

THABAZIMBI LOCAL MUNICIPALITY

Annual Financial Statements
for the year ended 30 June 2024



GENERAL INFORMATION

Legal form of entity:	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)	
Legislation governing the municipality's operations:	Local Government: Municipal Finance Management Act (Act no.56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Constitution of the Republic of south Africa (Act 108 of 1998) Municipal Property Rates Act (act of 6 2004) Division of Revenue Act (Act 1 of 2007)	
Mayoral committee:	Mayor	Cllr.Tokkie Swanepoel
	Speaker	Cllr.Butana Ben Tlhabadira
	Chief Whip	Cllr.Cathrine Sikwane
Community Services:	Chairperson	Cllr .Moruakgomo Richard Kotsedi
	Member	Cllr Ronny Manyama
	Member	Cllr Orapeleng Selokela
	Member	Cllr Tshegofatso Ramoabi
	Member	Cllr Theo Khalunga
	Member	Cllr Thane Hearne
Planning and economic development & Infrastructure:	Chairperson	Cllr Themba Mkansi
	Member	Cllr Kampie Steenkamp
	Member	Cllr Herman Kgotlhang
	Member	Cllr Pontsho Sello
	Member	Cllr Stephen Lerumo
	Member	Cllr Lydia Sikhwari
Finance Institutional Development & Transformation:	Chairperson	Cllr Judy Mogapi
	Member	Cllr David Masilo
	Member	Cllr Xolile Nozozo
	Member	Cllr Selaelo Donald Segobela
MPAC:	Chairperson	Cllr Frik Erasmus
	Member	Cllr Kiniki Abel Sesoma
	Member	Cllr Maxwell Magetse
	Member	Cllr Irene Nengwekhulu
Grading of local authority:	Grade 3 (MDB Code: LIM361)	
Accounting Officer:	Ms R Tshiswise	
Acting Chief Finance Officer (CFO):	Mr RL Mogorosi	
Registered office:	7 Rietbok Street, Thabazimbi, 0380	
Business address:	7 Rietbok Street, Thabazimbi, 0380	
Postal address:	Private Bag X530, Thabazimbi, 0380	
Bankers:	ABSA Bank Limited	
Auditors:	Auditor General of South Africa (AGSA)	

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Abbreviations

COVID-19	Coronavirus
DBSA	Development Bank of South Africa
DHS	Department of Human Settlement
DRG	Disaster relief grant
GRAP	Generally Recognised Accounting Practice
INEP	Integrated national electrification programme
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
NT	National Treasury
PT	Provincial Treasury
WSIG	Water services infrastructure grant

ACCOUNTING OFFICERS RESPONSIBILITY AND APPROVAL

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

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

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

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

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

I have reviewed the municipality's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, I am satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

ACCOUNTING OFFICERS RESPONSIBILITY AND APPROVAL

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

As at June 30, 2024, the municipality had an accumulated surplus of R 250 million

I certify that the salaries, allowances and benefits of councillors as disclosed in note 26 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The external stakeholders are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external stakeholders and their report is presented on page _____.

The annual financial statements set out on pages 3 to 54, which have been prepared on the going concern basis, were approved by the municipality on 31 August 2024 and were signed on its behalf by:

Accounting Officer
Date: 31 August 2024

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

Figures in Rand

	Note(s)	2024	2023 *Restated
Assets			
Current Assets			
Cash and cash equivalents	6	8,905,936	2,189,223
Trade and other receivables from exchange transactions	7	45,766,735	53,845,968
Trade and other receivables from non-exchange transactions	8	37,321,135	48,534,270
Inventories	9	11,978,018	10,612,214
Statutory receivables from exchange transactions	38.6	359,709	1,510,473
Input VAT accrual	38.6	239,266,622	210,206,798
Total current assets		343,598,155	326,898,946
Non-Current Assets			
Property, plant and equipment	3	808,595,376	811,732,992
Biological assets	4	826,800	835,600
Intangible assets	5.1	-	-
Investment property	5.2	-	-
Total non current assets		809,422,176	812,568,592
Total Assets		1,153,020,332	1,139,467,537
Liabilities			
Current Liabilities			
Output VAT accrual	38.6	127,687,090	120,742,692
Current portion of provisions	11	2,545,473	2,202,685
Current portion of employee benefit obligations	12	2,358,000	2,365,000
Consumer deposits	13	5,069,435	4,795,679
Current portion of trade and other payables from exchange transactions	14	424,500,683	369,961,002
Unspent transfers and subsidies	15	27,927,624	3,128,642
Total current liabilities		590,088,304	503,195,700
Non-Current Liabilities			
Borrowings	10	-	-
Provisions	11	61,547,283	54,980,319
Employee benefit obligations	12	49,129,000	43,314,000
Trade and other payables from exchange transactions	14	201,900,000	152,160,974
Total non current liabilities		312,576,283	250,455,293
Total Liabilities		902,664,587	753,650,992
Net Assets		250,355,744	385,816,545
Accumulated surplus		250,355,744	385,816,545

*See Note 37

STATEMENT OF FINANCIAL PERFORMANCE FOR YEAR ENDED 30 JUNE 2024

Figures in Rand

	Note(s)	2024	2023 *Restated
Revenue			
Revenue from non exchange transactions			
Property rates (Taxation revenue)	16	79,611,967	100,129,911
Fines	17	370,650	680,850
Licence and permits	18	11,843	25,308
Government grants and subsidies	19	174,958,809	197,728,965
Interest income	24	14,356,216	10,163,830
Donations	48		
Total non exchange revenue transactions		269,309,485	308,728,864
Revenue from exchange transactions			
Service charges	20	171,178,045	152,313,503
Rental of facilities and equipment	21	534,157	552,024
Licences and permits	22	5,155,269	4,470,165
Other operational revenue	23	2,462,490	1,183,640
Interest income	24	44,722,313	22,566,989
Total exchange transactions revenue		224,052,275	181,086,321
Total Revenue		493,361,760	489,815,185
Expenditure			
Employee related cost	25	165,058,467	152,168,000
Remuneration of councillors	26	10,094,870	10,083,487
Impairment loss	27	102,142,393	134,974,021
Depreciation and amortisation	28	28,590,274	18,931,771
Finance costs	29	22,178,138	25,203,246
Bulk purchases	30	92,486,586	83,121,079
Contracted services	31	86,209,478	44,124,403
Operational costs	32	32,312,727	27,405,406
Inventory loss	55	35,929,234	24,425,722
Inventory consumed	51	25,441,212	17,575,105
Bad debts	52	-	-
Operating leases	53	4,355,651	4,246,514
Total Expenditure		604,799,029	542,258,752
Operating surplus		(111,437,269)	(52,443,568)
Loss on disposal of assets	3	(3,913,035)	(664,356)
Fair value adjustment	4	(8,800)	62,500
Contribution to provisions: Landfill site	54	(469,699)	742,548
Surplus (deficit) for the year		(115,828,804)	(52,302,875)

STATEMENT OF CHANGES IN NET ASSETS AS 30 JUNE 2024

Figures in Rand

		Accumulated surplus	Total net assets
Opening balance		495,436,725	495,436,725
Adjustments:			
*Prior year adjustments (Note 37)	37	(57,422,227)	(57,422,227)
Change in net assets:			
Restated Surplus/(Deficit) for the year		(52,302,875)	(52,302,875)
Balance at 1 July 2023 as restated		385,711,623	385,711,623
Surplus (deficit) for the year		(115,828,804)	(115,828,804)
Balance at 30 June 2024		269,882,819	269,882,819

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2024

Figures in Rand

	Note(s)	2024	2023
Cash flows from operating activities			
Receipts			
Services charges		171,178,045	118,728,808
Grants		174,958,809	182,387,028
Rates and fines		79,982,617	67,225,596
Interest received on investments		595,831	428,801
Other receipts		66,708,131	5,679,113
		493,423,435	374,449,346
Payments			
Employee costs		175,153,336	152,063,078
Suppliers		248,390,535	177,083,921
Finance costs		-	-
		423,543,871	329,146,999
Net cash flows from operating activities		69,879,563	45,302,347
Cash flows from investing activities			
Acquisition of fixed assets	3	(63,162,850)	(54,020,321)
Acquisition of intangible assets		-	-
Net cash flows from investing activities		(63,162,850)	(54,020,321)
Cash flows from financing activities			
Loan Repayments		-	-
Finance lease payments		-	-
Net cash flows from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		6,716,714	(8,717,974)
Cash and cash equivalents at the beginning of the year		2,189,223	10,907,197
Cash and cash equivalents at the end of the year	6	8,905,936	2,189,223

Statement of comparison of budget to actual amounts for the year ended 30 June 2024

	Original Budget	Budget Adjustments	Final Budget	Actual amount	Variance ZAR	Variance %	Note
Revenue By Source							
Property rates	102,476,425	-	102,476,425	79,611,967	(22,864,458)	-29%	
Service charges	263,656,552	-	263,656,552	171,178,045	(92,478,507)	-54%	39.12
Rental of facilities and equipment	606,061	-	606,061	534,157	(71,904)	-13%	39.1
Interest earned	35,322,358	-	35,322,358	59,078,530	23,756,172	40%	39.13
Fines Penalties and Forfeits	820,758	-	820,758	370,650	(450,108)	-121%	39.2
Licences and permits	5,016,150	-	5,016,150	5,167,111	150,961	3%	39.3
Transfers recognised	250,631,000	8,417,000	242,214,000	174,958,809	(67,255,191)	-38%	39.4
Other revenue	2,823,199	-	2,823,199	2,462,490	(360,709)	-15%	39.5
Total Revenue	661,352,503	(8,417,000)	652,935,503	493,361,760	(159,573,743)		
Expenditure By Type							
Employee related costs	167,498,722	-	167,498,722	165,058,467	(2,440,255)	-1%	
Remuneration of councillors	10,008,108	1,549,999	11,558,107	10,094,870	(1,463,237)	-14%	39.14
Debt impairment	57,085,356	(20,000,000)	37,085,356	102,142,393	65,057,037	64%	39.6
Depreciation and asset impairment	39,231,392	-	39,231,392	28,590,274	(10,641,118)	-37%	39.7
Finance charges	18,195,148	6,323,000	22,518,148	22,178,138	(340,010)	-2%	39.8
Bulk purchases	109,118,219	(10,118,219)	99,000,000	92,486,586	(6,513,414)	-7%	39.9
Contracted services	54,470,000	14,876,548	69,346,548	86,209,478	16,862,930	20%	39.10
Other expenditure	81,232,399	16,536,697	97,769,096	98,038,824	269,728	0%	39.11
Total Expenditure	534,839,344	9,168,025	544,007,369	604,799,029	60,791,660		
Surplus/(Deficit) for the year	126,513,159	(17,585,025)	108,928,134	(111,437,269)	(220,365,403)		

Explanation on material differences which are above 10% between final budget and actual are disclosed in note 39

ACCOUNTING POLICIES

Presentation of financial statements

These 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 No 56 of 2003).

The Annual Financial Statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

1 Summary of Significant Accounting Policies

The accounting policies have been consistently applied to all the years presented.

1.2 Presentation currency

These Annual Financial Statement are presented in South Africa Rand, which is the functional currency of the Municipality.

1.3 Going concern assumption

These Annual Financial Statements were prepared based on the expectation that the Municipality will continue to operate as a going concern for at least the next 12 months.

1.4 Offsetting

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

1.5 Comparative and Budget Information

1.5.1 Current year comparatives

The annual budget figures have been prepared in accordance with the Standard of GRAP and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statements, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the Annual Financial Statements giving motivations for over- or under spending on line items where it is found to be material. The annual budget figures include budget information relating to subsidiaries or associated. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the financial statements in determining whether a difference between the budgeted and actual amount is material. Budget information in accordance with GRAP 1 and 24, has been provided in a separate disclosure note to these annual financial statements.

