenue when the assets are initially recognised.

Interest earned on the investment of grants and transfers received is treated in accordance with the stipulations set out in the agreement for the receipt of the grant and transfer invested.

Interest, royalties, dividends and licenses and permits

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

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

- The amount of the revenue can be measured reliably.

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

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

License and permits are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

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

Recognition

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

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

Fines

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

1.21 Revenue from non-exchange transactions (continued)

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

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

Gifts and donations, including goods in-kind

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

1.22 Borrowing costs

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

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

1.23 Comparative figures

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

1.24 Unauthorised expenditure

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

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.

1.25 Fruitless and wasteful expenditure

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

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

1.26 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the MFMA requires the following (effective from 1 April 2008):

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

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

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

1.26 Irregular expenditure (continued)

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

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.28 Budget information

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

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

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

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

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

Significant Accounting Policies

1.28 Budget information (continued)

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

1.29 Related parties

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

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

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

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

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

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the provincial sphere of government are considered to be related parties.

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.

1.30 Operating expenditure

Expenses encompasses losses as well as those expenses that arise on the course of the operating activities of the municipality.

Expenses take the form of an outflow of depletion of assets such as cash and cash equivalents, inventory, property, plant and equipment.

Losses represent decreases in economic benefits or service potential. Losses are recognised net of the related revenue to reflect the substance of the transaction.

Expenses are recognised 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.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised): Employee Benefits	01 April 2023	Unlikely there will be a material impact
• iGRAP7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	Unlikely there will be a material impact
• iGRAP21: The effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 20	01 April 2023	Unlikely there will be a material impact

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (Revised) financial instruments	01 April 2025	Unlikely there will be a material impact
• The Application of Materiality to Financial Statements	01 April 2024	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	01 April 2024	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2024	Unlikely there will be a material impact

3. Inventories

	2024	2023
Consumables stores	50,837	11,254
Water	1,937	1,797
	52,774	**13,051**

Inventory pledged as security

No inventories were pledged as security for liabilities.

4. Receivables from non-exchange transactions

	2024	2023
Fines	168,784	168,784
Consumer debtors - Rates	9,746,797	2,404,358
	9,915,581	**2,573,142**

5. Consumer debtors disclosure

Gross balances

	2024	2023
Consumer debtors - Rates	19,985,220	15,778,315

Figures in Rand	2024	2023

5. Consumer debtors disclosure (continued)

Less: Allowance for impairment		
Consumer debtors - Rates	(10,238,423)	(13,373,957)
Net balance		
Consumer debtors - Rates	9,746,797	2,404,358
Rates		
Current (0 -30 days)	786,902	653,251
31 - 60 days	651,565	642,589
61 - 90 days	580,131	569,871
91 - 120 days	536,383	521,333
121 - 365 days	17,410,239	13,391,271
Less: impairment	(10,218,423)	(13,373,957)
	9,746,797	**2,404,358**

6. Consumer debtors

Gross balances		
Electricity	12,644,312	10,990,269
Water	40,663,428	35,441,494
Waste management	18,354,212	15,717,379
Waste water management	31,474,379	26,718,938
Other arrears	4,368,577	3,241,783
Housing rental	2,107,619	1,990,426
Other receivables	762,433	749,838
	110,374,960	**94,850,127**
Less: Allowance for impairment		
Electricity	(7,088,421)	(8,513,036)
Water	(35,064,044)	(21,241,940)
Waste management	(15,528,917)	(13,096,552)
Waste water management	(26,456,642)	(22,125,398)
Other arrears	(4,137,472)	(2,913,239)
Housing rental	(1,458,572)	(24,737)
	(89,734,068)	**(67,914,902)**
Net balance		
Electricity	5,555,891	2,477,233
Water	5,599,384	14,199,554
Waste management	2,825,295	2,620,827
Waste water management	5,017,737	4,593,540
Other arrears	231,105	328,544
Housing rental	649,047	1,965,689
Other receivables	762,433	749,838
	20,640,892	**26,935,225**

Figures in Rand	2024	2023

6. Consumer debtors (continued)

Electricity		
Current (0 -30 days)	1,125,791	1,533,884
31 - 60 days	546,999	564,861
61 - 90 days	419,667	311,637
91 - 120 days	286,691	264,027
121 - 365 days	10,265,164	8,315,860
Less: impairment	(7,088,421)	(8,513,036)
	5,555,891	**2,477,233**

Water		
Current (0 -30 days)	572,596	1,117,688
31 - 60 days	515,988	498,586
61 - 90 days	545,013	526,472
91 - 120 days	564,710	520,310
121 - 365 days	38,465,121	32,778,438
Less: impairment	(35,064,044)	(21,241,940)
	5,599,384	**14,199,554**

Waste water		
Current (0 -30 days)	284,292	530,274
31 - 60 days	252,387	249,440
61 - 90 days	241,653	245,552
91 - 120 days	236,245	244,537
121 - 365 days	17,339,635	14,447,576
Less: impairment	(15,528,917)	(13,096,552)
	2,825,295	**2,620,827**

Waste water management		
Current (0 -30 days)	515,334	935,271
31 - 60 days	445,464	431,774
61 - 90 days	423,442	424,408
91 - 120 days	546,628	422,464
121 - 365 days	20,961,661	24,505,021
Less: impairment	(17,874,792)	(22,125,398)
	5,017,737	**4,593,540**

Other arrears		
Current (0 -30 days)	3,317	20,335
31 - 60 days	10	570
61 - 90 days	298	33,773
91 - 120 days	20	33,494
121 - 365 days	4,364,932	3,153,611
> 365 days	(4,137,472)	(2,913,239)
	231,105	**328,544**

Housing rental		
Current (0 -30 days)	43,038	32,407
31 - 60 days	14,271	8,299
61 - 90 days	7,799	8,299
91 - 120 days	7,799	7,850
121 - 365 days	2,034,712	1,933,571
Less: impairment	(1,458,572)	(24,737)
	649,047	**1,965,689**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

6. Consumer debtors (continued)

Other (specify)		
Current (0 -30 days)	762,433	749,838

Summary of debtors by customer classification

Total		
Current (0 -30 days)	110,374,960	94,850,127
	110,374,960	94,850,127
Less: Allowance for impairment	(89,734,068)	(67,914,902)
	20,640,892	**26,935,225**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(67,914,902)	(10,339,758)
Contributions to allowance	(21,819,166)	(57,575,144)
	(89,734,068)	**(67,914,902)**

7. VAT receivable

VAT	24,951,942	21,602,931

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1	83
Bank balances	214,805	317,876
Short-term deposits	5,000	3,960,328
	219,806	**4,278,287**

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
Standard Bank - 041 879 171	228,429	298,074	188,632	228,429	298,074	188,632
Standard Bank - 063 362 309	18,432	19,807	1,382	18,432	19,807	1,382
Standard Bank - 048 871 362	1,000	5,855	367,928	1,000	5,855	367,928
Standard Bank - 048 873 772 001	1,000	1,000	3	1,000	1,000	3
Standard Bank - 048 871 524 001	1,000	633,895	90,233	1,000	633,895	90,233
Standard Bank - 048 871 672 001	1,000	2,300,715	7,726	1,000	2,300,715	7,726
Standard Bank - 048 871 311 001	1,000	1,018,862	103	1,000	1,018,862	103
Total	**251,861**	**4,278,208**	**656,007**	**251,861**	**4,278,208**	**656,007**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

9. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	22,727,011	-	22,727,011	23,429,907	-	23,429,907

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property	23,429,907	(702,896)	22,727,011

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Depreciation	Total
Investment property	22,322,926	1,115,708	(8,727)	23,429,907

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 is no Investment Property which is in the process of being constructed or developed.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligation to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

10. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,656,571	-	1,656,571	1,656,571	-	1,656,571
Buildings	6,470,710	(5,497,527)	973,183	6,484,120	(5,183,709)	1,300,411
Infrastructure	338,085,716	(186,551,893)	151,533,823	337,462,144	(174,272,453)	163,189,691
Community	32,444,782	(26,621,514)	5,823,268	32,872,545	(26,618,825)	6,253,720
Other assets	6,435,709	(4,420,897)	2,014,812	6,095,379	(4,290,832)	1,804,547
Landfill asset	3,661,619	(1,572,161)	2,089,458	4,065,592	(1,156,589)	2,909,003
Work in progress	78,413,323	-	78,413,323	67,652,165	-	67,652,165
Leased assets	1,445,017	(1,062,312)	382,705	1,588,313	(968,218)	620,095
Total	**468,613,447**	**(225,726,304)**	**242,887,143**	**457,876,829**	**(212,490,626)**	**245,386,203**

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Provision adjustment	Depreciation	Impairment loss	Total
Land	1,656,571	-	-	-	-	-	1,656,571
Buildings	1,300,411	-	-	-	(164,483)	(162,745)	973,183
Infrastructure	163,189,691	815,515	(32,088)	-	(10,075,139)	(2,364,156)	151,533,823
Community	6,253,720	-	-	-	(423,940)	(6,512)	5,823,268
Other property, plant and equipment	1,804,547	535,509	(16,783)	-	(277,878)	(30,583)	2,014,812
Landfill sites	2,909,003	-	-	(403,973)	(415,572)	-	2,089,458
WIP	67,652,165	10,761,158	-	-	-	-	78,413,323
Finance leased	620,095	17,043	(13,775)	-	(240,658)	-	382,705
	245,386,203	**12,129,225**	**(62,646)**	**(403,973)**	**(11,597,670)**	**(2,563,996)**	**242,887,143**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Other changes, movements	Depreciation	Impairment loss	Total
Land	1,647,844	8,727	-	-	-	-	-	1,656,571
Buildings	1,435,848	-	-	-	-	(151,332)	15,895	1,300,411
Infrastructure	171,575,254	8,633,060	(343,604)	-	-	(9,760,527)	(6,914,492)	163,189,691
Community	7,660,396	-	(8,324)	-	-	(711,797)	(686,555)	6,253,720
Other property, plant and equipment	2,165,481	51,615	(36,949)	-	-	(354,488)	(21,112)	1,804,547
Landfill sites	8,536,638	-	-	-	(4,471,046)	(1,156,589)	-	2,909,003
WIP	59,432,128	16,853,097	-	(8,633,060)	-	-	-	67,652,165
Finance leased	879,679	542,697	(456,663)	-	-	(331,718)	(13,900)	620,095
	253,333,268	**26,089,196**	**(845,540)**	**(8,633,060)**	**(4,471,046)**	**(12,466,451)**	**(7,620,164)**	**245,386,203**

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.

11. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	431,045	(388,424)	42,621	434,097	(366,715)	67,382

Reconciliation of intangible assets - 2024

	Opening balance	Disposals	Amortisation	Total
Computer software, other	67,382	(203)	(24,558)	42,621

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	101,073	(33,691)	67,382

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

12. Other financial liabilities

Designated at fair value		
DBSA loan	3,265,729	3,088,063
The municipality has a loan with DBSA. The loan started on 01/07/2014 for a period of 13.5 years. The loans bears interest redeemable every 3 months and is levied in a rate of 5.10% per year.		

During the 2024 financial year, repayments were due on the DBSA loan on 29/09/2023 for R150 000, 29/12/2023 for R150 000, 28/03/2024 for R150 000 and 28/06/2026 for R150 000. The municipality defaulted on all the repayments due to the value of R600 000. This caused that the capital redemption of R 422 334.24 and interest of R 177 665,76 was not effected during the year. Due to the default the loan increased with the interest levied for the year.

Non-current liabilities		
Designated at fair value	1,817,487	2,311,394
Current liabilities		
Designated at fair value	1,448,242	776,669

13. Payables from exchange transactions

Advance payments	2,086,530	764,021
Trade payables	57,693,924	178,574,722
Other payables	4,328,928	1,937,287
Retentions	4,628,289	3,714,538
Eskom Debt Relief	33,923,576	-
	102,661,247	**184,990,568**

14. Employee benefit obligations

Defined benefit plans - General information

Post-employement medical aid benefit liability

The municipality provides certain post-employment health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the respective 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. No other post-retirement benefits are provided to these employees.

Long service awards

The municipality operates an unfunded defined benefit liability for all its employees. Under the plan, a long service award is every 5 years of continuous service, from 5 to 45 years of service, inclusive. 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 valuation of the present value of the defined benefit obligation were carried out at 30 June 2024. The present value of the defined benefit obligation, and the related current and past service cost, were measured using the Projected Unit Credit Method.

Post retirement medical aid plan

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 respective 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. 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 2024. 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.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

14. Employee benefit obligations (continued)

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

Carrying value		
Present value of the defined benefit obligation	(6,770,000)	(6,136,527)
Present value of the defined benefit obligation-wholly unfunded	(552,010)	(425,138)
Accrued leave	(3,674,879)	(3,182,648)
Accrued bonus	(1,110,393)	(1,061,049)
	(12,107,282)	**(10,805,362)**

Non-current liabilities	(6,770,000)	(6,136,527)
Current liabilities	(5,337,282)	(4,668,835)
	(12,107,282)	**(10,805,362)**

Changes in the present value of the post-employment medical aid benefit obligation are as follows:

Opening balance	4,872,335	6,409,000
Net expense recognised in the statement of financial performance	241,665	(1,536,665)
	5,114,000	**4,872,335**

Net expense recognised in the statement of financial performance: Post-employment medical aid benefit liability

Current service cost	235,194	244,000
Benefits paid	(185,000)	(220,941)
Interest cost	605,670	736,000
Actuarial (gains) losses	(414,199)	(2,295,724)
	241,665	**(1,536,665)**

Changes in the present value of the long service award liability are as follows:

Opening balance	1,689,330	1,731,000
Net expense recognised in the statement of financial performance	523,670	(41,670)
	2,213,000	**1,689,330**

Changes in the fair value of plan assets are as follows:

Current service cost	158,238	167,000
Interest cost	170,648	175,000
Actuarial gains (losses)	448,784	(265,424)
Benefits paid	(254,000)	(118,246)
	523,670	**(41,670)**

Key assumptions used

Assumptions used at the reporting date:

Discount rate: Post-employment medical aid benefit liability	10.65 %	12.91 %
Discount rate: Long service award liability	12.28 %	11.07 %
Health care cost inflation rate	8.98 %	8.98 %
General salary inflation	6.50 %	7.35 %
Net discount rate: Post-employment medical aid benefit liability	3.90 %	3.61 %
Net discount rate: Long service award liability	3.82 %	3.47 %
Maximum subsidy inflation rate	5.50 %	6.35 %
Net discount rate: Maximum subsidy inflation rate	7.15 %	7.00 %

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

14. Employee benefit obligations (continued)

Other assumptions
The effect of a 1% movement in the assumed rate of post-employment health care benefit inflation is as follows:

Increase:		
Effect on the aggregate of the current service cost and the interest cost	1,038,000	981,105
Effect on the defined benefit obligation	4,502,000	5,564,202
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	794,000	726,334
Effect on the defined benefit obligation	5,677,000	4,297,633

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:		
Effect on the aggregate of the current service cost and the interest cost	489,000	351,962
Effect on the defined benefit obligation	2,356,000	1,795,478
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	426,000	307,943
Effect on the defined benefit obligation	2,083,000	1,592,358

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(34,585)	2,561,148

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
National Government Grants	5,656,046	2,402,852

Movement during the year

Balance at the beginning of the year	2,402,851	638,304
Additions during the year	(50,275,050)	(56,884,519)
Income recognition during the year	53,528,245	58,649,067
	5,656,046	**2,402,852**

16. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	5,369,086	511,406	(403,973)	5,476,519

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

16. Provisions (continued)

Reconciliation of provisions - 2023

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	9,337,996	502,136	(4,471,046)	5,369,086

	2024	2023
Non-current liabilities	4,563,766	4,522,580
Current liabilities	912,753	846,506
	5,476,519	**5,369,086**

Environmental rehabilitation provision

Accounting Standard GRAP19 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term/life of the landfill site.

