



MAKANA
MUNICIPALITY | EASTERN CAPE
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Makana Local Municipality
(Registration number EC104)
Annual Financial Statements
for the year ended 30 June 2024

**AUDITOR GENERAL
SOUTH AFRICA**

30 NOV 2024

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

General Information

Legal form of entity	The municipal operations are governed by the Municipal Finance Management Act 56 of 2003, Municipal Structures Act 117 of 1998, Municipal Systems Act 32 of 2000 and various other acts and regulations.
Nature of business and principal activities	Rendering of basic services to the community of Makana such as Water, Sanitation, Refuse collection, Electricity, Infrastructure, Local Economic Development and Community Services as set out in Constitution of South Africa
Mayoral committee	
Executive Mayor	Cllr YP Vara
Speaker	Cllr M Matyumza
MPAC Chairperson	Cllr M Booysen
Member of Mayoral Committee: Engineering Infrastructure	Cllr G Mene
Member of Mayoral Committee: Corporate Services	Cllr MR Xonxa
Member of Mayoral Committee: Finance	Cllr ZA Hoyi
Member of Mayoral Committee: Community services and Public Safety	Cllr T Vayo
Member of Mayoral Committee: Planning and Economic Development	Cllr M Nkwentsha
Councillors	Cllr AA Bentele replaced by Cllr NM Buwa Cllr VN Jezi Cllr C Clark Cllr Z Cetu Cllr A Deke Cllr G Embling Cllr MD Geelbooi Cllr BPN Jackson Cllr XG Madyo Cllr Z Mantla Cllr L Masinda Cllr T Matebese Cllr WE Matina Cllr V Nesi Cllr P Peter Cllr WL Sixaba Cllr LR Sizani Cllr TS Yaka Cllr S Zono
Grading of local authority	Category B
Accounting Officer	Mr. P.M. Kate
Chief Finance Officer (CFO)	Ms. N. Ntsangani
Registered office	City Hall No 86 High Street Grahamstown 6139
Postal address	City Hall

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

General Information

	No 86 High Street Grahamstown 6139
Bankers	First National Bank
Auditors	Auditor-General South Africa
Currency	South African Rand
Rounding off	Nearest Rand
Telephone number	046 603 6131
Website	www.makana.gov.za

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Index

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

	Page
Accounting Officer's Responsibilities and Approval	4
Accounting Officer's Report	5 - 6
Statement of Financial Position	7
Statement of Financial Performance	8
Statement of Changes in Net Assets	9
Cash Flow Statement	10
Statement of Comparison of Budget and Actual Amounts	11 - 14
Appropriation Statement	15
Accounting Policies	16 - 44
Notes to the Annual Financial Statements	45 - 90
Appendixes:	
Appendix A: Schedule of external loans	91

Abbreviations used:

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

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the 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 that ended. The external auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

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

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

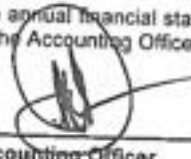
The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the municipality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

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

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

The municipality is dependent on payment of services and rates by the community and grant funding by the state for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality. The Accounting Officer is responsible for the financial affairs of the municipality, and is assisted by the municipality's Senior Management team.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2024 and were signed by:


Accounting Officer
Mr. P.M. Kate

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Report

The Accounting Officer submits his report for the year ended 30 June 2024.

1. Review of activities

Main business and operations

The municipality is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the local government: Municipal Demarcation Act, 1998 and operates in South Africa.

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

Net deficit of the municipality was R 19 165 525 (2023: deficit R 12 889 025).

2. Financial sustainability

The municipality is currently faced with numerous financial problems which impact, amongst others, its ability to meet its financial commitments and the provision of sustainable basic services. Challenges faced regarding financial issues manifests in cash flow constraints. See note 56 for details.

3. Fruitless and wasteful expenditure

Given the current financial position of the municipality, there were instances where the municipality incurred interest due to late payment of creditor accounts. The interest incurred in this respect was unavoidable and has been disclosed in note 59.