1.5.2 Current year comparatives

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

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

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

ACCOUNTING POLICIES

1.6 Foreign Currencies

Transactions in foreign currencies are translated to the functional currency of the entity at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost or fair value in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.7 Significant judgements and estimates

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

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

1.8 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. The municipality categorises cash and cash equivalents as financial assets: loans and receivables. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

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

1.9 Inventories

Inventories consist of consumables, materials and supplies and water, which are valued at the lower of cost, determined on the weighted average basis, and net realisable value, except for plants which are valued at the tariffs charged. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

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

Redundant and slow moving inventories are identified and written down to their estimated net realisable values. Inventories are written down according to their age, condition and utility. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

1.10 Water Inventory

Water is regarded as inventory when the Municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the Municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the Municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

1.11 Property, Plant and Equipment

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

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

ACCOUNTING POLICIES

1.12 Property, Plant and Equipment (continued):

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.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset 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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, excluding land and buildings, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous impairment.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight line method, to allocate their cost or revalued amounts less their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets' future economic benefits or service potential are expected to be consumed by the Municipality. 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 shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

The estimated useful life, residual values and depreciation method are reviewed annually at the end of the financial year.

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease.

ACCOUNTING POLICIES

1.13 Property, Plant and Equipment (continued):

Asset class and depreciation

Minimum & Maximum Estimated Useful Life per asset category

Main category	Sub category	Min	Max	
Electricity Network	LV Networks	10	60	Electricity Network
Electricity Network	MV Networks	15	100	Electricity Network
Electricity Network	MV Substations	30	50	Electricity Network
Electricity Network	HV Substation	45	45	Electricity Network
Road Network	Road Infrastructure	5	100	Roads
Sanitation Network	Sanitation infrastruc	5	100	Sanitation Network
Stormwater Network	Storm water infrastuct	5	100	Water infrastructure
Water Supply Network	Distribution	10	80	Water infrastructure
Water Supply Network	Reservoirs	5	100	Water infrastructure
Water Supply Network	Boreholes	5	100	Water infrastructure
Water Supply Network	Pump Stations	5	100	Water infrastructure
Water Supply Network	Bulk Mains	15	80	Water infrastructure
Water Supply Network	PRV Stations	15	15	Water infrastructure
Solid waste facilities	Solid Waste Infrastruc	15	15	Solid Waste
Bridges	Road Infrastructure	50	100	Roads
Community Facilities	Community Assets	5	100	Community facilities
Community Facilities	Libraries	5	100	Community facilities
Land	Land	-	-	Land
operational facilities	Building	5	100	Community facilities
Servitudes	Road Infrastructure	-	-	Land
Sport and recreation Facilitie	Community Assets	7	100	Community facilities
Sports Facilities	Community Assets	5	100	Community facilities
Housing	Building	15	100	Community facilities
Solid waste facilities	Solid Waste Infrastruc	15	50	Community facilities
Grand Total		5	100	
Transport assets:		5	10	
Machinery and Equipment:		2	15	
IT equipment:		3	7	
Furniture and Office Equipment:		2	35	

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying values of assets.

1.14 Biological Assets

Biological assets and agricultural produce are initially and subsequently measured at their fair value less estimated point-of-sale costs and agricultural produce harvested from the entity's biological assets are measured at their fair value less estimated point-of-sale costs at the point of harvest.

Where biological assets and agricultural produce are acquired for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Point-of-sale costs include commissions to brokers and dealers, levies by regulatory agencies and commodity exchanges, transfer taxes and duties but exclude transport and other costs necessary to get the assets to a market.

The fair value of biological assets is estimated by reference to the market value. The fair value of the plantations is based on the combined fair value of the land and the trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the trees.

A gain or loss arising on initial recognition of biological assets at fair value less estimated point-of-sale costs and from a change in the fair value less estimated point-of-sale costs is included in surplus or deficit for the period in which it arises.

A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in surplus or deficit for the period in which it arises.

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

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

1.15 Intangible Assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is calculated on cost, using the straight-line method, over the useful lives of the assets, which is estimated to be between 3 to 10 years upon initial recognition. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Intangible assets are annually tested for impairment and the estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

ACCOUNTING POLICIES

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

ACCOUNTING POLICIES

1.16 Impairment of Property, Plant and Equipment, Intangible Assets and Heritage Assets

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

1.16.1 Impairment of Cash-generating Assets

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the individual asset.

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

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

The recoverable amount of an asset or a cash-generating unit is the higher of its 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 estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

ACCOUNTING POLICIES

1.16.2 Impairment of Cash-generating Assets (continued):

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

1.16.3 Impairment of Non-cash-generating Assets

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

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

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

1.16.4 Impairment of Non-cash-generating Assets (continued):

A Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.17 Financial Instruments

A financial instrument is recognised if the Municipality becomes a party to the contractual provisions of the instrument.

1.17.1 Financial Assets

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

- Financial asset at amortised cost being a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current asset
- Financial assets measured at fair value being financial assets that meet either of the following conditions:
 - a) Derivatives;
 - b) Combined instruments that are designated at fair value;
 - c) Instruments held for trading;
 - d) Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
 - e) Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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

The Municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto: (see note 41)

Financial asset at cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at cost using the fair value less any impairment

ACCOUNTING POLICIES

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

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

ACCOUNTING POLICIES

1.17.2 Financial Assets (continued):

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with the Standard of GRAP 104 of Financial Instruments.

Trade receivables encompass long term debtors, consumer debtors and other debtors. A provision for impairment of trade receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

According to the Standard of GRAP 104 on Financial Instruments, the assessment for impairment needs to be made for each individual financial asset separately or for groups of financial assets with similar credit risks. The following methodology was followed to make a provision for bad debts for the year under review:

- Consumer debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.
- Other debtors are reviewed individually considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.
- Housing loans assessed by reviewing their payment histories and ratios. Provision for impairment is made accordingly.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

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 through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

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

1.17.3 Financial Liabilities

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

The following main categories of Financial Liabilities and the classification determining how they are measured exist:

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

The Municipality has the following types of financial liabilities (which include consumer deposits) as reflected on the face of the Statement of Financial Position or in the notes thereto: (See note 41)

Financial liabilities that are measured at fair value that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Any other financial liabilities should be classified as financial liabilities at amortised cost.

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities classified at amortised cost (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

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

The Municipality derecognises Financial Liabilities when, and only when, the Municipality's obligations are discharged, cancelled or they expire.

1.18 Provisions

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

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

ACCOUNTING POLICIES

1.19 Provisions (continued):

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

1.19.1 Environmental Rehabilitation Provisions

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

1.2 Employee Benefits

The Municipality provides short term benefits, long term benefits and retirement benefits for its employees and councillors.

1.20.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

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

1.20.2 Post-employment Benefits: Defined Contribution Plans

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

The Municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees.

1.20.3 Post-employment Benefits: Defined Benefit Plans

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out by independent qualified actuaries regularly, as may be required for fair presentation.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

1.20.4 Post-retirement Health Care Benefits

The Municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The **defined benefit** liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

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

1.20.5 Long-service Allowance

The Municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the Municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The Municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

1.21 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.

Municipality as Lessee

ACCOUNTING POLICIES

Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Obligations. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

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

Finance leases - lessee

The Municipality leases certain property, plant and equipment. Leases of property, plant and equipment where the Municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. The Municipality will not incur a foreign currency lease liability other than that allowed by the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).

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

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

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

The finance lease assets are depreciated at the same rates as owned property unless the municipality will not obtain ownership. Where there is no reasonable certainty that the municipality will obtain ownership by the end of lease term, the leased assets are depreciated over the shorter of the lease and its useful life.

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

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on the straight-line basis over the term of the relevant lease.

ACCOUNTING POLICIES

Municipality as Lessee (continued):

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease. Other rental income is recognised on an ad hoc basis through the renting of municipal facilities such as halls, sports grounds etc. and is charged using the relevant approved tariffs.

1.21 Revenue

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

The Municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grant revenue that are recognised upon the service rendered or confirmation by the department are recognised at the date the payment is received by that department

Service Charges – exchange revenue

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

ACCOUNTING POLICIES

Service Charges – exchange revenue (continued):

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Pre-paid Electricity – exchange revenue

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

Sale of goods – exchange revenue

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

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

Rates and Taxes – non-exchange revenue

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

Fines – non-exchange revenue

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

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

Revenue (interest earned/investment income)

Revenue arising from the use by others of entity assets yielding interest 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.

Donations and Contributions – non-exchange revenue

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

ACCOUNTING POLICIES

Transfers and subsidies – non-exchange revenue

Unconditional Grants

Equitable share allocations are recognised in revenue at the start of the financial year as and when received.

Conditional Grants

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

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

Transfers and subsidies – non-exchange expenditure

The Municipality transfers money to individuals, organisations and other sectors of government from time to time. These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

Related parties and related party transactions

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

1.22 Value added taxes (VAT)

The Municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis in accordance with Section 15(2) of the VAT Act (Act 89 of 1991).

The annual financial statements have been prepared on the accrual basis of accounting. The municipality declares output tax and claims input tax in the tax period only to the extent to which payment under consideration is received or made in that tax period. The municipality accounts for VAT on a monthly basis.

The Municipality accounts for VAT on an accrual basis. However, the VAT paid/due to/by SARS is accounted for on a cash basis.

1.23 Irregular expenditure

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

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

1.24 Unauthorised Expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:

- (i) Overspending of the total amount appropriated in the municipality's approved budget.
- (ii) Overspending of the total amount appropriated for a vote in the approved budget.
- (ii) Expenditure from a vote unrelated to the department or functional area covered by the vote.
- (iv) Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose.
- (v) Spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of allocation otherwise than in accordance with any conditions of the allocation; or-
- (vi) A grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

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.

ACCOUNTING POLICIES

1.26 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 is disclosed in the notes 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.

1.27 Investment Property

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the enterprise, and the cost or fair value of the investment property can be measured reliably.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.
- Land held for a currently undetermined future use;
- A building owned (or held by under a finance lease) and leased out under one or more operating leases;
- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also

generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held;

- A building that is vacant but is held to be leased out under one or more operating leases;
- Property that is being constructed or developed for future use as investment property.

Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 50 year period (land is not depreciated).

Investment properties are derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Transfers are made to or from investment property only when there is a change in use.