17. Consumer deposits

	2024	2023
Electricity	735,706	713,793
Water	80,111	51,135
	815,817	**764,928**

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

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding amount.

18. Finance lease obligation

	2024	2023
Minimum lease payments due		
- within one year	260,551	277,341
- in second to fifth year inclusive	238,838	499,389
	499,389	776,730
less: future finance charges	(54,180)	(119,437)
Present value of minimum lease payments	**445,209**	**657,293**

	2024	2023
Present value of minimum lease payments due		
- within one year	219,827	277,341
- in second to fifth year inclusive	225,382	499,389
	445,209	**776,730**

19. Trade and other payables from exchange transactions

	2024	2023
Municipal Debt Relief from Eskom	146,355,597	-
Less: Current portion transferred to current Trade and Other payables	(33,923,576)	-
Closing balance	**112,432,021**	**-**

Thembelihle Local Municipality was approved for debt relief during 2023/2024 financial year. The outstanding debt will be subject to write-off over 3 year.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

20. Service charges

Sale of electricity	15,100,573	13,859,085
Sale of refuse	1,946,747	2,126,593
Solid waste	3,685,427	3,896,130
Sale of water	4,229,846	4,506,200
	24,962,593	**24,388,008**

Sale of electricity	15,688,892	14,077,104
Revenue forgone	(573,449)	(235,156)
	15,115,443	**13,841,948**

Sale of refuse	2,492,281	2,374,322
Revenue forgone	(545,534)	(247,729)
	1,946,747	**2,126,593**

Solid waste	4,638,840	4,309,651
Revenue forgone	(953,413)	(413,521)
	3,685,427	**3,896,130**

Sale of water	4,687,196	4,728,742
Revenue forgone	(457,350)	(222,542)
	4,229,846	**4,506,200**

Revenue Forgone can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

21. Sale of goods and rendering services

Building plan approval	47,256	35,747
Camping fees	23,017	829
Cemetry and burial	11,824	10,395
Cleaning and removal	10,322	7,456
Management Fees	1,678	-
Photocopies	720	262
Stone and gravel	-	952
Tender documents	39,131	106,087
Valuation services	3,492	7,124
	137,440	**168,852**

22. Commission received

Agency fees	260,787	460,309
Third party	125,592	145,281
	386,379	**605,590**

23. Investment revenue

Interest revenue		
Electricity	520,060	513,354
Waste management	1,107,766	1,011,638
Waste water management	1,883,968	1,713,262
Water management	2,534,159	2,356,292
Bank	380,904	296,395
	6,426,857	**5,890,941**

24. Rental of facilities and equipment

Premises		
Venue	27,140	4,692
Premises	614,649	475,803
	641,789	**480,495**

25. Property rates

Rates received

Agricultural Property	2,032,647	1,722,567
Business and Commercial Property	997,293	1,086,400
Formal and Informal	2,307,602	1,947,745
Public Benefit Organisations	147,323	149,992
Residential Properties	3,364,908	3,255,787
Less: Income forgone	(2,307,602)	(2,564,275)
	4,509,524	3,875,649
State-owned Properties	959,059	969,939
	7,501,230	**6,568,155**

Valuations

Agricultural Property	3,308,513,000	3,280,925,000
Business and Commercial Property	76,299,000	76,299,000
Church	15,797,000	15,797,000
Government	53,175,000	53,175,000
Industrial Property	97,536,000	97,536,000
Residential Properties	260,120,300	260,120,300
	3,811,440,300	**3,783,852,300**

26. Interest from non-exchange receivables

Interest - Property rates	1,254,037	-

27. Government grants & subsidies

Operating grants		
Equitable share	36,145,000	34,049,416
Finance Management Grant (FMG)	3,100,000	3,100,000
Expanded Public Works Programme Integrated Grant (EPWP)	-	1,077,000
Libraries, Archives and Museums	1,043,000	1,000,000
SETA allocation	32,806	691,462
	40,320,806	**39,917,878**

Capital grants

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

27. Government grants & subsidies (continued)

Integrated National Electrification Programme Grant	-	862,538
Municipal Infrastructure Grant (MIG)	4,778,388	7,973,510
Water Sanitation Infrastructure Grant	7,790,417	9,895,141
	12,568,805	**18,731,189**
	52,889,611	**58,649,067**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	17,520,895	24,599,651
Unconditional grants received	36,007,350	34,049,416
	53,528,245	**58,649,067**

FMG

Current-year receipts	3,100,000	3,100,000
Conditions met - transferred to revenue	(3,100,000)	(3,100,000)
	-	-

Conditions still to be met - remain liabilities (see note 15).

WSIG

Balance unspent at beginning of year	(104,859)	(236,307)
Current-year receipts	(8,540,000)	(10,000,000)
Conditions met - transferred to revenue	7,790,417	236,307
Transferred to Equitable share	104,859	9,895,141
	(749,583)	**(104,859)**

Conditions still to be met - remain liabilities (see note 15).

Libraries, archives and museums

Current-year receipts	(1,043,000)	(1,000,000)
Conditions met - transferred to revenue	1,043,000	1,000,000
	-	-

Conditions still to be met - remain liabilities (see note 15).

SETA allocations

Current-year receipts	(32,806)	(691,462)
Conditions met - transferred to revenue	32,806	691,462
	-	-

Conditions still to be met - remain liabilities (see note 15).

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

27. Government grants & subsidies (continued)

INEP

Balance unspent at beginning of year	(137,424)	(137,424)
Transferred to Equitable share	137,424	-
	-	**(137,424)**

Conditions still to be met - remain liabilities (see note 15).

MIG

Balance unspent at beginning of year	(2,160,491)	(119,606)
Current-year receipts	(9,685,000)	(10,134,000)
Conditions met - transferred to revenue	4,778,388	119,606
Other	-	7,973,509
Transferred to Equitable share	2,160,491	-
	(4,906,612)	**(2,160,491)**

Conditions still to be met - remain liabilities (see note 15).

28. Licences and permits

Licences and permits	393,047	140,098

29. Donation in kind

Donation	3,941,857	5,059,078

The municipality did receive any in-kind donations or assistance from National Treasury during the year under review.

30. Fines, Penalties and Forfeits

Fines, Penalties and Forfeits	97,150	37,919

31. Auditors' remuneration

Fees	4,058,654	3,673,915

32. Professional and consulting fees

Management fees	42,149	4,222,481
Consulting fees	8,973,524	8,416,804
	9,015,673	**12,639,285**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

33. Employee related costs

Basic salaries and wages	26,642,397	26,531,167
Pension and UIF Contributions	4,117,290	3,329,737
Overtime payments	1,558,304	1,293,490
Cellphone allowances	315,757	1,391,760
Housing Allowances	24,501	1,237,015
Payments in lieu of leave	177,278	270,239
SDL	169,270	190,050
Commissions	1,216,398	24,093
Bonus	2,282,764	431,258
Medical aid - company contributions	1,346,398	318,301
Skills Development Fund Levy	-	352,075
WCA	-	500,990
Standby allowance	278,919	-
Long service awards	195,386	-
Bargain council	11,638	-
Motor vehicle	381,600	-
Scarcity	130,058	-
Acting allowances	254,222	-
	39,102,180	**35,870,175**

Remuneration of the Acting Municipal Manager - Mr K.P Leserwane

Annual Remuneration	1,213,795	404,598
Car Allowance	-	69,284
Allowances	92,352	-
	1,306,147	**473,882**