4. Irregular expenditure

The municipality embarked on an overall review of the supply chain management function with the aim to support and implement a sustainable change within supply chain management. As part of its review, management conducted a detailed review of contracts that were awarded by the municipality. This review included confirming the scope and extent of contracts that were irregular. This has resulted in a significant increase in the reported irregular expenditure. This increase resulted from irregular expenditure emanating from contracts awarded in the prior years. See note 60 for the current financial period irregular expenditure incurred.

5. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant is the continued funding by National and Provincial government for operational and capital activities. Refer to note 56 for details.

6. Subsequent events

The Accounting Officer is not aware of any matter or circumstance arising since the end of the financial year except for those mentioned in note 57.

7. Accounting policies

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

8. Accounting Officer

The Accounting Officer of the municipality during the year and to the date of this report is Mr. P.M. Kate.

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Report

9. Corporate governance

The municipality has a very strict attitude towards legislative compliance, specifically the supply chain management principles, and also the proper functioning of Performance and Audit Committee, Municipal Public Accounts Committee (MPAC) and the Financial Disciplinary Board.

Internal audit

The municipality has an in-house internal audit function. This is in compliance with the Municipal Finance Management Act, 2003.

10. Bankers

The primary bank account of the municipality as required by Section 8 of the MFMA is held with First National Bank.

11. Auditors

Auditor-General South Africa will continue in office for the next financial period.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2024 and were signed:



Accounting Officer
Mr. P.M. Kate



Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 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	3	25 455 985	56 245 938
Receivables from exchange transactions	4	93 399 729	74 949 880
Receivables from non - exchange transactions	5	27 750 358	24 924 287
Inventories	6	11 342 407	2 511 358
		157 948 479	158 631 463
Non-Current Assets			
Investment property	7	187 749 282	187 914 998
Property, plant and equipment	8	960 236 847	953 398 697
Intangible assets	9	1 785 801	1 785 801
Heritage assets	10	32 788 263	32 788 263
Financial assets	11	3 735 085	3 493 381
		1 186 295 278	1 179 381 140
Total Assets		1 344 243 757	1 338 012 603
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	285 619 279	264 691 311
Payables from non - exchange transactions	13	35 683 413	37 521 230
Value Added Tax payable	14	58 557 992	46 047 598
Consumer deposits	15	4 287 623	4 141 990
Unspent conditional grants and receipts	16	1 836 480	20 422 001
Borrowings	17	2 251 269	2 015 787
Employee benefit obligation	18	3 528 217	3 612 644
Provisions	19	21 360 859	17 162 779
		413 125 132	395 615 340
Non-Current Liabilities			
Borrowings	17	43 179 614	45 236 752
Employee benefit obligation	18	77 841 265	71 522 147
Provisions	19	39 144 104	35 519 195
		160 164 983	152 278 094
Total Liabilities		573 290 115	547 893 434
Total Net Assets		770 953 642	790 119 169
Accumulated surplus		770 953 642	790 119 169
Total Net Assets		770 953 642	790 119 169

**AUDITOR GENERAL
SOUTH AFRICA**

30 NOV 2024

* See Note 54

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in Rand

	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	406 130 659	336 677 768
Rendering of services	22	1 335 568	1 810 606
Rental of facilities and equipment	23	230 576	233 083
Interest received from receivables from exchange transactions	24	64 640 381	44 102 203
Income from agency services	25	3 426 153	2 946 397
Other operating revenue	26	2 450 501	944 042
Interest received from bank and other financial assets	27	5 320 769	3 837 845
Gain on disposal of assets and liabilities		841 496	-
Actuarial gains	18	3 091 986	11 386 797
Total revenue from exchange transactions		487 468 089	401 938 741
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	28	116 826 314	107 449 662
Interest received from receivables from non exchange transactions	29	10 960 575	7 899 696
Transfer revenue			
Government grants & subsidies	30	184 159 772	148 951 946
Public contributions and donations	31	1 498 081	3 105 222
Fines, Penalties and Forfeits	32	1 216 885	1 420 516
Licences and Permits	33	27 624	12 070
Debt forgiven	34	21 599 019	262 783
Total revenue from non-exchange transactions		336 288 270	269 101 895
Total revenue	20	823 756 359	671 040 636
Expenditure			
Employee related costs	35	(223 007 496)	(189 854 238)
Remuneration of councillors	36	(12 870 794)	(11 998 233)
Depreciation and amortisation	37	(49 309 286)	(32 541 717)
Impairment (loss) / reversal	38	542 960	(29 068)
Finance costs	39	(34 839 460)	(30 899 646)
Lease rentals on operating lease	40	(161 973)	(389 160)
Debt Impairment and Write Off	41	(281 263 969)	(179 121 176)
Bulk purchases	42	(160 801 200)	(135 614 220)
Contracted services	43	(34 829 645)	(31 205 606)
Transfers and Subsidies	44	(351 214)	(990 060)
Loss on disposal of assets and liabilities		-	(28 456)
Material loss due to payments for goods not delivered	45	-	(2 342 634)
Inventory consumed	46	(5 057 041)	(27 590 205)
Operational expenditure	47	(40 972 766)	(41 325 242)
Total expenditure		(842 921 884)	(683 929 661)
Deficit for the year		(19 165 525)	(12 889 025)