1.29 Stock issue classification

The classification of stock issue are dependent on the intention of the useage. If the intetion is to issue a stock with the intention of repairing an asset such stock issue will be classified as repairs and maintenance whereas if the intention is not repair any asset the stock issue will classified as inventory consumed

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 April 2020 or later periods:

Standards

- GRAP 25 - Employee Benefits (Approved and Not Yet Effective)
- GRAP 103 - Heritage Assets (Approved and Not Yet Effective)
- GRAP 104 - Financial Instruments (Approved and Not Yet Effective)

All the above standards, where applicable, will be complied with in the financial statements once the standards take effect. Preliminary investigations indicated that other than additional disclosure, the impact of the standards on the financial statements will be minimal.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Note 3 Property, plant and equipment

Category	2024				2023			
	Cost	Accumulated depreciation	Accumulated Impairment	Carrying value	Cost	Accumulated depreciation	Accumulated Impairment	Carrying value
Land	8,809,712	-	-	8,809,712	8,809,712	-	-	8,809,712
Machinery and Equipment	1,842,920	(845,475)	(14,170)	983,276	1,454,910	(621,707)	-	833,203
Furniture and Office Equipment	2,438,385	(2,019,458)	(1,067)	417,859	2,493,040	(2,022,957)	-	470,083
Transport assets	10,793,911	(7,147,806)	-	3,646,105	13,695,160	(8,117,139)	-	5,578,021
Computer equipment	5,324,720	(3,392,113)	(1,225)	1,931,382	5,249,842	(2,733,163)	-	2,516,679
Road Infrastructure	680,554,993	(323,481,093)	(3,858,395)	353,215,505	681,066,896	(313,604,450)	-	367,462,446
Community assets	275,354,682	(191,489,907)	(1,353,297)	82,511,478	266,699,427	(190,618,188)	-	76,081,239
Electrical Infrastructure	107,206,226	(68,791,596)	(740,184)	37,674,446	106,032,332	(67,270,655)	-	38,761,678
Stormwater Network	42,414,058	(21,745,132)	-	20,668,926	42,636,158	(20,698,326)	-	21,937,831
Solid Waste Infrastructure	357,679	(331,518)	(8,277)	17,884	357,679	(311,774)	-	45,905
Work in progress	120,763,796	-	-	120,763,796	83,985,790	-	-	83,985,790
Sanitation Infrastructure	227,031,239	(180,626,795)	(10,728,552)	35,675,893	227,089,029	(178,974,991)	-	48,114,038
Water Infrastructure	294,721,436	(145,993,139)	(6,449,183)	142,279,115	298,388,229	(141,251,861)	-	157,136,368
Total	1,777,613,758	(945,864,032)	(23,154,349)	808,595,376	1,737,958,203	(926,225,212)	-	811,732,992

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Reconciliation of property, plant and equipment - 2024

Category	2024									2024						Closing balance	Net carrying value
	Cost				Work in progress reconciliation					Accumulated depreciation and impairment							
	Opening balance	Additions	Adjustment on cost	Disposals	Transfer in/(out)	Opening balance	Correction of error/misclassification	Additions to WIP	Transfers (out)	Opening balance	Correction to RUL	Depreciation	Disposals	Impairment			
Land	8,809,712	-	-	-	-	-	-	-	-	8,809,712	-	-	-	-	-	8,809,712	-
Machinery and Equipment	1,454,910	388,010	-	-	-	-	-	-	-	1,842,920.48	(621,707)	191,971	(415,739)	(14,170)	(865,645)	988,276	988,276
Furniture and Office Equipment	2,409,940	-	-	(54,454)	-	-	-	-	-	2,438,386	(2,022,957)	143,500	(186,871)	41,869	(1,947)	5,020,526	417,869
Transport assets	13,696,160	-	-	(2,001,249)	-	-	-	-	-	10,793,911	(8,117,139)	797,355	(1,897,814)	2,089,652	(7,147,806)	3,646,105	3,646,105
Computer equipment	5,249,842	237,550	-	(162,673)	-	-	-	-	-	5,324,719	(2,731,663)	214,142	(998,810)	123,719	(1,241)	5,393,338	1,951,382
Road Infrastructure	681,066,896	-	-	(511,802)	-	22,950,748	-	14,344,427	-	680,554,989	(13,604,400)	95,884	(10,380,179)	407,851	(3,858,395)	(327,339,489)	353,215,505
Community assets	268,699,408	12,434,132	-	(3,778,876)	-	15,298,431	-	-	-	275,554,662	(160,618,188)	5,074,181	(9,291,861)	3,491,761	(1,363,397)	(162,843,204)	80,251,478
Electrical Infrastructure	106,032,332	1,953,529	-	(779,636)	-	26,100,052	-	27,413,809	-	127,206,226	(87,270,854)	21,333	(2,142,573)	600,299	(740,184)	(69,531,779)	57,674,446
Stormwater Network	42,636,157	-	-	(222,100)	-	-	-	-	-	42,414,058	(20,696,527)	990	(1,097,963)	162,718	(112,500)	(21,745,120)	20,669,938
Solid Waste Infrastructure	357,879	-	-	-	-	-	-	-	-	357,879	(511,774)	-	(15,744)	-	(8,277)	(15,744)	17,884
Work in progress	83,885,790	47,308,204	-	(57,789)	(10,530,257)	5,319,838	-	-	-	120,763,796	-	-	(2,127,525)	50,939	(10,728,552)	(191,355,348)	120,763,796
Sanitation Infrastructure	227,989,929	-	-	(4,508,159)	-	18,497,838	-	5,550,028	-	227,931,238	(141,251,862)	180,335	(7,102,069)	2,200,456	(8,449,183)	(152,442,521)	26,979,893
Water Infrastructure	298,988,230	841,365	-	-	-	-	-	-	-	294,721,436	-	-	-	-	-	(896,185)	142,276,115
Total	1,737,958,264	53,162,852	-	(12,977,038)	(10,530,457)	83,164,732	-	47,388,264	(10,530,457)	1,777,613,738	(926,425,412)	7,870,473	(192,868,747)	9,064,692	(23,268,891)	(969,618,381)	808,995,378

Reconciliation of property, plant and equipment - 2023

Category	2023									2023						Closing balance	Net carrying value
	Cost				Work in progress reconciliation					Accumulated depreciation and impairment							
	Opening balance	Additions	Disposals	Transfer in/(out)	Opening balance	Correction of error/misclassification	Additions to WIP	Transfers (out)	Opening balance	Correction to RUL	Depreciation	Disposals	Impairment				
Land	8,809,712	-	-	-	-	-	-	-	-	8,809,712	-	-	-	-	-	8,809,712	-
Machinery and Equipment	966,771	636,242	-	150,102	-	-	-	-	-	1,654,910	-	-	-	-	-	1,654,910	1,654,910
Furniture and Office Equipment	5,297,281	73,097	-	(2,877,339)	-	-	-	-	-	2,493,040	-	-	-	-	-	2,493,040	2,493,040
Transport assets	14,086,270	-	-	590,110	-	-	-	-	-	13,896,160	-	-	-	-	-	13,896,160	13,896,160
Computer equipment	4,413,331	1,030,329	-	(193,818)	-	-	-	-	-	5,249,842	-	-	-	-	-	5,249,842	5,249,842
Road Infrastructure	682,688,015	-	-	(1,821,118)	-	7,048,000	-	15,902,746	-	681,066,896	-	-	-	-	-	681,066,896	681,066,896
Community assets	266,893,772	-	-	(194,345)	-	9,842,498	-	453,933	-	266,699,427	-	-	-	-	-	266,699,427	266,699,427
Electrical Infrastructure	105,635,938	198,528	-	2,131	-	4,365,260	-	27,734,832	-	106,032,332	-	-	-	-	-	106,032,332	106,032,332
Stormwater Network	43,251,115	-	-	614,957	-	-	-	-	-	43,866,072	-	-	-	-	-	43,866,072	43,866,072
Solid Waste Infrastructure	357,879	-	-	-	-	-	-	-	-	357,879	-	-	-	-	-	357,879	357,879
Work in progress	33,575,485	50,410,305	-	-	-	4,430,037	-	889,598	-	83,885,790	-	-	-	-	-	83,885,790	83,885,790
Sanitation Infrastructure	227,989,929	-	-	(349,368)	-	7,889,690	-	11,426,198	-	227,989,929	-	-	-	-	-	227,989,929	227,989,929
Water Infrastructure	298,544,717	120,880	-	-	-	-	-	-	-	298,388,229	-	-	-	-	-	298,388,229	298,388,229
Total	1,692,010,313	52,541,379	(8,593,889)	-	33,575,485	-	50,410,305	-	1,737,958,263	(827,915,670)	18,540,619	(37,472,900)	5,928,933	(86,268,704)	(26,225,212)	811,730,992	811,730,992

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. Repairs and maintenance to property plant and equipment are included in note 31. There are no other moving WIP projects. There are no restrictions to any of the Municipality's property plant and equipment. During the current financial year, there was a change in the remaining estimated useful lives of the above assets.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Note 3 Property plant and equipment continued

Infrastructure and Community Assets: Annual review discussions were conducted with all Strategic Business Units during which impairment triggers and asset performance indicators were discussed and possible impairments were identified. In addition, insurance claims were also reviewed and considered as identifiers of possible impairment triggers. During physical field assessment, information pertaining to the condition and performance of these assets were recorded and further analysed to establish the impact on the value in use of identified components.

Moveable assets: During the asset verification, movable assets were identified that were not on the asset register. The assets were fair valued.

During the year Remaining Useful Lives have been reviewed on all depreciable assets. However, during the revaluation of infrastructure and the holistic approach adopted in the review of all asset portfolios. No assets were identified with remaining useful life that required to be changed. As a result, no change in accounting estimate are required during the current financial year.

Included on the face of the Statement of financial performance is the costs incurred for routine repairs and maintenance of fixed assets. These costs don't meet the definition of an asset, therefore, were expensed them during the current financial year.

	2024
Maintenance of Buildings and Facilities	85,115
Maintenance of Equipment	27,713,627
Maintenance of Unspecified Assets	-
	<u>27,798,742</u>
	2023
Maintenance of Buildings and Facilities	14,150
Maintenance of Equipment	28,850,297
Maintenance of Unspecified Assets	-
	<u>28,864,447</u>

THABAZIMBI LOCAL MUNICIPALITY

Note 4 Biological assets

2024			
Cost/Valuation	Fair value adjustment	Carrying value	
Biological assets	835,600	(8,800)	826,800

2023			
Cost/Valuation	Fair value adjustment	Carrying value	
Biological assets	773,100	62,500	835,600

Reconciliation of biological assets

2024				
Cost/Valuation	Transfers	Fair value adjustments	Carrying value	
Biological assets	835,600	-	(8,800)	826,800

2023				
Cost/Valuation	Transfers	Fair value adjustments	Carrying value	
Biological assets	773,100	-	62,500	835,600

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued):

Note 5 - Intangible assets

	2024			2023		
	Cost	Accumulated Amortisation and Impairment	Carrying value	Cost	Accumulated Amortisation and Impairment	Carrying value
Computer Software	-	-	-	462,285	462,285	-
Total	-	-	-	462,285	462,285	-

Reconciliation of intangible assets - 2024

	Cost			Accumulated amortisation			Carrying value
	Opening balance	Additions	Closing balance	Opening balance	Amortisation	Impairment	
Computer Software	462,285	-	462,285	462,285	-	-	-
Total	462,285	-	462,285	462,285	-	-	-

Reconciliation of intangible assets - 2023

	Cost			Accumulated amortisation			Carrying value
	Opening balance	Additions	Closing balance	Opening balance	Amortisation	Impairment	
Computer Software	462,285	-	462,285	462,285	-	-	-
Total	462,285	-	462,285	462,285	-	-	-

	2024			2023		
	Cost	Accumulated depreciation & impairment	Carrying value	Cost	Accumulated depreciation & impairment	Carrying value
Investment property	-	-	-	-	-	-
Total	-	-	-	-	-	-

Reconciliation of investment properties - 2024

	Cost				Accumulated Depreciation & Impairment			Carrying value
	Opening balance	Additions	Disposals	Closing balance	Opening balance	Depreciation	Impairment	
Investment property	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

Reconciliation of investment properties - 2023

	Cost				Accumulated Depreciation & Impairment			Carrying value
	Opening balance	Additions	Disposals	Closing balance	Opening balance	Depreciation	Depreciation on disposal	
Investment property	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

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 are no restrictions on the title and nor the disposal of the investment properties. There are no investment properties pledged as securities for liabilities. Repairs and maintenance to investment properties was Rnil (2023: Rnil).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 6 Cash and cash equivalents

Cash and cash equivalents consist of:

Cash at bank
Call deposits
Marketable securities

Bank Guarantee

Call deposits and marketable securities earn interest rates depending on the market.