Remuneration of the Municipal Manager - Mr L. Ngoqo

Annual Remuneration	-	314,357
Car Allowance	-	195,811
	-	**510,168**

Remuneration of the Chief Finance Officer Mr R. Shuping

Annual Remuneration	755,063	695,063
Car Allowance	60,000	120,000
Allowances	56,603	32,603
	871,666	**847,666**

Remuneration of Acting Chief Finance Officer Mr M. Dyushu

Annual Remuneration	-	230,807
Car Allowance	-	52,164
	-	**282,971**

Remuneration of Acting Chief Finance Officer Mrs N. Jaxa

Annual Remuneration	-	18,686

Figures in Rand	2024	2023

33. Employee related costs (continued)

Remuneration of Head: Technical Services - Mr S. Marufu

Annual Remuneration	695,063	695,063
Car Allowance	120,000	2,717
Performance Bonuses	-	25,002
Contributions to UIF, Medical and Pension Funds	-	215,651
Other	-	2,125
Allowances	56,603	-
	871,666	**940,558**

Remuneration of Head: Corporate Services: Mr T Oliphant

Annual Remuneration	592,596	-
Car Allowance	60,000	-
Allowances	31,301	-
	683,897	**-**

34. Remuneration of councillors

Councillors	6,011,393	4,736,628

In-kind benefits

The Councillors occupying the positions of Mayor, Speaker and certain members of the Executive Committee of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipal

35. Depreciation and amortisation

Property, plant and equipment	11,597,672	12,405,043
Intangible assets	24,558	33,691
	11,622,230	**12,438,734**

36. Finance costs

Trade and other payables	18,094,665	9,536,464

37. Inventory consumed

Inventory consumed	3,808,857	649,611

38. Bulk purchases

Electricity	17,233,486	14,482,502

39. Debt impairment

Debt impairment	16,027,898	72,430,394

40. Repairs and maintenance

Contractors

Contracted services	651,933	1,420,178

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

41. General expenses

Achievements and awards	3,301	6,414
Advertising, Publicity and Marketing	288,497	240,400
Assets less than the Capitalisation Threshold	7,352	2,790
Bank charges	164,513	155,409
Commission paid	44,106	103,463
Courier and delivery services	40,549	(283,553)
Dumping fees	-	25,190
Employee social benefits	96,300	382,095
Entertainment	52,260	73,888
External computer service	179,928	179,928
Fines and penalties	8,300	59,914
Freight charges	88,240	81,066
Honoraria (Voluntarily Workers)	3,499	92,672
Indigent relief	470,206	437,504
Insurance	571,547	439,047
Learnerships and Internships	-	382,014
Licences	50,997	72,353
Membership and subscriptions	578,654	524,742
Municipal services	514,238	2,451,544
Operating leases	-	25,651
Printing, Publications and Books	69,207	112,698
Registration fees	10,000	42,500
Repayment of forfeited deposits	14,204	3,098
Samples and specimens	152,703	125,136
Telephone and fax	1,039,712	742,368
Travel and subsistence	282,786	437,127
Uniforms and protective clothing	18,216	155,203
Ward committees	237,100	284,500
Wet fuel	690,182	804,528
Workmen's compensation fund	-	163,568
	5,676,597	**8,323,257**

42. Loss on disposal of assets and liabilities

Disposals	(62,849)	(642,633)

43. Fair value adjustments

Investment property (Fair value model)	(702,896)	1,115,707

44. Impairment loss

Impairments		
Property, plant and equipment	2,563,994	7,690,156

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

45. Cash generated from operations

Deficit	(3,587,045)	(80,441,989)
Adjustments for:		
Depreciation and amortisation	11,622,230	12,438,734
Gain on sale of assets and liabilities	62,849	642,633
Fair value adjustments	702,896	(1,115,707)
Impairment deficit	2,563,994	7,690,156
Employee benefit obligations	1,301,920	(2,672,362)
Provisions	107,434	(10,854,345)
Non-cash flow additions / movement in property, plant and equipment	403,973	1,123,632
Net surplus / (definit) directly recorded against accumulated surplus	(19,536)	87,506,263
Interest on other financial liabilities	177,666	-
Changes in working capital:		
Inventories	(39,723)	(60)
Receivables from non-exchange transactions	(6,977,789)	10,530,597
Receivables from exchange transactions	6,104,090	(14,115,378)
VAT receivables	(3,349,011)	(13,074,438)
Payables from exchange transactions	(3,975,985)	22,083,533
Unspent conditional grants	3,253,194	1,764,548
Consumer deposits	50,889	19,255
	8,402,046	**21,525,072**

46. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	15,476,613	15,072,430
Total capital commitments		
Already contracted for but not provided for	15,476,613	15,072,430

Authorised operational expenditure

Already contracted for but not provided for		
• Professional fees	6,746,792	-
Total operational commitments		
Already contracted for but not provided for	6,746,792	-

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

47. Contingent liabilities/assets

There were no contingent liabilities/assets identified during the prior and current year.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

48. Related parties

Relationships	
Accounting Officers	Refer to accounting officers' report note 4
Members of key management	Refer to note 33
	E Mouton
	K Leserwane
	N Jaxa
	L Khapha
	S Marufu
	P Jafta
	R Shuping
	T Oliphant
	V Mpamba
	N Mgunde
	B Nobela
	B Mpamba
	VS Dolopi
	TE Diena
	T Yola
	J Mkosana
	P van Niekerk
	F Mans
	E van Niekerk
	R Jansen
	M Visser
	L Makenna

Related party transactions

Rent paid to (received from) related parties		
Mr S Marufu	42,000	-
Mr B Mpamba	42,000	-
Mr R Shuping	42,000	-

Above mentioned transactions relates to renting of municipal houses at R3 500 per month rent. The rent, together with the cost of municipal services is deducted monthly through payrol.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

48. Related parties (continued)

Remuneration of management

Management class: Councillors

2024

Name	Salary	Total
L Makenna	960,448	960,448
DA Jonas	30,121	30,121
J Mkosana	1,017,772	1,017,772
E van Niekerk	535,942	535,942
R Jansen	405,645	405,645
VS Dolopi	525,866	525,866
B Mpamba	559,870	559,870
PP van Niekerk	321,079	321,079
TE Diena	379,685	379,685
TE Yola	336,781	336,781
F Mans	339,493	339,493
M Visser	598,691	598,691
	6,011,393	**6,011,393**

2023

Name	Salary	Total
Mayor- L Makenna	920,649	920,649
Speaker-DA Jonas	714,440	714,440
Acting Speaker- J Mkosana	440,429	440,429
Chief Whip- E Stenekamp	387,711	387,711
MPAC Chairperson-R Jansen	355,816	355,816
B Mpamba	356,963	356,963
PP van Niekerk	357,740	357,740
TE Dienna	299,491	299,491
Subsidiaries board members	301,941	301,941
T Yola	299,491	299,491
F Mans	301,957	301,957
	4,736,628	**4,736,628**

Figures in Rand	2024	2023

49. Risk management

Financial risk management

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

Price Risk

The municipality is not exposed to price risk.

Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:

1%(2023 : 1%) Increase in interest rates

1%(2023 : 1%) Decrease in interest rates

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

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

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

2024

	Less than 1 yes R	Between 1 and 5 years R	Between 5 and 10 years R	More than 10 years R
Long-tern liabilities	3,710,938	-	-	-
Trade and other payables	100,571,717	-	-	-

49. Risk management (continued)

2023

	Less than 1 yes	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
	R	R	R	R
Long-tern liabilities	3,864,793	-	-	-
Trade and other payables	178,633,767	-	-	-

Credit risk

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

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours 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.

All rates and services are payable within 30 days from invoice date. Refer to note 5 and 6 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to the note for balances included in receivables that were re-negotiated for the period under review.

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 9 and 10 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period

under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (ABSA Bank Limited).

The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports.

Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet 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.