**AUDITOR GENERAL
SOUTH AFRICA**

30 NOV 2024

* See Note 54

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	795 380 096	795 380 096
Adjustments		
Prior year adjustments* Note 54	7 628 098	7 628 098
Balance at 01 July 2022 as restated*	803 008 194	803 008 194
Changes in net assets		
Restated deficit for the year*	(12 889 025)	(12 889 025)
Total changes	(12 889 025)	(12 889 025)
Restated* Balance at 01 July 2023	790 119 167	790 119 167
Changes in net assets		
Surplus for the year	(19 165 525)	(19 165 525)
Total changes	(19 165 525)	(19 165 525)
Balance at 30 June 2024	770 953 642	770 953 642

**AUDITOR GENERAL
SOUTH AFRICA**

30 NOV 2024

* See Note 54

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Taxation and fines		110 416 167	101 550 806
Sale of goods and services		199 329 152	207 401 896
Grants and subsidies		165 574 251	160 189 072
Interest income		5 320 769	3 837 845
Other receipts		5 778 238	6 059 979
		<u>486 418 577</u>	<u>479 039 598</u>
Payments			
Employee costs		(230 020 777)	(208 267 227)
Suppliers		(210 599 517)	(203 507 836)
Finance costs		(20 981 714)	(15 449 157)
		<u>(461 602 008)</u>	<u>(427 224 220)</u>
Net cash flows from operating activities	49	<u>24 816 569</u>	<u>51 815 378</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(54 384 661)	(41 876 005)
Proceeds from sale of property, plant and equipment	8	841 499	-
Proceeds from sale of financial assets		(241 704)	(150 433)
Net cash flows from investing activities		<u>(53 784 866)</u>	<u>(42 026 438)</u>
Cash flows from financing activities			
Repayment of borrowings		(1 821 656)	(1 839 191)
Net cash flows from financing activities		<u>(1 821 656)</u>	<u>(1 839 191)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(30 789 953)</u>	<u>7 949 749</u>
Cash and cash equivalents at the beginning of the year		56 245 938	48 296 189
Cash and cash equivalents at the end of the year	3	<u>25 455 985</u>	<u>56 245 938</u>

**AUDITOR GENERAL
SOUTH AFRICA**

30 NOV 2024

* See Note 54

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	402 513 217	-	402 513 217	406 130 659	3 617 442	62.01
Rendering of services	-	-	-	1 335 568	1 335 568	62.02
Rental of facilities and equipment	150 000	-	150 000	230 576	80 576	62.03
Interest received from receivables from exchange transactions	77 684 539	-	77 684 539	64 640 381	(13 044 158)	62.04
Agency services	3 700 000	-	3 700 000	3 426 153	(273 847)	62.05
Other operational income	10 000 000	-	10 000 000	2 450 501	(7 549 499)	62.06
Interest received bank and other financial assets	3 800 000	-	3 800 000	5 320 769	1 520 769	62.07
Total revenue from exchange transactions	497 847 756	-	497 847 756	483 534 607	(14 313 149)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	114 122 407	-	114 122 407	116 826 314	2 703 907	62.08
Licences and Permits	545 000	-	545 000	27 624	(517 376)	62.09
Interest received from receivables from non - exchange transactions	-	-	-	10 960 575	10 960 575	62.10