The municipality had the following bank accounts

Account number / description

Investment accounts

ABSA Bank Limited: Account Number 9301244384
ABSA Bank Limited: Account Number 2057649514
Marketable securities

Transactional accounts

ABSA Bank Limited: Account Number 1580000009
ABSA Bank Limited: Account Number 4094737590

Total

The municipality had the following cash books

Account number / description

Investment accounts

ABSA Bank Limited: Account Number 9301244384
ABSA Bank Limited: Account Number 2057649514
Marketable securities

Transactional accounts

ABSA Bank Limited: Account Number 1580000009
ABSA Bank Limited: Account Number 4094737590
Petty cash

Total

2024 **2023**
Restated

6,677,031	606,969
2,090,271	1,454,675
138,633	127,579
8,905,936	2,189,223
-	-

Bank accounts

30-Jun-24	30-Jun-23
1,991,778	1,363,701
98,494	91,793
6,473,562	557,589
203,469	49,380
8,767,303	2,062,464

Cash book

30-Jun-24	30-Jun-23
1,991,778	1,363,701
98,494	91,793
-	-
6,473,562	557,589
203,469	49,380
8,767,303	2,062,463

Note 7 Trade and other receivables from exchange transactions

Net customer service debtors

Customer service debtors comprise:

Electricity
Waste Management (Refuse)
Waste Water Management (Sewerage and sanitation charges)
Water
Service charges

15,426,851	11,935,028
1,311,389	4,396,835
2,957,980	8,030,124
15,527,989	16,694,961
936,627	717,960
36,160,837	41,774,908

Net other receivables

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Other receivables comprise:

Land sale debtors
 Merchandising Jobbing and Contracts
 Property rental debtors
 Other debtors

151,235	5,726
6,740,508	1,231,049
2,714,155	2,048,527
-	8,785,757
9,605,899	12,071,060

Total

45,766,735	53,845,968
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Gross customer service debtors

Gross customer service debtors comprise:

Electricity
 Waste Management (Refuse)
 Waste Water Management (Sewerage and sanitation charges)
 Water
 Service charges

46,489,204	41,598,668
103,588,951	85,414,587
159,053,151	132,414,748
222,350,924	197,766,904
3,401,387	3,184,236
534,883,618	460,379,142

Other gross receivables

Other receivables comprise:

Land sale debtors
 Merchandising Jobbing and Contracts
 Property rental debtors
 Other debtors

402,902	235,453
77,961,258	77,872,332
5,933,524	5,315,281
-	8,785,757
84,297,683	92,208,823

Total

619,181,301	552,587,965
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 7 Trade and other receivables from exchange transactions (continued):

	2024	2023 Restated
Provision for customer service debtors		
Customer service debtors comprise:		
Electricity	(31,062,353)	(29,663,639)
Waste Management (Refuse)	(102,277,562)	(81,017,752)
Waste Water Management (Sewerage and sanitation charges)	(156,095,171)	(124,384,624)
Water	(206,822,936)	(181,071,942)
Service charges	(2,464,760)	(2,466,276)
	(498,722,781)	(418,604,234)
Provision for Other receivables		
Other receivables comprise:		
Land sale debtors	(251,667)	(229,727)
Merchandising Jobbing and Contracts	(71,220,749)	(76,641,283)
Property rental debtors	(3,219,369)	(3,266,754)
Other debtors		
	(74,691,785)	(80,137,764)
Total	(573,414,566)	(498,741,998)

Aging of trade and other receivables from exchange transactions gross debtors - 2024

	Current (0 - 30 days)	31 - 60 days	61 - 90 days	Greater than 91 days
Electricity	4,094,506	1,684,386	1,683,987	35,426,326
Merchandising Jobbing and Contracts	204,784	123,920	123,696	77,504,914
Property Rental Debtors	78,270	77,359	75,978	5,701,916
Service charges	48,239	30,986	39,109	3,277,779
Waste Management	2,120,231	1,966,985	1,927,079	97,576,701
Waste Water Management	3,292,174	2,978,164	2,935,551	149,845,439
Water	5,693,923	3,420,764	3,464,573	209,677,344
Land Sale Debtors	2,795	2,795	2,795	394,517
	15,534,922	13,885,358	10,252,767	579,404,937

Aging of trade and other receivables from exchange transactions gross debtors - 2023

	Current (0 - 30 days)	31 - 60 days	61 - 90 days	Greater than 91 days
Electricity	5,271,962	2,420,039	1,990,303	31,916,363
Merchandising Jobbing and Contracts	180,112	101,221	95,058	77,491,997
Property Rental Debtors	64,253	63,487	62,696	5,124,846
Service charges	152,309	55,844	25,174	2,950,908
Waste Management	2,140,621	1,754,144	1,557,174	79,964,693
Waste Water Management	3,352,473	2,770,180	2,351,984	123,938,288
Water	5,006,202	4,120,850	2,756,360	185,789,162
Land Sale Debtors	1,085	1,085	1,097	232,186
Other debtors	8,785,757			
	24,954,775	11,286,850	8,839,846	507,408,444

Reconciliation of the provision for impairment

Balance at the beginning of the year	(498,741,998)	(456,744,140)
Impairment losses recognised	(64,990,976)	(36,519,876)
Impairment losses reversed		
Impairment VAT	(9,748,646)	(5,477,981)
Amounts written off as irrecoverable	-	-
	(573,481,620)	(498,741,998)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

None of the trade and other receivables were pledged as security.

Note 8 Trade and other receivables from non-exchange transactions

	2024	2023 Restated
Trade and other receivables from non-exchange transactions consist of:		
Property rates debtors	32,445,962	44,029,747
Traffic fines debtors	4,875,173	4,504,523
	37,321,135	48,534,270
Gross debtors		
Property rates debtors	180,934,558	176,595,440
Traffic fines debtors	4,875,173	4,504,523
	185,809,731	181,099,963
Less: Provision for impairment		
Property rates debtors	(148,488,596)	(132,565,693)
Traffic fines debtors	-	-
	(148,488,596)	(132,565,693)
Net debtors		
Property rates debtors	32,445,962	44,029,747
Traffic fines debtors	4,875,173	4,504,523
	37,321,135	48,534,270

Ageing of property rates gross debtors - 2024

	Current (0 - 30 days)	31 - 60 days	61 - 90 days	Greater than 91 days
Business and Commercial	1,233,985	933,311	893,217	17,179,834
Agricultural Purposes	1,431,136	1,185,088	1,190,588	41,044,592
Industrial Properties	99,264	59,891	53,489	1,070,908
Mining Properties	1,371,347	1,364,703	1,331,129	13,169,067
Public Benefit Organisations	560	558	557	53,587
Residential Properties	4,314,200	3,196,328	3,086,525	93,861,958
State-owned Properties	343,722	340,186	337,258	6,641,744
	8,794,212	7,080,065	6,892,762	173,021,690

Ageing of property rates gross debtors - 2023

	Current (0 - 30 days)	31 - 60 days	61 - 90 days	Greater than 91 days
Business and Commercial	1,904,035	16,584,115	798,882	16,452,264
Agricultural Purposes	1,176,119	1,017,721	904,670	31,123,296
Industrial Properties	129,127	46,706	39,725	807,216
Public Benefit Organisations	878	873	869	46,889
Residential Developed	3,957,089	3,424,339	2,302,682	74,198,818
State owned properties	285,335	162,254	159,647	3,349,504
Mining Properties	1,320,625	933,312	926,933	14,285,613
	8,773,207	22,169,320	5,133,408	140,263,600

Reconciliation of the provision for impairment

Balance at the beginning of the year	(132,565,693)	(118,721,199)
Impairment losses recognised	(13,846,003)	(12,038,691)
Impairment losses reversed	-	-
Impairment VAT	(2,076,900)	(1,805,804)
Amounts written off as irrecoverable	-	-
	(148,488,597)	(132,565,693)

None of the trade and other receivables from non-exchange transactions were pledged as security

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Ageing of traffic fine debtors-2024

Traffic fine debtors

Current (0 - 30 days)	31 - 60 days	61 - 90 days	Greater than 91 days
1,200	22,400	28,900	4,822,673

Ageing of traffic fine debtors-2023

Traffic fine debtors

Current (0 - 30 days)	31 - 60 days	61 - 90 days	Greater than 91 days
38,400	31,450	40,050	4,394,623

Note 9 Inventories

Consumables
Finished goods
Materials and Supplies
Water

3,894,895	2,523,210
322,249	322,249
7,510,059	7,548,574
250,816	218,182
11,978,018	10,612,214

Gross inventory

Consumables
Finished goods
Materials and Supplies
Water

3,933,410	2,731,959
322,249	322,249
7,510,059	7,548,574
250,816	218,182
12,016,534	10,820,963

Provision for redundant obsolete and slow moving stock

Opening balance
Consumables
Materials and Supplies
Water

424,999	216,250
38,515	208,749
-	-
-	-
463,514	424,999

No inventory was written-off during the period under review

No inventory was pledged as security for liabilities.

Inventory consumed for period under review amount to R 25 816 446(2023: R 17 575 105)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 10 Borrowings

Development Bank of South Africa

Split as follows:

Non-current portion

Current portion (payable in the next 12 months)

2024

2023
Restated

	-
-	-

Note 11 Provisions

Environmental rehabilitation provision (Landfill sites)

Opening balance

Change in landfill closure provision

Interest cost

Correction of error

57,183,004	52,498,651
469,699	(742,547)
6,440,053	5,426,900
-	-
64,092,756	57,183,004

The provision for environmental rehabilitation relates to the rehabilitation of the landfill sites and are split as follows:

Non-current portion

Current portion

61,547,283	54,980,319
2,545,473	2,202,685
64,092,756	57,183,004

The key financial assumptions used for the calculation of the landfill site provision are detailed below:

For Northam (old) landfill site

Consumer price inflation (CPI)

Discount rate

Net effective discount rate

5.170%	6.171%
10.170%	10.672%
5.00%	4.50%

For Northam (new) landfill site

Consumer price inflation (CPI)

Discount rate

Net effective discount rate

5.170%	6.171%
10.670%	11.422%
5.50%	5.25%

For Donkerpoort, Leeupoort and Rooiberg landfill

Consumer price inflation (CPI)

Discount rate

Net effective discount rate

5.170%	6.171%
10.670%	11.422%
5.50%	5.25%

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 12 Employee benefit obligations

Post-Retirement Medical Obligation	39,907,000	34,311,000
Long Service Awards	11,580,000	11,368,000
Total employee benefit obligations	51,487,000	45,679,000
Non-current portion		
Post-Retirement Medical Obligation	38,981,000	33,684,000
Long Service Awards	10,148,000	9,630,000
	49,129,000	43,314,000
Current portion		
Post-Retirement Medical Obligation	926,000	627,000
Long Service Awards	1,432,000	1,738,000
	2,358,000	2,365,000

12.1 Post-Retirement Medical Obligation

Balance at beginning of year	34,311,000	36,692,000
Current service cost	1,124,000	1,372,000
Interest cost	4,278,000	4,310,000
Actuarial (gain) / losses	194,000	(8,063,000)
Balance at end of year	39,907,000	34,311,000

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes most of which offer a range of options pertaining to levels of cover. Upon retirement an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement the surviving dependants may continue membership of the medical scheme.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2024 by ARCH Actuarial Consulting a Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method.