49. Risk management (continued)

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

Financial instrument	2024	2023
Receivables from exchange transactions	9,550,931	2,573,142
Receivables from non-exchange transactions	22,116,296	28,220,386
Cash and cash equivalents	219,806	4,278,287
VAT receivables	24,951,942	21,602,931

50. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus (deficit) of R 112,501,474 and that the municipality's total assets exceed its liabilities by R 112,501,474.

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.

We further draw attention to the fact that at 30 June 2024 a material uncertainty exists regarding the ability of the municipality to continue as a going concern.

These factors are listed below:

- The provisions for rehabilitation of landfill sites and employee benefit provisions are not cash backed.

- Increase in payables from exchange transactions.

- The municipality experienced cash flow problems during the year, which resulted in major creditors not being paid timeously.

- There is no improvement in the liquidity of the municipality. The majority of the current liabilities are trade payables.

- The municipality is not able to repay suppliers on demand or within 30 days from date of service or goods received.

- There is a concern regarding the liquidity of the municipality.

Even though the above uncertainties exist regarding the municipality's ability to continue as a going concern, the annual financial statements have been prepared on the basis of accounting policy applicable to a going concern. This basis presumes that funds will be available to finance future operations.

The ability of the municipality to continue as a going concern is dependent on a number of factors.

These factors are listed below:

The municipality still has the ability to levy services, rates and taxes and

The municipality will continue to receive funding from government evident from the equitable share and allocations as published in terms of the Division of Revenue Act (Act 1 of 2017).

51. Events after the reporting date

The municipality have not identified any material non-adjusting events after the reporting date relating to the financial period ended 30 June 2024.

52. Private public partnership

Council has not entered into any private public partnerships during the financial year.

Figures in Rand	2024	2023

53. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	528,070	515,365
Current year subscription / fee	508,250	12,705
	1,036,320	**528,070**

Material losses through criminal conduct

Electricity	Lost units	Tariff	Value
Unaccounted Electricity Losses for 2024	2,813,257	2.43	6,836,214
Unaccounted Electricity Losses for 2023	2,434,490	2.43	5,915,811

Electricity losses occur due to inter alia, technical and non-technical losses. Technical losses include inherent resistance of conductors, transformers and other electrical equipment, whilst Non-technical losses include the tampering of meters, incorrect ratio used on bulk meters, faulty meters and illegal connections.

Volumes in kWh per year	-	-
System input volume	6,640,835	6,423,573
Billed consumption	(3,827,578)	(3,989,083)
	2,813,257	**2,434,490**

Normal distribution loss	-	-
Percentage distribution loss (%)	42.00 %	38.00 %

Water	Lost units	Tariff	Value
Unaccounted Water Losses for 2024	1,674,790	8.81	14,754,890
Unaccounted Water Losses for 2023	1,468,716	8.81	12,954,075

Water losses occur due to inter alia, tampering of meters, incorrect ratio used on bulk meters, faulty meters and illegal connections.

Volumes in KL per year	-	-
System input volume	2,147,439	1,956,616
Billed consumption	(472,649)	(487,900)
	1,674,790	**1,468,716**

Normal distribution loss	-	-
Percentage distribution loss (%)	78.00 %	74.00 %

Audit fees

Opening balance	6,742,036	6,800,655
Current year subscription / fee	4,337,452	4,175,218
Credit notes	(3,941,857)	(2,353,566)
Amount paid - current	(193,931)	-
Interest	911,263	825,241
Adjustments	-	(2,705,512)
	7,854,963	**6,742,036**

Figures in Rand	2024	2023

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

PAYE and UIF

	2024	2023
Opening balance	1,276,427	1,276,427
Current year subscription / fee	6,363,774	-
Amount paid - current year	(8,079,119)	-
Interest and penalties	438,918	-
	-	**1,276,427**

Pension and Medical Aid Deductions

	2024	2023
Opening balance	(195,123)	-
Current year subscription / fee	8,707,325	-
Amount paid - current year	(8,902,448)	-
Amount paid - previous years	(4,369,702)	-
	(4,759,948)	**-**

VAT

	2024	2023
VAT receivable	24,951,942	21,602,931

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

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2024:

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
L Makenna	4,966	18,187	23,153
T Yola	5,757	138,858	144,615
SV Dolopi	3,671	65,316	68,987
F Mans	2,270	9,411	11,681
J Mkosana	853	2,090	2,943
T Dina	3,404	-	3,404
R Jansen	1,701	873	2,574
PP van Niekerk	2,114	-	2,114
M Visser	3,407	39,116	42,523
B Mpamba	2,705	-	2,705
	30,848	**273,851**	**304,699**

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
L Makenna	-	9,827	9,827
T Yola	-	132,042	132,042
SV Dolopi	-	63,428	63,428
DA Jonas	-	93,885	93,885
F Mans	-	3,377	3,377
J Mkosana	-	1,112	1,112
	-	**303,671**	**303,671**

Figures in Rand	2024	2023

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

Non-compliance with the Municipal Finance Management Act

Chapter	Section	Description
8	64	Not all revenue management requirements were met as not all controls operated effective and efficiently throughout the year.
8	65	Not all expenditure management requirements were met as not all controls operated effective and efficiently throughout the year.
8	65	Due to financial constraints, not all invoices were paid within the legislative 30-days deadline.

54. Deviation from supply chain management regulations

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

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

	2024	2023
Emergency	383,636	79,715
Sole supplier	55,820	19,688
Exceptional	577,755	437,725
	1,017,211	**537,128**

55. Unauthorised expenditure

	2024	2023
Opening balance as previously reported	210,861,978	195,341,661
Add: Unauthorised expenditure - current	44,957,508	15,520,317
Add: Unspent grants	5,656,046	-
Closing balance	**261,475,532**	**210,861,978**

The municipality is in the process of investigation and recalculating the registers for accurence and completeness.

Unauthorised expenditure: Budget overspending – per municipal department:

	2024	2023
Budget and Treasury	14,437,939	-
Corporate Services	6,093,949	-
Community Services	16,414,598	-
Municipal Manager	8,011,022	-
	44,957,508	**-**

56. Fruitless and wasteful expenditure

	2024	2023
Opening balance as previously reported	53,572,655	44,425,001
Add: Fruitless and wasteful expenditure identified - current	9,084,234	8,028,092
Add: Fruitless and wasteful expenditure identified during the audit	226,505	1,119,562
Closing balance	**62,883,394**	**53,572,655**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

56. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Auditor General Interest Paid	None	911,264	769,060
Compensation Fund	None	-	106,124
Department of Water and Sanitation	None	87	363
Eldocrete	None	-	39,909
Eskom Penalties and Interest Paid	None	7,536,985	6,977,648
Nashua	None	-	22,113
OOS VRYSTAAT KAAP BEDRYF	None	558	2,189
SEBATA MUNICIPAL SOLUTIONS	None	545,381	56,181
Telkom	None	329	2,556
Tlotlo plant hire	None	-	52,180
South African Revenue Services	None	88,340	-
Media 24	None	55,545	-
Other	None	690,363	-
Cape Joint Retirement Fund	None	586,705	-
		10,415,557	**8,028,323**

57. Irregular expenditure

Opening balance as previously reported	192,876,285	185,980,888
Add: Irregular expenditure - current	1,306,857	6,895,397
Add: Irregular expenditure - identified during the audit	1,134,259	-
Closing balance	**195,317,401**	**192,876,285**

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

	Disciplinary steps taken/criminal proceedings		
Opening balance	None	192,876,285	185,980,888
Non-compliance with SCM regulations	None	2,441,116	6,895,397
		195,317,401	**192,876,285**

58. Budget differences

Differences between budget and actual amounts basis of preparation and presentation

Material difference between the adjusted budget and actual amounts are deemed material if it differs with more than 15%. The following is reasons for the material differences identified:

Statement of financial performance

Service Charges - Water Revenue

Unreplaced broken meters and other water losses.

Rental of Facilities and Equipment

Due to a percentage based rental charges on municipal houses.

Interest received outstanding debtors

Increase due to an increase in outstanding debtors.