Transfer revenue

Government grants & subsidies	127 656 776	8 113 000	135 769 776	184 159 772	48 389 996	62.11
Public contributions and donations	-	-	-	1 498 081	1 498 081	
Fines, Penalties and Forfeits	1 800 000	-	1 800 000	1 216 885	(583 115)	62.12
Debt forgiven	-	-	-	21 599 019	21 599 019	62.13

Total revenue from non-exchange transactions	244 124 183	8 113 000	252 237 183	336 288 270	84 051 087	
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Total revenue	741 971 939	8 113 000	750 084 939	819 822 877	69 737 938	
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Expenditure

Employee related costs	(247 242 648)	-	(247 242 648)	(223 007 496)	24 235 152	62.14
Remuneration of councillors	(14 389 200)	-	(14 389 200)	(12 870 794)	1 518 406	62.15
Depreciation and amortisation	(35 275 177)	-	(35 275 177)	(49 309 286)	(14 034 109)	62.16
Impairment loss/ Reversal of impairments	-	-	-	542 960	542 960	
Finance costs	(6 969 000)	-	(6 969 000)	(34 839 460)	(27 870 460)	62.17
Lease rentals on operating lease	-	-	-	(161 973)	(161 973)	62.18
Debt Impairment	(73 920 000)	-	(73 920 000)	(281 263 969)	(207 343 969)	62.19
Bulk purchases	(183 744 005)	-	(183 744 005)	(160 801 200)	22 942 805	62.20
Contracted Services	(51 827 596)	2 968 996	(48 858 600)	(34 829 645)	14 028 955	62.21
Transfers and Subsidies	(992 000)	492 000	(500 000)	(351 214)	148 786	62.22

**AUDITOR GENERAL
SOUTH AFRICA**

30 NOV 2024

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Inventory consumed	(14 565 000)	-	(14 565 000)	(5 057 041)	9 507 959	62 23
Operational costs	(55 978 483)	(13 146 194)	(69 124 677)	(40 972 766)	28 151 911	62 24
Total expenditure	(684 903 109)	(9 685 198)	(694 588 307)	(842 921 884)	(148 333 577)	
Operating deficit	57 068 830	(1 572 198)	55 496 632	(23 099 007)	(78 695 639)	
Gain on disposal of assets and liabilities	-	-	-	841 496	841 496	
Actuarial gains/losses	-	-	-	3 091 986	3 091 986	
	-	-	-	3 933 482	3 933 482	
Surplus / (Deficit)	57 068 830	(1 572 198)	55 496 632	(19 165 525)	(74 662 157)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	57 068 830	(1 572 198)	55 496 632	(19 165 525)	(74 662 157)	