The members of the Post-employment Medical Benefit are made up as follows:

In-service Members (Employees)	193	190
In-service Non-members (Employees)	115	121
Continuation Members (Retirees widowers and orphans)	18	16
Total members	326	327

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

In-service Members (Employees)	27,749,000	24,123,000
In-service Non-members (Employees)	3,400,000	3,125,000
Continuation Members (Retirees widowers and orphans)	8,758,000	6,973,000
Total liability	39,907,000	34,221,000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

12.1 Post-Retirement Medical Obligation (continued):

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- (i) Bonitas
- (ii) Keyhealth
- (iii) LA Health
- (iv) Samwumed
- (v) Sizwe Hosmed

The Current-service Cost for the year ending 30 June 2024 is R1 124 000 (2023: R1,372,000) whereas the cost for the ensuing year is estimated to be R1,154,000

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

Discount Rate
Health Care Cost Inflation Rate
Net Effective Discount Rate
Average retirement age

2024

2023
Restated

12.58%	12.58%
6.31%	8.18%
7.81%	4.07%
62	62

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at beginning of year
Current service cost
Interest cost
Actuarial (gain) / losses
Balance at end of year

34,311,000	36,692,000
1,124,000	1,372,000
4,278,000	4,310,000
194,000	(8,063,000)
39,907,000	34,311,000

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

Present value of fund obligations
Unfunded Accrued Liability

39,907,000	34,311,000
39,907,000	34,311,000

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

Current service cost
Interest cost
Actuarial losses / (gains)

1,124,000	1,372,000
4,278,000	4,310,000
194,000	(8,063,000)
5,596,000	(2,381,000)

The effect of a 1% movement in the key assumptions is detailed below:

Increase:

Health care inflation rate
Discount rate

47,057,000 40,657,000
34,142,000 29,430,000

Decrease:

Health care inflation rate
Discount rate

34,395,000 29,212,000
46,804,000 40,442,000

The history of experienced adjustments is as follows:

	2024	2023	2022	2021
Present Value of Defined Benefit Obligation	39,907,000	34,311,000	36,692,000	32,782,000
Fair value of plan assets	-	-	-	-
Experience adjustments	(1,789,000)	(1,137,000)	(368,000)	(1,573,000)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

12.2 Long Service Awards

Balance at beginning of year
 Current service cost
 Interest cost
 Actuarial (gain) / losses
 Balance at end of year

2024	2023 Restated
11,368,000	11,143,000
928,000	933,000
1,173,000	1,134,000
(1,889,000)	(1,842,000)
11,580,000	11,368,000

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan a Long-service Award is payable after 10 years of continuous service and every 5 years of continuous service thereafter to 45 years to employees. The provision is an estimate of the long service based on historical staff turnover.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2024 by ARCH Actuarial Consulting, a Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method.

At year end 308 (2023: 311) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2024 is estimated to be R928,000 (2023: R933,000) whereas the cost for the ensuing year is estimated to be R 909,000

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

Discount Rate
 General earnings inflation rate (long-term)
 Net Effective Discount Rate
 Average retirement age

10.97%	11.15%
5.14%	6.50%
6,14%	4.36%
62	62

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year
 Current service costs
 Interest cost
 Actuarial (gains) / losses

11,368,000	11,143,000
928,000	933,000
1,173,000	1,134,000
(1,889,000)	(1,842,000)
11,580,000	11,368,000

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

Present value of fund obligations
 Unfunded Accrued Liability

11,580,000	11,368,000
11,580,000	11,368,000

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

Current service cost
 Interest cost
 Actuarial (gains) / losses

928,000	933,000
1,173,000	1,134,000
(1,889,000)	(1,842,000)
212,000	225,000

The effect of a 1% movement in the key assumptions is detailed below:

Increase:

General earnings inflation rate
 Discount rate

12,222,000	11,996,000
10,982,000	10,781,000

Decrease:

General earnings inflation rate
 Discount rate

10,990,000	10,792,000
12,241,000	12,017,000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

The history of liabilities assets and experience adjustments is as follows:

	2024	2023	2022	2021
Present Value of Defined Benefit Obligation	11,580,000	11,368,000	11,143,000	10,718,000
Fair value of plan assets			-	-
Experience adjustments	(37,000)	400,000	211,000	449,000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 13 Consumer deposits

	2024	2023 Restated
Consumer deposits	5,069,435	4,795,679
	5,069,435	4,795,679

Note 14 Trade and other payables from exchange transactions

Current portion of trade and other payables from exchange transactions

Trade payables	332,964,034	290,202,868
Transfers and subsidies payable	3,128,642	
Advance payments	27,253,807	19,018,902
Agency fees payable	564,186	5,719,455
Payroll clearing and control accounts	4,778,302	6,478,122
Inventory clearing and control account	650,411	650,411
Leave accrual	14,047,195	13,525,868
Bonus accrual	3,748,423	3,785,912
Unallocated deposits	19,877,042	16,232,524
Retention	17,488,640	14,346,939
	424,500,683	369,961,002

Non-current portion of trade and other payables from exchange transactions

Trade payables	201,900,000	152,160,974
	626,400,683	522,121,975

The Municipality has payment arrangements for various large outstanding creditors. The payment arrangements indicate that the debt is payable over a period which exceeds the current (12 months) term. The amount payable over and above a one year period has been disclosed as a non-current liability.

Below is the creditors that the municipality has entered into payment arrangement with:

1. Eskom
2. Magalies water
3. Auditor General South Africa
4. South African Revenue Service

Note 15 Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Integrated National Electrification Programme (INEP)	4,480,289	-
Human Settlements Development Grant	-	-
Municipal infrastructure grant (MIG)	23,447,335	3,128,642
Municipal water infrastructure grant (WSIG)	0	0
	27,927,624	3,128,642

See note 19 for a reconciliation of grants and receipts from National/Provincial Government.

Note 16 Property rates

Agricultural Property	13,531,885	11,570,748
Business and Commercial Properties	-	30,166,086
Industrial Properties	1,668,183	1,337,788
Mining Properties	16,552,240	15,615,220
Residential Properties	48,675,416	39,865,159
Correction of Error		
State-owned Properties	3,341,215	1,574,909
	79,611,967	100,129,911

Valuations

Residential Properties	4,775,732,918	4,775,732,918
Business and Commercial Properties	1,755,462,407	1,755,462,407

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

State-owned Properties
Small holdings and farms
Social and vacant land

171,897,925	171,897,925
8,628,425,340	8,628,425,340
880,024,265	880,024,265
16,211,542,855	16,211,542,855

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

Note 17 Fines

Traffic fines issued

370,650	680,850
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Note 18 Licence and permits

Licence and permits revenue comprise:
Trading licences
Drivers Licence Certificate

11,843	25,308
11,843	25,308

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 19 Government grants and subsidies

Operating grants

Equitable share
 Financial Management Grant (FMG)
 Disaster Relief Grant (DRG)
 Expanded public works programme grant (EPWP)

2024	2023 Restated
122,242,000	126,494,142
3,100,000	3,100,000
-	-
1,370,000	1,256,000
126,712,000	130,850,142

Capital grants

Municipal infrastructure grant (MIG)
 Integrated National Electrification Programme (INEP)
 Municipal water infrastructure grant (WSIG)
 Human Settlements Development Grant

13,064,665	18,288,158
28,319,711	25,000,000
6,862,433	23,187,028
-	403,638
48,246,809	66,878,824

Total Government grants and subsidies

174,958,809	197,728,965
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19.1 Equitable Share

The grant is an unconditional grant and is used for the provision of indigent support through free basic services.

19.2 Finance Management Grant

Balance unspent at beginning of year
 Current-year receipts
 Conditions met - transferred to revenue
 Prior period error
Unspent amount at year end

-	-
3,100,000	3,100,000
(3,100,000)	(3,100,000)
-	-
-	-

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA 2003 . All conditions of the grant were met.

19.3 Disaster relief grant

Balance unspent at beginning of year
 Current-year receipts
 Conditions met - transferred to revenue
 Prior period error
Unspent amount at year end

-	-
-	-
-	-
-	-
-	-

The grant is used for COVID-19 disaster related expenses. All conditions of the grant were met.

19.4 EPWP grant

Balance unspent at beginning of year
 Current-year receipts
 Conditions met - transferred to revenue
 Prior period error
Unspent amount at year end

-	-
1,370,000	1,256,000
(1,370,000)	(1,256,000)
-	-
-	-

The grant is used for extended public works programmes. All conditions of the grant were met.

19.5 Municipal Infrastructure Grant

Balance unspent at beginning of year
 Disallowed roll-over
 Current-year receipts
 Conditions met - transferred to revenue
 Transfer from Waterberg District
Unspent amount at year end

3,128,642	13,959,998
(3,128,642)	(13,959,998)
36,512,000	22,544,000
(13,064,665)	(19,415,358)
-	-
23,447,335	3,128,642

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

This grant was used to construct basic municipal infrastructure to provide basic services for the benefit of household. All conditions of the grant were met.

19.6 Integrated National Electrification Grant (INEP)

Balance unspent at beginning of year
 Disallowed roll-over
 Current-year receipts
 Conditions met - transferred to revenue
 Prior period error

Unspent amount at year end

-	4,418,554
-	-4,418,554
32,800,000	25,000,000
(28,319,711)	(25,000,000)
-	-
4,480,289	0

This grant is used for electrification projects as part of upgrading of informal settlement areas.

19.7 Municipal water infrastructure grant (WSIG)

Balance unspent at beginning of year
 Current-year receipts
 Conditions met - transferred to revenue
 Prior period error

Unspent amount at year end

0	-
6,862,433	23,187,028
(6,862,433)	(23,187,028)
-	-
0	0

This grant was used to construct basic municipal water services infrastructure to provide basic services for the benefit of household.

19.8 Human Settlements Development Grant

Balance unspent at beginning of year
 Current-year receipts
 Disallowed roll-over
 Conditions met - transferred to revenue
 Prior period error

Unspent amount at year end

-	403,638
-	-
-	-
-	(403,638)
-	-
-	-

The Human Settlements Development Grant (HSDG) is a schedule 5 grant of which the objective is the creation of sustainable and integrated human settlements that enable improved quality of household life and access to basic services. No conditions of the grant were met and it remains unspent.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 20 Service charges

Sale of electricity
Waste Management (Refuse)
Waste Water Management (Sewerage and sanitation charges)
Sale of water

2024	2023 Restated
88,970,041	63,804,218
19,062,267	18,139,840
28,351,146	27,442,014
34,794,591	42,927,430
171,178,045	152,313,503

Note 21 Rental of facilities and equipment

Rental income comprise of:
Rental of property
Community assets
Other assets

504,411	507,818
29,746	44,206
-	-
534,157	552,024

Note 22 Licences and permits

Drivers Licence Application/Duplicate Drivers Licences
Agency fee (Department of Transport)
Learners Certificate

-	-
5,155,269	4,470,165
-	-
5,155,269	4,470,165

Note 23 Other operational revenue

Collection Charges
Commission
Discounts and Early Settlements
Membership Fees
Incidental Cash Surpluses
Request for Information
Staff Recoveries
Building Plan Approval
Cemetery and Burial
Clearance Certificates
Fire Services
Photocopies and Faxes
Tender Documents
Skills development fund refunded
Town Planning and Servitudes

51,400	2,196
-	69,666
4,178	-
59	2,212
59	790
1,106,445	5,739
542,599	452,795
300,323	316,027
886	192
-	-
-	273
31,470	9,367
205,171	171,643
219,958	152,740
2,462,490	1,183,640

Note 24 Interest income

Interest Income comprises of:
Bank
Trade and other receivables non exchange transactions
Trade and other receivables exchange transactions

595,831	428,801
14,356,216	10,163,830
44,126,482	22,138,189
59,078,530	32,730,819

Note 25 Employee related costs

Basic salaries
Bonuses
Medical contributions
Pension contributions
Unemployment Insurance contributions
Bargaining Council

94,002,481	89,613,429
6,528,404	6,534,439
7,282,967	6,607,361
17,547,567	16,970,071
843,039	2,071,283
44,154	41,882