Fines penalties and forfeits

Labour issues affected productivity.

Licences and permits

Under collection can be attributed to unplanned office closure in February and instability.

Agency services

Under collection can be attributed to unplanned office closure in February and instability.

Other revenue

The municipality budgeted for other revenue. However there was no other revenue classified during the year as all revenue was allocated to specific revenue transactions

Debt impairment

Increase due to an increase in outstanding debtors.

Finance charges

Due to cashflow constrains, the municipality could not service the Eskom account.

Remuneration of councillors

The municipality had to pay remuneration for two Speakers of council during the financial year.

Transfers and subsidies

Capital – Unspent grants

Depreciation & asset impairment

Ageing infrastructure and vandalism.

Other expenditure

Due to cash flow constraints the municipality tried do perform more expenditure inhouse rather then to buy externally. Expenditure was minimise to increase cash flow

Figures in Rand	2024	2023

58. Budget differences (continued)

Inventory Consumed

Management anticipated that more inventory would have been consumed. However this was not the case due the less repairs and maintencne during the year therefor the consumption decreased

Statement of financial position

Inventories

Management anticipated that almost all the stock on hand would have been used for repairs and maintence. However this did not materialse.

Receivables from exchnage and non-exchange transactions

Management did not budget appropriately for the receivables as the amount is not in line with the actual amounts from the prior year.

VAT receivables

The municipality expected that the VAT will be accumulated to VAT payable. However due to the debt impairment calculation the VAT is disclosed as a receivable.

Cash and cash equivalents

The municipality anticipated to have more money in their bank account on year end. However, due to customers not paying their accounts, the municipality are experiencing cash flow constraints.

Investment property

The difference is immaterial.

Property, plant and equipment

The actual amounts are less than budgeted for due to con-cash items, depreciation, disposals and impairment.

Intangible assets

The amount is immaterial.

Other financial liabilities

The municipality made regular payment towards the suppliers.

Payables from exchange transactions

The municipality anticipated that more interest will be levied due to suppliers not being paid in 30 days.

VAT payable

Refer to VAT receivables

Employee benefit obligations

The municipality did not budget for this line item because it is a non-cash item.

Unspent conditional grants

The municipality anticipated that all grants will be spent be yearend.

Provisions

58. Budget differences (continued)

The municipality did not budget for this line item because it is a non-cash item.

Consumer deposits

The difference is immaterial

Eskom debt relief

The municipality signed an agreement with Eskom. The item was budgeted under Trade payables.

Cash flow statement

Reasons for the differences has been disclosed under the statement of financial positions and the statement of financial performance.

59. Events after reporting period

The municipality have not identified any material non-adjusting events after the reporting date relating to the financial period then ended 30 June 2024.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

60. Prior period errors

Property rates was revaluated and adjustments was made to all farm customers.

The correction of the error(s) results in adjustments as follows:

	2024	2023
Statement of Financial Position		
Receivables from non-exchange transactions	(18,199,661)	(18,199,661)
Accumulated surplus	18,199,661	9,009,876
Statement of financial performance		
Property rates	-	9,189,785

Provision for landfill sites changes due to change in estimates and changes to certain factors.

The correction of the error(s) results in adjustments as follows:

	2024	2023
Statement of Financial Position		
Provision for landfill sites	7,773,758	7,773,758
Property, plant and equipment	1,214,397	1,214,397
Accumulated surplus	(8,988,156)	(8,784,674)
Statement of financial performance		
Interest	-	(203,482)

Employee benefit obligations accounting to agree to the actuarial reports.

The correction of the error(s) results in adjustments as follows:

	2024	2023
Statement of Financial Position		
Employee benefit obligations	476,273	476,273
Property, plant and equipment	(476,273)	-
Statement of financial performance		
Employee related costs	-	(476,273)

Debt impairment was reversed, recalculated and accounted for.

The correction of the error(s) results in adjustments as follows:

	2024	2023
Statement of Financial Position		
Receivables from exchange transactions	23,524,902	23,524,902
Receivables from non-exchange transactions	1,290,111	1,290,111
VAT receivable	8,858,464	8,858,464
Accumulated surplus	33,673,477	(85,299,432)
Statement of financial performance		
Debt impairment	-	51,625,955

Prior year correction made to Property, plant and equipment

The correction of the error(s) results in adjustments as follows:

	2024	2023
Statement of Financial Position		
Infrastructure	29,221,167	29,221,167
Work in progress	(22,134,382)	(22,134,382)
Accumulated surplus	7,086,785	6,330,380

Figures in Rand	2024	2023

60. Prior period errors (continued)

Statement of financial performance		
Depreciation	-	(686,413)
Impairment	-	(69,992)

Accrued leave balance corrected as per the calculation.

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position		
Trade and other payables	(96,802)	(96,802)
Accumulated surplus	96,802	-

Statement of financial performance		
Employee related costs	-	96,802

Other financial liabilities correction was made to agree to the DBSA loan.

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position		
Other financial liabilities	1,268,450	1,268,450
Accumulated surplus	(1,268,450)	(1,268,450)

Other financial obligations was not correclty accounted as per the amortisation table. Management accounted for the missstament.

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position		
Finance lease obligations	583,160	583,160
Accumulated surplus	(583,160)	(702,597)

Statement of financial performance		
Finance costs	-	119,437

The municipality had to account for prepaid electricity on yearend.

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position		
Trade payables	17,137	17,137
Accumulated surplus	(17,137)	-

Statement of financial performance		
Service charges	-	(17,137)

Other financial obligations was not correclty accounted as per the amortisation table. Management accounted for the missstament.

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position

Figures in Rand	2024	2023

60. Prior period errors (continued)

Receivables from exchange transactions	(1,285,161)	(1,285,161)
Accumulated surplus	1,285,161	1,285,161

The municipality omitted to account for Investment properties in the prior year.

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position

Investment property	1,391,824	1,391,824
Accumulated surplus	(1,391,824)	(1,325,547)

Statement of financial performance

Fair value adjustments	-	(66,277)

Accounting for the Department for Transport and Safety.

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position

Payables from exchange transactions	(5,594,780)	(5,594,780)
Accumulated surplus	5,594,780	5,594,780

Disclosure note adjusted:

Irregular expenditure	2023 Audited AFS	Adjustment	Restated 2023
Add: Irregular expenditure incurred in current year	6,874,728	(796,487)	6,078,241

Disclosure note adjusted:

Senior managment remuneration	2023 Audited AFS	Adjustment	Restated 2023
Remuneration	2,879,557	194,474	3,074,031

Disclosure note adjusted:

Commitments	2023 Audited AFS	Adjustment	Restated 2023
Commitments	14,444,420	628,010	15,072,430

61. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	20,640,892	20,640,892
Receivables from non-exchange transactions	9,915,581	9,915,581

Figures in Rand	2024	2023

61. Financial instruments disclosure (continued)

VAT receivables	24,951,942	24,951,942
Cash and cash equivalents	219,806	219,806
	55,728,221	**55,728,221**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	3,265,729	3,265,729
Payables from exchange transactions	102,661,247	102,661,247
Unspent conditional grants	5,656,045	5,656,045
Consumer deposits	815,817	815,817
	112,398,838	**112,398,838**

2023

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	26,935,225	26,935,225
Receivables from non-exchange transactions	2,573,142	2,573,142
VAT receivables	21,602,931	21,602,931
Cash and cash equivalents	4,278,287	4,278,287
	55,389,585	**55,389,585**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	3,088,063	3,088,063
Payables from exchange transactions	179,395,788	179,395,788
Unspent conditional grants and receipts	2,402,852	2,402,852
Consumer deposits	764,928	764,928
	185,651,631	**185,651,631**

62. Segment information

General information

Identification of segments

Refer below for the segments identified by the municipality. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

62. Segment information (continued)

Geographical considerations:

The municipality’s operations are in the Nother Cape Province. Management has as per the GRAP standards decided to report on Thembelihle as a single geographical area.