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Travel or motor vehicle allowance	16,705,583	15,258,200
Standby allowance	3,437,359	3,162,378
Overtime	10,913,714	12,036,964
Leave pay	5,781,095	6,097,926
Change in leave accrual	521,327	184,965
Housing Benefits	304,604	258,002
Cellular and Telephone allowance	665,660	765,648
Other	123,513	165,452
Post retirement benefits: Long service award: current service costs	928,000	933,000
Post retirement benefits: Medical: current service costs	1,124,000	1,372,000
Post retirement benefits: long service awards: actuarial (gains) / losses	(1,889,000)	(1,842,000)
Post retirement benefits: Medical: actuarial (gains) / losses	194,000	(8,063,000)
	165,058,467	152,168,000

Remuneration of senior managers

Municipal Manager

Annual Remuneration	750,634	469,146
Travel allowance	187,658	117,287
Other	48,791	22,511
Bargain council and SDL	9,128	5,813
Cellphone allowance	12,000	7,500
	1,008,211	622,256

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 25 Employee related costs (continued):

Chief Financial Officer

Annual Remuneration
 Car allowance
 Acting Allowance
 Bargain council and SDL
 Rural allowance
 Cellphone allowance

2024	2023 Restated
	84,455
	10,000
	-
	2,143
	3,778
	1,500
-	101,877

Director: Technical services

Annual Remuneration
 Car allowance
 Cellphone allowance
 Other
 Travel allowance

The position remained vacant for 12 months for the period under review

-	-

Director: Corporate Services

Annual Remuneration
 Acting Allowance
 Cellphone allowance
 Other
 Travel allowance

	444,113
	-
	9,000
	49,637
	90,000
-	592,749

Director: Planning and Development

Annual Remuneration
 Acting Allowance
 Car allowance
 Cellphone allowance
 Other
 Travel allowance

469,806	825,281
49,209	243,064
12,000	18,000
30,061	172,971
64,000	96,000
625,076	1,355,315

Director: Director Community Services

Annual Remuneration
 Acting allowance
 Cellphone allowance
 Other
 Travel allowance

611,706	866,128
-	67,259
12,000	18,000
247,590	268,019
80,000	120,000
951,296	1,339,407

Note 26 Remuneration of councillors

Mayor
 Speaker
 Chief whip
 Other councillors

997,339	1,043,232
810,232	874,824
478,853	422,009
7,808,445	7,743,422
10,094,870	10,083,487

Mayor

Basic Salary
 Cell phone Allowance
 Motor Vehicle Allowance
 Pension Fund and Medical Contributions

828,907	880,819
46,068	41,300
122,364	121,113
997,339	1,043,232

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Speaker

Basic Salary
 Cell phone Allowance
 Motor Vehicle Allowance
 Pension Fund and Medical Contributions

488,006	548,400
45,268	40,800
204,838	210,220
72,121	75,405
810,232	874,824

Chief whip

Basic Salary
 Cell phone Allowance
 Motor Vehicle Allowance
 Pension Fund and Medical Contributions

350,113	335,129
45,268	40,800
32,363	
51,109	46,080
478,853	422,009

Other councillors

Basic Salary
 Cell phone Allowance
 Motor Vehicle Allowance
 Pension Fund and Medical Contributions

5,180,252	5,285,835
819,039	779,703
1,024,775	922,584
784,379	755,299
7,808,445	7,743,422

Note 27 Impairment loss

Impairment loss on property plant and equipment
 Impairment loss on Intangible Assets
 Inventory impairment: contributions to inventory impairment provision
 Debt impairment: contributions to debt impairment provision

23,266,899	86,206,704
-	-
38,515	208,749
78,836,979	48,558,567
102,142,393	134,974,021

Note 28 Depreciation and amortisation

Property plant and equipment
 Impact of change in estimated useful lives of asset***
 Intangible assets

35,660,747	37,472,390
(7,070,473)	(18,540,619)
	-
28,590,274	18,931,771

***During the current financial year the remaining useful lives of the Municipality's infrastructure assets were re-estimated. The increased useful lives of the re-estimated figures resulted in a decrease in the depreciation. Please refer to note 3.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 29 Finance costs

Current borrowings (DBSA loan)
Landfill site interest
Interest cost on post-retirement benefits: Long service awards
Interest cost on post-retirement benefits: Medical
Interest on late payment to suppliers

2024	2023 Restated
	-
6,440,053	5,426,900
1,173,000	1,134,000
4,278,000	4,310,000
10,287,085	14,332,346
22,178,138	25,203,246

Note 30 Bulk purchases

Electricity
Water

92,486,586	83,121,079
92,486,586	83,121,079

Note 31 Contracted services

Consultants and Professional Services

Business and Advisory services
Infrastructure and Planning services (Architectural)
Legal Advice and Litigation

4,675,002	5,658,689
14,946,658	-
19,621,660	5,499,686
19,621,660	11,158,376

Contractors

Gas
Maintenance of Buildings and Facilities
Maintenance of Equipment
Maintenance of Unspecified Assets
Safeguard and Security
Sewerage Services
Medical Services

2,501,430	1,683,784
85,115	14,150
27,713,627	22,855,358
21,896,026	4,098,508
110,405	198,497
52,306,603	28,850,297

Outsourced Services

Research and Advisory
Business and Advisory
Water Connection/Dis-connection
Professional Staff
Refuse Removal

12,192,309	3,110,419
2,088,906	(13,553)
	1,018,865
14,281,215	4,115,731

Total contracted services

86,209,478	44,124,403
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Note 32 Operational costs

Advertising Publicity and Marketing
Registration fees
Prepaid vendor Commission
Bank Charges Facility and Card Fees
Contribution to provisions: Landfill site
Telephone Fax Telegraph and Telex
Postage/Stamps/Franking Machines
Entertainment
External Audit Fees
External Computer Service
Indigent Relief
Insurance Underwriting premiums
Licences
Municipal Services

658,090	226,160
51,563	398,082
9,076,057	11,334,586
370,038	291,722
2,064,333	89,114
1,569,949	1,527,282
	1,998
3,589,626	5,857,571
1,530,038	
1,037,981	652,418
58,372	76,225
1,402,145	
15,228	169,040

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Printing Publications and Books
Remuneration to Section 79 Committee Members
Professional Bodies Membership and Subscription
Skills Development Fund Levy
Travel and Subsistence
Uniform and Protective Clothing
Workmen's Compensation Fund

53,914	84,671
314,752	473,940
1,934,875	1,842,783
804,888	608,360
4,455,607	3,350,706
175,739	418,093
3,149,532	2,657
32,312,727	27,405,406

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 34 Commitments

34.1 Capital expenditure

Approved and contracted for:
- *Infrastructure assets*

Approved and not yet contracted for:
- *Infrastructure assets*

Total capital commitments

2024	2023 Restated
68,724,983	68,298,543
-	-
68,724,983	68,298,543

34.2 Lease commitments

The municipality has the following rental arrangements which are currently on a month to month rental basis until such a time that the leases are renewed. The leases are expected to be renewed within the next financial year once the terms are agreed with the lessor. There is currently therefore no future lease commitments payable by the municipality until the lease agreements are signed. The monthly lease rentals payable to the lessor are as follows:

Property

Erf 361 Thabazimbi Ext 3
Erf 369 Thabazimbi Ext 3
Rental of printing machines

Current Monthly rental	Yearly rental
20,453	245,436.12
37,141	445,696.08
-	-

34.3 Other operational commitments

The operational commitment related to the security contract that the Municipality has. The amount charged is R18902.40 per grade C guard per month for a day shift and the same amount for a night shift.

Note 35 Fruitless and wasteful expenditure

Opening
Current year fruitless & wasteful expenditure
Less: Recovered
Less: Written-off
Prior period adjustment

157,778,292	143,452,017
10,287,085	14,326,275
-	-
168,065,377	157,778,292

Details of fruitless and wasteful expenditure

Interest and penalties

10,287,085 14,332,346

Cases under investigations

As at 30 June 2024 there were no investigation conducted by the council

Amount written off

Fruitless and wasteful expenditure written-off during the year under review is R0 (2023: R0)

Note 36 Irregular expenditure and Unauthorised expenditure

36.1 Irregular expenditure

Opening balance
Current year irregular
Transferred to receivables
Written off

Irregular expenditure awaiting condonement

433,338,344	407,175,197
36,362,451	26,163,147
469,700,795	433,338,344

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

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

	Reason for non compliance	Legislation contravened	
Competitive bidding	Contract expired	SCM ReG 36 & MFMA 116(3)	1,734,759
Competitive bidding	Competitive bidding process not followed	SCM ReG 36 & MFMA 116(3)	34,627,692
			<u>36,362,451</u>

Amount written off

Irregular amount written-off during the year under review is R0 (2023: R0)

The Municipality will report irregular expenditure to Council MEC for Local Government Treasury and AGSA.

36.2 Unauthorised expenditure

Opening balance

Current year unauthorised

Correction of error

Unauthorised expenditure awaiting condonement

628,041,665	554,137,169
82,189,695	73,904,496
<u>710,231,360</u>	<u>628,041,665</u>

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

Non cash items

cash items

65,057,037	
- 1,803,247	
<u>63,253,789.45</u>	-

Analysed as follows: non-cash items

Depreciation and amortisation

Provision for impairment

-	
65,057,036.86	
<u>65,057,036.86</u>	-

Analysed as follows: cash items

Finance charges

Remuneration of councillors

- 340,010.12	
- 1,463,237.29	
<u>1,803,247.41</u>	-

Cases under investigations

As at 30 June 2024 there were no investigation conducted by the council

Amount written off

Fruitless and wasteful expenditure written-off during the year under review is R0 (2023: R0.00)

The Municipality will report unauthorised expenditure to Council MEC for Local Government Treasury and AGSA.

36.3 Deviations 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 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 these are reported appropriately in the annual financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

The amounts below represent the quotation and tender deviation for the year as approved by the Accounting Officer. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Deviations for the 2023/24 financial year in terms of the Supply Chain Management Regulations amounted to R 1 741 578 (2023: R1,131,109)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

36.3 Deviations from supply chain management regulations (continued):

Description and reason of deviation	2024
DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES – APPOINTMENT AND PAYMENT TO A SERVICE PROVIDER (WORKSHOP ELECTRONICS) FOR REPAIRING OF AXLE MASS METER LOAD SENSORS.	13,960
DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES – MAKE APPOINTMENT OF A SERVICE PROVIDER(DELAGEN) FOR REPLACING BROKEN GENERATOR, SCM REGULATION 36 (i).	324,185
DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES – MAKE APPOINTMENT OF A SERVICE PROVIDER FOR CALIBRATION- PROLASER AT TRUVELO LIDAR, SCM REGULATION 36.	12,310
DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES – APPOINTMENT OF A SERVICE PROVIDER (LEXIS NEXIS) FOR PURCHASING OF NEW AMENDED NATIONAL ROAD TRAFFIC ACT NO.23 OF 1996.	2,220
DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES - APPOINTMENT TO A SERVICE PROVIDER FOR ADVERTISING ON THE LOCAL NEWSPAPER, SCM REGULATION 36.SOLE PROVIDER (LOCALLY)	120,114
DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES – APPOINTMENT OF A SERVICE PROVIDER IN REPAIRING THE SCUFF GAUGE HEAD, SCM REGULATION 36,	38,546
DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES - APPOINTMENT OF A SERVICE PROVIDER(NGAKO TECHNOLOGY) FOR REPLACING BURNED TRANSFORMER, SCM REGULATION 36 (i).	669,899
DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES - APPOINTMENT TO A SERVICE PROVIDER FOR ADVERTISING ON THE LOCAL NEWSPAPER, SCM REGULATION 36.SOLE PROVIDER (LOCALLY)	127,641
DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES – MAKE APPOINTMENT OF A SERVICE PROVIDER FOR PROVIDING A WATER TRUCK TO DELIVER WATER AT REGOROGILE, SCM REGULATION 36 (i).	158,780
DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES - APPOINTMENT TO A SERVICE PROVIDER FOR ADVERTISING ON THE LOCAL NEWSPAPER, SCM REGULATION 36.SOLE PROVIDER (LOCALLY)	5,687
DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES – APPOINTMENT OF A SERVICE PROVIDER FOR SERVICING THE REFUSE TRUCK CTS 492 L, SCM REGULATION 36	125,155
DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES – APPOINTMENT OF A SERVICE PROVIDER FOR REPAIRING HYDRAULICS CYLINDER FOR REFUSE TRUCK CWF 360 L , REGULATION 36: (a)(1)(i)(v).	81,645
DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES – APPOINTMENT OF A SERVICE PROVIDER FOR SERVICING THE REFUSE TRUCK CTS 492 L, SCM REGULATION 36	32,710
DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES – APPOINTMENT OF A SERVICE PROVIDER (WORKSHOP ELECTRONICS) FOR SERVICE AND CALIBRATION FOR A-GRADE LANE AND QM ON A FLASH DRIVE.	28,726
	<u>1,741,578</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 37 Prior period errors and reclassifications

2023

Property plant and equipment

1. During the 2022/23 financial year audit, Assets from the Repair and Maintenance of 2021.22 FY were not included in FAR. This resulted in an increase of Cost of R 1 313 945, Increase of Accumulated Depreciation of R 28 843 and Increase of Depreciation of R 49 241.

2. No impairment assessment for the Thabazimbi Waste Water Treatment Works was done during the 2022/23 financial year. This resulted in an increase in accumulated impairment and impairment loss of R 86 118 600

3. The purchase of property which had not yet been transferred to the municipality was erroneously included in the 2022/23 construction work-in-progress(WIP)

register.WIP has thus increased by R 1 478 942,with current assets(receivables due) and accruals increasing by R2 300 000 and R 821 057.20 respectively.

4. Assets with zero cost,accumulated depreciation and thus a zero carrying value were identified during the 2022/23 financial year.The infrastructure cost,accumulated depreciation and depreciation expenses has thus increased by R20 302 716,R8 002 124 and R1 383 178 respectively as a result of the correction of error.

The correction above impacted the following components:

	Previously reported-2023	Correction of error	Restated amount
Statement of financial position			
Property plant and equipment-Immovable Assets			
Land	8,809,712.00		8,809,712.00
Road Infrastructure	354,939,202.00	12,523,244.00	367,462,446.00
Community assets	76,078,167.00	3,072.00	76,081,239.00
Electrical Infrastructure	38,038,120.00	723,558.00	38,761,678.00
Stormwater network	21,794,564.00	143,267.00	21,937,831.00
Solid Waste Infrastructure	45,905.00	0.00	45,905.00
Work in progress	85,464,732.00	-1,478,942.00	83,985,790.00
Sanitation Infrastructure	130,861,873.00	-82,747,835.00	48,114,038.00
Water Infrastructure	156,771,617.00	364,751.00	157,136,368.00
	872,803,892		802,335,007

2.The nature of the prior period error:

1. During the Year the Municipality noted Assets with negative balance but not derecognised. These Assets on the Accumulated Depreciation were not fully removed. This results in a Decrease of Accumulated Depreciation and Decrease of Loss on Disposal of Assets of R 34 388.

2. During the year the Municipality noted with the Audit Finding of movable assets on the floor and not on the Register Results of Increase of Cost of R 2 313 131. 38 and Increase of Accumulated Depreciation of R 1 001 684.36, Increase of Depreciation of R 499 886 and Increase of Change of Estimate of R 8 367.19.

3. Movable assets with a zero carrying amount were recorded in the 2022/23 assets register.The correction thereon has resulted in an increase in assets of R1 789 514.40 and a change in estimate and depreciation of R1 363 206.45.

4. Impairment Indicators for assets in a poor condition was not done in the 2022/23 financial year.The correction of this error has resulted in an increase in accumulated impairment and impairment loss of R88 104.

	Previously reported-2023	Correction of error	Restated amount
The correction above impacted the following components:			
Statement of Financial Position			
Property,Plant and Equipment-Movable Assets			
Furniture and Office Equipment	168,342	301,741	470,083

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

IT Equipment

1,684,124

832,555

2,516,679

Machinery and Equipment

781,465

51,738

833,203

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Transport Assets

5,049,787

528,234

5,578,021

7,683,718

9,397,986

Bonus Accrual

Previously reported

3,801,213

Less: bonus accrual overstated

(15,301)

3,785,912

The 2022/23 bonus provision was overstated by R15 301.32 due to a casting error. Employee related costs(bonuses) were understated by the same amount.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Commission expenses

Previously stated	2,196.00
Add:commission expenses understated	11,332,390.00
Restated	11,334,586.00

Commission expenses were understated by R11332390 during the 2022/23 Financial Year.Accumulated surplus was also understated with the same amount.

Inventory	11,839,606
Previously stated	(1,227,392)
Less:inventory overstated	10,612,214.00

Restated

Items relating to repairs and maintenance expenditure were incorrectly classified as inventory.The 2022/23 inventory balance was thus overstated by R1 227 392.Repairs and maintenance expenditure was understated by the same amount

	Previously reported-2023	Reclassification	Restated amount
The correction above impacted the following components:			
Statement of Financial Position			
Inventory	11,839,606	(1,227,392)	10,612,214
Bonus accrual	3,801,213	(15,301)	3,785,912
Statement of Financial Performance			
Employee related costs(bonuses)	6,519,138	15,301	6,534,439
Contracted services	21,627,966	1,227,392	22,855,358

Note 38 Additional disclosure in terms of Municipal Finance Management Act

38.1 Material losses

Material losses through the distribution of electricity

Units purchased in KWh x Average price lost	(84,341,691)	(80,128,602)
Units sold during the year in KWh x Average price lost	85,262,573	76,670,148
	920,882	(3,458,454)
Percentage lost	-1%	4%

Unit of lost in kWh

4,804,956	14,268,299
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The electricity losses can be classified into technical losses and non-technical losses. Technical losses relate to energy that is lost in the transportation of the electricity from point of supply to point of distribution through evaporation. Non-technical losses are attributable mainly to theft bypass of meters illegal recalibration of meters damaged meters transformers etc. Units lost during the year were 4 804 956 KWh (2023:14 268 299 KWh).

Material losses through distribution of water losses

Units purchased in KL x Average price lost	45,910,501	(40,032,340)
Recorded billing during the year in KL x Average price lost	(32,682,965)	37,472,326
	13,227,536	(2,560,014)
Percentage lost	29%	6%

Units lost during the year were KL 3 578 609 (2023: 2 794 705 KL) at a price of R10.04 (2023: R8.736)

Material losses

Units purchased in KL	4,571,473	4,253,385
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Units sold in KL

992,864	1,458,680
<u>3,578,609</u>	<u>2,794,705</u>
78%	66%

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

38.2 Contributions to organised local government

Opening balance	11,313,676	9,470,893
Current year fees	1,889,824	1,842,783
Amount paid - current year	(1,000,000)	-
Closing balance	12,203,500	11,313,676

38.3 Auditor's remuneration

Opening balance	15,628,617	16,734,833
Current year fees		5,975,995
Correction of error		
Write-offs		
Amount paid - current year		(7,082,211)
Closing balance	15,628,617	15,628,617

38.4 PAYE SDL and UIF

Opening balance	5,792,625	5,662,868
Current year subscription / fee	31,996,591	25,570,632
Amount paid - current year	(31,996,591)	(25,440,875)
Closing balance	5,792,625	5,792,625

The amounts represent PAYE SDL and UIF.

38.5 Pension and Medical Aid Deductions

Opening balance	36,298,345	420,716
Current year subscription / fee	43,969,755	
Amount paid - current year	(43,969,755)	35,877,630
Closing balance	36,298,345	36,298,345

38.6 VAT

Statutory receivables from exchange transactions-VAT	359,709	1,510,473
Input VAT accrual	-239,266,622	-210,206,798
Output VAT Accrual	127,687,090	120,742,692
	-111,219,822	-87,953,633

Vat is paid over to SARS only once the payment is received from Debtors and is receivable from SARS once the payment has been made to Creditors . All VAT returns for the year have been submitted. Included in the VAT Receivable is the statutory receivables from exchange transactions of R359 709, which represents an amount owed to the municipality by SARS. Therefore, the balance is the VAT accrual.

38.7 Councillors' arrear consumer accounts

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

2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
KGOTLHANG RH	2,133	1,469	3,601
ERASMUS FJ	1,762	-	1,762
RAMOABI T	3,458	23,908	27,366
MAGETSE MK	2,729	25,933	28,663
KHALUNGA TN	5,273	137,897	143,170
SWANEPOEL JEA	6,811	19,620	26,431
MASILO JK	14,038	153,100	167,139
MOGAPI JM	5,636	125,293	130,929
SESOMA KA	5,311	151,244	156,556
SIKWANE CS	2,842	29,025	31,867

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

STEENKAMP C
MANYAMA R

8,171	16,304	24,476
733	27,852	28,585
58,899	711,646	770,545

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

2023

KGOTLHANG RH
ERASMUS FJ
RAMOABI T
MAGETSE MK
KHALUNGA TN
SWANEPOEL JEA
MASILO JK
MOGAPI JM
SESOMA KA
SIKWANE CS
STEENKAMP C
MANYAMA R

	Outstanding less than 90 days	Outstanding more than 90 days	Total
	13,114	212,248	225,363
		-	-
	2,986	20,326	23,312
	2,245	18,622	20,867
	1,653	14,577	16,230
	5,235	10,754	15,989
	32,509	108,000	140,509
	7,854	103,689	111,543
	4,124	136,716	140,840
	2,327	21,435	23,762
	1,057	-	1,057
	532	26,037	26,569
	73,636	672,404	746,040

Note 39 Explanation on material (above 10%) differences between the final budget and actuals for the year ended 30 June 2024

39.1 Rental of facilities and equipment -Rental variance is less due to consumers utilizing halls and other rental properties were lower than previous years.

39.2 Fines Penalties and Forfeits -Decrease is due to less roadblocks and traffic fines issued as per previous financial years.

39.3 Licences and permits - under 10% variance, not required.

39.4 Transfers recognised -The variance was caused by the underspending on capital grant projects.

Other revenue - The variance was negative as this reflects mainly planning and approval, hawkers' fees and advertising fees are consumption driven. Therefore, **39.5** there was less consumption of services provided by the municipality.

39.6 Debt impairment- The municipality did not properly budget for impairment assets as the indications of impairment of assets is not known during the budget.

Depreciation and asset impairment - Assets which were completed during prior year were fully utilised during year under review as well addition review of **39.7** estimated useful life in line with GRAP 3. This factors were not fully factored in during the budget

39.8 Finance charges - under 10% variance, not required

39.9 Bulk purchases - under 10% variance, not required.

39.10 Contracted services - The difference is a result of an increase in security and legal related matters.

39.11 Other expenditure-under 10% variance, not required.

Service Charges - large variance is attributed to water revenue where a surcharge was budgeted for but not received due to a pending court case matter between **39.12** Magalies Water Board and the municipality which affects the implementation of the surcharge.

39.13 Interest Earned - increase is due to the growing interest on long outstanding debtors

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

39.14 Remuneration of Councillors - variance is due to an over-anticipation of the councillor upper limits increase.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 40 Related Parties

All related party transactions are conducted at arms length unless otherwise stated.

40.1 Management

Municipality has the following senior managers who may have significant influence over the financial and/or operating policies of the municipality.

Names	Title
Mr. LG Tloubatla	Municipal Manager
Ms. LP Makaya	Planning & Development
Mr. SS Pilane	Community Services

Refer to note 25 for the disclosure of their remuneration.