Management is of the opinion that as per paragraph 32, the cost of developing geographical information would be excessive, secondly that due to the nature of the municipality, the geographical area, although two towns are demarcated as a single municipal area in the same province and district municipality and it would therefore not be in the interest of the users of the financial statements to develop geographical information for reporting.

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	Goods and/or services
Segment 1	Budget and Treasury
Segment 2	Corporate services
Segment 3	Electricity
Segment 4	Office of financial management
Segment 5	Planning and development
Segment 6	Road transport
Segment 7	Waste management
Segment 8	Waste water management
Segment 9	Water

62. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Budget and Treasury	Corporate services	Electricity	Office of financial management	Planning and development	Road transport	Waste management	Waste water management	Water	Total
Revenue										
Service charges	-	(4,356,076)	(1,630,983)	(8,999,619)	-	(2,129,273)	(1,748,347)	(3,685,426)	(2,412,867)	(24,962,591)
Sale of goods and rendering of services	-	(97,104)	-	(30,014)	-	-	-	(10,322)	-	(137,440)
Commission received	-	(386,379)	-	-	-	-	-	-	-	(386,379)
Interest received - outsanding debtors	-	(1,884,359)	(802,438)	(1,352,561)	-	-	(1,107,765)	-	(2,533,768)	(7,680,891)
Operational revenue	-	(14,955)	-	(2,160,400)	-	-	-	-	-	(2,175,355)
Rental of facilities and equipment	-	(37,620)	-	(604,168)	-	-	-	-	-	(641,788)
Eskom Debt Relief	-	-	-	(30,074,826)	-	-	-	-	-	(30,074,826)
Government grants & subsidies	-	(437,171)	(776,284)	(39,107,349)	-	(4,778,388)	-	-	(7,790,417)	(52,889,609)
Licences and permits	-	(393,047)	-	-	-	-	-	-	-	(393,047)
Donation in kind	-	-	-	(3,941,857)	-	-	-	-	-	(3,941,857)
Fines, Penalties and Forfeits	(97,150)	-	-	-	-	-	-	-	-	(97,150)
Property rates	-	-	-	(7,699,904)	-	-	-	-	-	(7,699,904)
Total segment revenue	**(97,150)**	**(7,606,711)**	**(3,209,705)**	**(93,970,698)**	**-**	**(6,907,661)**	**(2,856,112)**	**(3,695,748)**	**(12,737,052)**	**(131,080,837)**
Entity's revenue										**131,080,837**

Notes to the Annual Financial Statements

Figures in Rand

62. Segment information (continued)

	Budget and Treasury	Corporate services	Electricity	Office of financial management	Planning and development	Road transport	Waste management	Waste water management	Water	Total
Expenditure										
Audit fees	-	-	-	4,058,654	-	-	-	-	-	4,058,654
Professional and consulting fees	-	1,692,532	-	7,323,140	-	-	-	-	-	9,015,672
Employee related costs	-	12,049,776	1,572,362	9,197,113	-	6,566,459	2,954,541	569,477	6,192,447	39,102,175
Remuneration of councillors	-	-	-	6,011,392	-	-	-	-	-	6,011,392
Depreciation and amortisation	-	-	11,597,672	24,557	-	-	-	-	-	11,622,229
Finance costs	-	-	-	18,094,665	-	-	-	-	-	18,094,665
Loss on disposal of assets	62,849	-	-	-	-	-	-	-	-	62,849
Bulk purchases	-	-	17,233,486	-	-	-	-	-	-	17,233,486
Provision for impairments adjustment	16,027,898	-	-	-	-	-	-	-	-	16,027,898
Repairs and maintenance	-	60,164	-	-	-	453,035	-	-	138,734	651,933
General Expenses	80,651	18,806	611,650	3,903,880	-	(178,881)	95,788	201,057	943,646	5,676,597
Inventory consumed	-	(31,093)	1,285,827	943,321	-	2,315	-	414,964	1,193,523	3,808,857
Actuarial gains	34,585	-	-	-	-	-	-	-	-	34,585
Fair value adjustments	-	-	-	-	702,896	-	-	-	-	702,896
Impairment loss	2,563,994	-	-	-	-	-	-	-	-	2,563,994
Total segment expenditure	**18,769,977**	**13,790,185**	**32,300,997**	**49,556,722**	**702,896**	**6,842,928**	**3,050,329**	**1,185,498**	**8,468,350**	**134,667,882**
Total segmental surplus/(deficit)	**(18,672,827)**	**(6,183,474)**	**(29,091,292)**	**44,413,976**	**(702,896)**	**64,733**	**(194,217)**	**2,510,250**	**4,268,702**	**(3,587,045)**

Notes to the Annual Financial Statements

Figures in Rand

62. Segment information (continued)

	Budget and Treasury	Corporate services	Electricity	Office of financial management	Planning and development	Road transport	Waste management	Waste water management	Water	Total
Assets										
Inventories	11,254	-	-	41,519	-	-	-	-	-	52,773
Receivables from non-exchange transactions	6,813,539	(469,090)	-	3,571,132	-	-	-	-	-	9,915,581
Receivables from exchange transactions	(2,759,360)	36,594,363	-	(11,763,398)	-	(1,430,713)	-	-	-	20,640,892
VAT receivables	-	-	-	24,951,942	-	-	-	-	-	24,951,942
Cash and cash equivalents	(120,561,232)	-	-	120,901,056	-	(120,017)	-	-	-	219,807
Investment property	21,832,167	-	-	894,844	-	-	-	-	-	22,727,011
Property, plant and equipment	149,900,853	-	-	82,056,893	-	10,929,395	-	-	-	242,887,141
Intangible assets	(388,423)	-	-	431,044	-	-	-	-	-	42,621
Total segment assets	**54,848,798**	**36,125,273**	**-**	**221,085,032**	**-**	**9,378,665**	**-**	**-**	**-**	**321,437,768**
Total assets as per Statement of financial Position										**321,437,768**
Liabilities										
Other financial liabilities	-	-	-	(3,265,728)	-	-	-	-	-	(3,265,728)
Payables from exchange transactions	(27,880,205)	-	-	(153,289,489)	-	-	-	-	-	(181,169,694)
Employee benefit obligations	(13,747,954)	-	-	1,640,672	-	-	-	-	-	(12,107,282)
Unspent conditional grants	-	-	-	(5,656,045)	-	-	-	-	-	(5,656,045)
Provisions	-	-	-	(5,476,519)	-	-	-	-	-	(5,476,519)
Consumer deposits	-	-	-	(815,817)	-	-	-	-	-	(815,817)
Finance lease obligations	-	-	-	(445,209)	-	-	-	-	-	(445,209)
Total segment liabilities	**(41,628,159)**	**-**	**-**	**(167,308,135)**	**-**	**-**	**-**	**-**	**-**	**(208,936,294)**

62. Segment information (continued)

2023

	Budget and Treasury	Corporate services	Electricity	office of financial mnagement	Planing and development	Road transport	Waste management	Waste water management	Water	Total
Revenue										
Fines, penalties and forfeitrs	(6,377)	(31,541)	-	-	-	-	-	-	-	(37,918)
Interest, dividends and rent on land	(4,056)	(1,713,473)	-	(805,693)	-	-	(1,011,638)	-	(2,356,081)	(5,890,941)
Licences and permits	-	(140,098)	-	-	-	-	-	-	-	(140,098)
Operational revenue	-	(63,107)	-	(924,926)	-	-	-	-	-	(988,033)
Property rates	-	-	-	(6,568,155)	-	-	-	-	-	(6,568,155)
Rental from fixed assets	-	(4,692)	-	(475,803)	-	-	-	-	-	(480,495)
Sales of goods and rendering of services	(3,650)	(119,087)	-	(38,660)	-	-	-	(7,456)	-	(168,853)
Services charges	(1,456,778)	(3,501,075)	(2,338,918)	(6,711,922)	-	(2,270,940)	(1,936,072)	(3,896,130)	(2,259,037)	(24,370,872)
Transfer and subsidies	-	(1,691,462)	(862,538)	(8,775,494)	(476,576)	(8,573,934)	-	(28,373,922)	(9,895,141)	(58,649,067)
Gains and losses	-	(406,797)	-	-	-	-	-	-	-	(406,797)
Other	-	(5,257,870)	-	-	-	-	-	-	-	(5,257,870)
Total segment revenue	**(1,470,861)**	**(12,929,202)**	**(3,201,456)**	**(24,300,653)**	**(476,576)**	**(10,844,874)**	**(2,947,710)**	**(32,277,508)**	**(14,510,259)**	**(102,959,099)**
Entity's revenue										**(102,959,099)**