The following employees acted in senior management positions during the year under review:

Names	Position	Duration
Mr. SE Tlhabadira	Acting Director Technical Services	24 May 2024 to 30 June 2024
Ms. R. Tshiswaise	Acting Municipal Manager	24 May 2024 to 30 June 2024
Ms. E Ndhlovu	Acting Director Corporate Services	24 May 2024 to 30 June 2024
Ms OLN Lithole	Acting Director PED	24 May 2024 to 30 June 2024
Ms L Monawa-Lesotho	Acting Director Strategic Support Services	24 May 2024 to 30 June 2024
Mr. KJ Matlou	Acting Chief Finance Officer	01 July 2023 to 30 March 2024
Ms. MM Masoga	Acting Director PED	01 July 2023 to 30 March 2024
Mr TE Maheso	Acting Director Corporate Services	01 July 2023 to 30 March 2024

40.2 Councillors

The municipality has councillors that act as a governing body who may have significant influence over the financial and/or operating policies of the municipality.

All the Councillors are listed on page 1 of the Annual Financial Statements.

Refer to note 26 for the disclosure of their remuneration.

Note 41 Financial Instrument

In accordance with GRAP 104.13 the financial assets and liabilities of the municipality are classified as follows:

Financial assets at amortised cost

Trade and other receivables from exchange transactions
Trade and other receivables from non-exchange transactions

Financial assets at fair value

Cash and cash equivalent

Financial liabilities at amortised cost

Borrowings
Consumer deposits
Trade and other payables from exchange transactions

2024

**2023
Restated**

45,766,735	53,845,968
37,321,135	48,534,270
8,905,936	2,189,223
91,993,806	104,569,461

5,069,435	4,795,679
626,400,683	522,121,975
631,470,117	526,917,654

Note 42 Indigent debts written off

There were no indigent debts write off during the year (2023: Rnil).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 43 Risk management

Financial risk management objectives

Due to the nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by many entities. The municipality's Finance department monitors and manages the financial risks relating to the operations of the municipality. These risks include market risk (including, fair value and interest rate risk), credit risk and liquidity risk. The municipality does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Liquidity risk

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

2024	<= 1 Month	> 1 Month <= 3 Months	> 3 Months <= 1 Year	> 1 Year <= 5 Years	Total
Borrowings	-	-	-	-	-
Unspent grants	-	27,927,624	-	-	27,927,624
Consumer deposits	-	-	4,795,679	-	4,795,679
Retentions	-	-	17,488,640	-	17,488,640
Finance lease	-	-	-	-	-
Trade and other creditors	424,500,683	-	-	-	424,500,683
	424,500,683	27,927,624	22,284,319	-	474,712,626

2023	<= 1 Month	> 1 Month <= 3 Months	> 3 Months <= 1 Year	> 1 Year <= 5 Years	Total
Borrowings	-	-	-	-	-
Unspent grants	-	3,128,642	-	-	3,128,642
Consumer deposits	-	-	-	-	-
Retentions	-	-	14,346,939	-	14,346,939
Trade and other creditors	-	-	-	176,878,214	176,878,214
	-	3,128,642	14,346,939	176,878,214	194,353,795

Credit risk

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

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

Financial instrument	2024	2023 Restated
Call deposits	2,090,271	1,454,675
Current accounts	6,677,031	606,969
Marketable securities	138,633	127,579
Trade and other receivables	45,766,735	53,845,968
	54,672,671	56,035,191

Trade and other receivables for government department are not impaired.

Trade and other receivables that are neither past due nor impaired are as follows:

	2024	2023 Restated
Trade and other receivables	24,329,134	33,727,982

Debtors are impaired based on the aging of the debt. Government/Public infrastructure debt is deemed 100% collectable and is not provided for. Indigent and Pending indigent debt is provided for at 100%. When a debtor has a past due balance, any payment received will be allocated against the debtors oldest balances. Current debts (neither past due nor impaired) represent a mixture of high, medium and low quality credit standings.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 43 Risk management (continued):

Trade and other receivables that are past due but not impaired as at year end are as follows:

	2024	2023 Restated
31 - 60 days	20,965,424	33,456,170
61 - 90 days	17,145,529	13,973,253
Greater than 91 days	752,426,627	647,672,044
	<u>790,537,580</u>	<u>695,101,467</u>

No trade and other receivables are individually determined to be impaired at year end.

Interest rates risk

As the municipality has no significant interest bearing assets, the municipality 's income and operating cashflows are substantially independent of changes in market interest rates. At year end , the financial instruments exposed to interest rate risk were as follows:

	2024	2023 Restated
Call deposits	2,090,271	1,454,675
Marketable securities	138,633	127,579
	<u>2,228,905</u>	<u>1,582,254</u>

Trade debtors are charged interest at fixed rates determined by the municipality. Therefore these financial instruments do not attract exposure to interest rate risk. Interest rate risk is linked to the Repo rate as determined by the Reserve Bank. The Reserve Bank ordinarily only changes the Repo Rate by an increase or decrease of 0,25%. A 0,25 % increase or decrease would not have a material effect on the municipalities interest bearing assets and its surplus/deficit.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 44 Going concern assessment

Management considered the following matters relating to going concern:

Risk areas	Future plans to mitigate risk identified
i) Key management positions are currently vacant.	Key management posts which are currently vacant have been advertised and will be filled in 2024/25 financial year.
ii) The municipality is net current liability position iii) key financial ratios are adverse (Debtors impairment as a percentage of accounts receivables, Creditors payment period, Debtors collection period) iv) The municipality is struggling to pay creditors on due dates v) Pending legal or regulatory proceedings against the municipality that may, if successful, result in claims that the municipality is unlikely to be able to satisfy.	The net current liability position is as a result of long outstanding creditors, however, there are payment arrangements in place to reduce and/or restructure the debts and they are currently being honoured. The municipality has a Funding Plan that was adopted with the budget and is regularly updated. Management has entered into an arrangement with DBSA to assist in developing a revenue enhancement strategy. This strategy will assist in ensuring that the municipality's debtors pay within the prescribed time. Management is also in the process of reviewing cost containment strategy. Upon approval of this policy, the municipality will be able to reduce unnecessary costs and where possible, reduce the cost of consulting. In September 2023, the municipality applied and received approval to form part of the National Treasury ESKOM Debt Relief Programme. This programme allows a write-off of one third of the historic debt with ESKOM as at the date of application/approval. The municipality officially started in December 2023 and has been moderately compliant with the required monthly submissions. The municipality anticipates a one third write-off of the ESKOM historic debt in November 2024.

Additional future plans to mitigate risk identified

(i) During May 2024 the council adopted the 2024/2025 Budget. This three year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash backed over the three year period.

(ii) The municipality's Budget is subject to a very rigorous independent assessment process to assess its cash backing status before it is ultimately approved by council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash flow forecast supporting the Budget. The cash management process is complemented by monthly reporting, highlighting the actual cash position, including the associated risk and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in on going inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratio's, such as liquidity, cost coverage, debtors collection rates and creditors payment terms are closely monitored and the necessary corrective actions instituted (such as payment arrangements etc.).

Taking the aforementioned into account, management has prepared the annual financial statements on the Going Concern Basis.

Note 45 Comparative figures

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 37).

Note 46 Events after the reporting date

No events having implications requiring disclosure occurred subsequent to 30 June 2024.

Note 47 Private Public Partnerships

The municipality was not party to any Private Public Partnerships during the year under review.

Note 48 In-kind donations and assistance

The municipality did not receive any donations during the year under review.

Note 49 Contingent assets

(1) EVICTION RAPUTI

Unlawfull occupying of portion situated at the remaining extent of the farm Welkrans 539, Limpopo. Application in the Magistrates court for the eviction of illegal squatters in Leeupoort. Application is opposed. Application in the Magistrates court for the eviction of illegal squatters in Leeupoort. Application is opposed. Awaiting outcome of the Regorogile matter to place the matter on the roll or not.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 50 Contingent liabilities

Note 50.1 Court proceedings

2024 **2023**
Restated

(1) H JBadenhorst

This matter relates to a civil claim (personal injury) against the municipality. The matter is currently at exchange of pleadings and notices stage. Amount claimed R 11 000 000.00 (and R 800 000 for costs and disbursements). Matter set down for trial date of 03 March 2021 in Pretoria High (Active file). The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case is likely to be rescinded by the municipal lawyers

13,129,151 13,129,151

(2) Mminele Compensation (Pty) Ltd

This matter relates to a civil claim by a service provider of the municipality. The matter is currently at exchange of pleadings and notices stage. Amount claimed R 800 000 (and R 50 000 for costs and disbursements). Matter set down for trial on 15 March 2019 (Active file). The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case is likely to be rescinded by the municipal lawyers. Plaintiff did not take any further steps in finalizing the matter.

800,000 800,000

Other litigations and contingencies

(5) VUKA AFRICA

Summons was issued against TLM and Notice to defend was served and filed. Notice of bar was served on TLM whereafter TLM served and filed plea and counter claim for R522 533.52. Plaintiff served replication and plea to our counterclaim. Awaiting a pre-trial date.

7,924,409 7,924,409

(7) SISWEZONKE (PTY) LTD

Supply and transportation of jojo tanks and supply and installation of vee belts, pulleys, o-rings and seal kits. Summons was issued. TLM defended and Plaintiff applied for summary judgement. TLM opposed and leave to defend was granted. TLM served and filed plea. Litigation ongoing.

222,300 222,300

(8) MASENG VILJOEN INC

Preparation and review of GRAP 17 compliant fixed asset register & expertise with regard to water & sanitation infrastructure. Summons was issued against TLM and Notice to defend was served and filed. TLM served and filed plea. Litigation ongoing

3,481,288 3,481,288

MAOPENG ELECTRICAL (PTY) LTD

Electrification of 280 households at Meriting Village. Summons was served. Matter defended. Plaintiff did not comply with contractual obligations and the contract was terminated.

2,186,294 2,186,294

TLM&OTHERS vs ABSA BANK

Matter heard in July 2023. Awaiting judgement from Semanya DJP

100,000

(15) SUMMIT PROPERTY 8976/2021

Summons was served upon TLM and also a notice in terms of Rule 41(A), the TLM served and filed a notice of intention to defend. A notice of bar was served upon the Defendant. The Defendant served and filed notice in terms of Rule 23(1) and Head of argument. The Defendant served and filed a notice of set down for exception for the 26th of April 2023. The matters is ongoing.

17,428 17,428

(16) SUMMIT PROPERTY 3501/2022

Summons was served upon TLM and also a notice in terms of Rule 41(A). The TLM served and filed a notice of intention to defend. A notice of bar was served upon the Defendant. The Defendant served and filed notice in terms of Rule 23(1) and Head of argument. The Defendant served and filed a notice of set down for exception for the 3rd of May 2023. The matter is ongoing.

20,938 20,938

VOLTEX (PTY)LTD

Electrification 280 households at Meriting Village. Summons was served on TLM. Matter defended. Cession agreement with Maopeng Electrical(Pty) Ltd to provided material as Maopeng failed to deliver. Plaintiff failed to deliver to TLM.

840,788 840,788

18) POLOKWANE SURFACING

Summons was issued against TLM. Notice of intention to defend and plea was served and filed. Pretrial held. Ready for trail. Ongoing Litigation. Non Joinder of contractor.

2,910,728 2,910,728

Note 51 Inventory consumed

Inventory utilised for the period under review

25,441,212 17,575,105

Note 52 Bad debts

Note 53 Lease on rental on operating leases

Contractual amounts

4,355,651 4,246,514

Note 54 Contribution to provisions: Landfill site

(469,699) 742,548

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 55 Inventory loss

35,929,234.36	24,425,721.70
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