62. Segment information (continued)

	Budget and Treasury	Corporate services	Electricity	office of financial mnagement	Planing and development	Road transport	Waste management	Waste water management	Water	Total
Expenditure										
Bulk purchases	-	-	14,448,960	-	-	33,542	-	-	-	14,482,502
Contracted services	-	4,734,945	-	-	3,649,922	28,321	-	-	-	8,413,188
Depreciation and amortisation	-	1,398,352	968,024	-	897,358	3,148,471	(1,102,655)	4,082,402	10,050,525	19,442,477
Employee related costs	-	9,652,739	1,541,910	1,871,130	7,234,402	5,662,202	2,717,726	843,150	6,320,938	35,844,197
Interest, dividends and rent on land	-	-	-	-	8,748,257	-	-	-	-	8,748,257
Inventory consumed	-	107,229	431,964	-	90,881	164,377	63,799	192,817	1,080,138	2,131,205
Irrecoverables debts written off	-	-	-	-	22,978,792	-	-	-	-	22,978,792
Operating lease	-	-	-	-	25,651	-	-	-	-	25,651
Operational cost	62,834	2,124,135	768,979	1,740,904	8,858,146	1,146,826	121,884	240,637	1,694,942	16,759,287
Remuneration of councillors	-	-	-	4,736,628	-	-	-	-	-	4,736,628
Transfer and subsidies	-	-	-	13,600	368,495	-	-	-	-	382,095
Other 2	-	-	-	-	49,597,538	-	-	-	-	49,597,538
Total segment expenditure	**62,834**	**18,017,400**	**18,159,837**	**8,362,262**	**102,449,442**	**10,183,739**	**1,800,754**	**5,359,006**	**19,146,543**	**183,541,817**
Total segmental surplus/(deficit)	**(1,533,695)**	**(30,946,602)**	**(21,361,293)**	**(32,662,915)**	**(102,926,018)**	**(21,028,613)**	**(4,748,464)**	**(37,636,514)**	**(33,656,802)**	**(286,500,916)**

62. Segment information (continued)

	Budget and Treasury	Corporate services	Electricity	office of financial mnagement	Planing and development	Road transport	Waste management	Waste water management	Water	Total
Assets										
Cash and cash equivalents	-	(22,491)	-	-	111,003,359	(106,702,578)	-	-	-	4,278,290
Construction WIP	-	-	-	-	45,517,783	-	-	-	-	45,517,783
Control, clearing and interface accounts	-	-	-	-	(60,583)	-	-	-	-	(60,583)
Heritage assets	-	-	-	-	8,944,881	-	-	-	-	8,944,881
Intangible assets	-	-	-	-	67,382	-	-	-	-	67,382
Inventory	-	-	-	-	13,051	-	-	-	-	13,051
Investment property	-	-	-	-	22,038,082	-	-	-	-	22,038,082
Property, plant and equipment	(18,284,648)	-	-	-	215,228,553	(110,143)	-	-	-	196,833,762
Receivables from non-exchange transactions	-	(381,517)	-	-	1,664,546	-	-	-	-	1,283,029
Receivables from exchange transactions	(228)	3,170,264	387,363	-	3,227,156	(2,089,073)	-	-	-	4,695,482
VAT receivables	-	-	-	-	22,085,053	-	-	-	-	22,085,053
Other	-	-	-	-	19,751,484	-	-	-	-	19,751,484
Total segment assets	**(18,284,876)**	**2,766,256**	**387,363**	**-**	**449,480,747**	**(108,901,794)**	**-**	**-**	**-**	**325,447,696**
Total assets as per Statement of financial Position										**325,447,696**

62. Segment information (continued)

	Budget and Treasury	Corporate services	Electricity	office of financial mnagement	Planing and development	Road transport	Waste management	Waste water management	Water	Total
Liabilities										
Consumer deposits	-	-	-	-	(764,928)	-	-	-	-	(764,928)
Defined benefit obligations	-	-	(265,424)	-	(317,000)	(10,222,938)	-	-	-	(10,805,362)
Financial liabilities	-	-	-	-	(776,730)	-	-	-	-	(776,730)
Unspent grants	-	-	-	-	(2,402,852)	-	-	-	-	(2,402,852)
Provisions	-	-	-	-	(5,369,086)	-	-	-	-	(5,369,086)
Trade payables exhange transactions	187,258	-	-	-	(175,705,379)	(9,472,447)	-	-	-	(184,990,568)
VAT control (payable)	-	-	-	-	517,366	-	-	-	-	517,366
VAT credit	-	-	-	-	(2,497,101)	-	-	-	-	(2,497,101)
Other	-	-	-	-	(1,108,328)	-	-	-	-	(1,108,328)
Total segment liabilities	**187,258**	**-**	**(265,424)**	**-**	**(188,424,038)**	**(19,695,385)**	**-**	**-**	**-**	**(208,197,589)**
Total liabilities as per Statement of financial Position										**(208,197,589)**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

63. Statutory receivables

In accordance with the principles of GRAP 108, Statutory receivables of the municipality are classified as follows:

Taxes		
VAT Receivable	24,951,942	21,602,931

Receivables from non-exchange transactions		
Rates	19,985,220	15,778,315
Fines	168,784	168,784
Total Statutory receivables (before provisions)	**20,154,004**	**15,947,099**
Less: Provision for debt impairment	(10,238,423)	(13,373,957)
Total Statutory receivables (after provisions)	**34,867,523**	**24,176,073**

Statutory receivables arises from the following legislation:

Taxes - Value added tax Act (No 89 of 1991)

Rates - Municipal Properties Rates Act (No 6 of 2004)

Fines - Criminal Procedures Act

Statutory receivables are initially measured at transaction value, and subsequently at cost.

Rates (Gross minus impairment)		
Current (0 -30 days)	786,902	653,251
31 - 60 days	651,565	642,589
61 - 90 days	580,131	569,871
91 - 120 days	536,383	521,333
121 - 365 days	17,410,239	13,391,271
Less: impairment	(10,218,423)	(13,373,957)
	9,746,797	**2,404,358**

Ageing of amounts past due but not impaired		
1 month past due	651,565	642,589
2+ months past due	9,105,232	1,761,769
	9,756,797	**2,404,358**

No interets was received from statutory receivables.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

64. Change in estimate

Property, plant and equipment

In terms of GRAP 17, the useful lives of all assets were reviewed by management at year-end. The remaining useful life expectation of some of the asset items differed from previous estimates. This resulted in a revision of some of the previous estimates which were accounted for as a change in accounting estimate. The effect of this revision is a decrease in depreciation charges for the current period ended 30 June 2024:

Impact on depreciation		
Buildings	183,468	-
Infrastructure	(1,416,423)	-
Roads	360,488	-
Other assets	101,001	-
Leased assets	80,233	-
Intangible assets	9,132	-

65. Operating revenue

Administrative handling fees	1,188,391	577,480
Discount on early settlements	(208,867)	(83,231)
Land interest	-	63,049
Staff recoveries	1,195,832	430,755
Closing balance	**2,175,356**	**988,053**

66. Other long-term employee benefits

67. Termination benefits