**AUDITOR GENERAL
SOUTH AFRICA**

30 NOV 2024

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	11 336 772	-	11 336 772	11 342 407	5 635	
Receivables from non - exchange transactions	88 746 460	-	88 746 460	27 750 358	(60 996 102)	
VAT receivable	-	-	-	(58 557 992)	(58 557 992)	
Receivables from exchange transactions	39 421 643	-	39 421 643	93 399 729	53 978 086	
Other current assets	24 972 893	-	24 972 893	-	(24 972 893)	
Cash and cash equivalents	385 281 518	-	385 281 518	25 455 985	(359 825 533)	
	549 759 286	-	549 759 286	99 390 487	(450 368 799)	
Non-Current Assets						
Investment property	181 985 046	-	181 985 046	187 749 282	5 764 236	
Property, plant and equipment	977 362 876	-	977 362 876	960 236 847	(17 126 029)	
Intangible assets	260 715	-	260 715	1 785 801	1 525 086	
Heritage assets	34 608 200	-	34 608 200	32 788 263	(1 819 937)	
Financial assets	-	-	-	3 735 085	3 735 085	
	1 194 216 837	-	1 194 216 837	1 186 295 278	(7 921 559)	
Total Assets	1 743 976 123	-	1 743 976 123	1 285 685 765	(458 290 358)	
Liabilities						
Current Liabilities						
Borrowings	1 321 281	-	1 321 281	2 251 269	929 988	
Payables from exchange transactions	35 435 008	8 594 256	44 029 264	285 619 277	241 590 013	
Payables from non-exchange	992 000	-	992 000	35 683 413	34 691 413	
VAT payable	141 491 107	-	141 491 107	-	(141 491 107)	
Consumer deposits	2 587 503	-	2 587 503	4 267 623	1 700 120	
Employee benefit obligation	-	-	-	3 528 217	3 528 217	
Unspent conditional grants and receipts	-	-	-	1 836 480	1 836 480	
Provisions	-	-	-	21 360 859	21 360 859	
Other current liabilities	19 502 321	-	19 502 321	-	(19 502 321)	
	201 329 220	8 594 256	209 923 476	354 567 138	144 643 662	
Non-Current Liabilities						
Borrowings	51 541 321	-	51 541 321	43 179 614	(8 361 707)	
Employee benefit obligation	-	-	-	77 841 265	77 841 265	
Provisions	-	-	-	39 144 104	39 144 104	
Other non current liabilities	104 199 470	-	104 199 470	-	(104 199 470)	
	155 740 791	-	155 740 791	160 164 983	4 424 192	
Total Liabilities	357 070 011	8 594 256	365 664 267	514 732 121	149 067 854	
Total Net Assets	1 386 906 112	(8 594 256)	1 378 311 856	770 953 644	(607 358 212)	

**AUDITOR GENERAL
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30 NOV 2024

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Total Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1 386 906 112	(8 594 256)	1 378 311 856	770 953 642	(607 358 214)	

AUDITOR GENERAL
SOUTH AFRICA

30 NOV 2024

Makana Local Municipality

(Registration number EC104)
Annual Financial Statements for the year ended 30 June 2024

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
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2024

Capital expenditure and funds sources

Total capital expenditure	67 378 000	-	67 378 000	-	-	67 378 000	55 882 742		(11 495 258)	83 %	83 %
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The accounting policies on pages 16 to 44 and the notes on pages 45 to 90 form an integral part of the annual financial statements

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

Figures in Rand	Note(s)	2024	2023
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1. Significant account policies

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

1.1 Presentation of Annual Financial Statements

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

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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

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

1.5 Significant judgements and sources of estimation uncertainty

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

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value.

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Useful lives of waste and water network and other assets

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

Post-retirement benefits

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

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

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

Effective interest rate

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

Allowance for doubtful debts

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

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Materiality

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

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

1.6 Investment property

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

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

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

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

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

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

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

Cost model

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

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

Item	Useful life
Property - land	indefinite
Property - buildings	60 years

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

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

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

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

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.6 Investment property (continued)

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

1.7 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Not depreciated
Buildings	Straight-line	100-200

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.7 Property, plant and equipment (continued)

Furniture and Office Equipment	Straight-line	3-120
Motor vehicles	Straight-line	3-20
Office equipment	Straight-line	3-20
IT equipment	Straight-line	3-20
Computer equipment	Straight-line	3-20
Roads Infrastructure	Straight-line	5-120
Community	Straight-line	5-100
Work-in-progress	Straight-line	2-100
Sanitation Infrastructure	Straight-line	3-100
Sanitation Infrastructure	Straight-line	3-100
Plant and equipment	Straight-line	3-100

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

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

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

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

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

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

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

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

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

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

1.8 Site restoration and dismantling cost

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

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.8 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

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

1.9 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.9 Intangible assets (continued)

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

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

Intangible assets are derecognised:

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

1.10 Heritage assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.10 Heritage assets (continued)

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

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

1.11 Financial instruments

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

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

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

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

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

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

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

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.11 Financial instruments (continued)

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

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

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

A financial asset is:

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

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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

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

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.11 Financial instruments (continued)

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

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

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

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

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

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and Cash equivalents	Financial asset measured at amortised cost
Financial assets	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non - exchange transactions	Financial liability measured at amortised cost
Consumer Deposits	Financial liability measured at amortised cost
Borrowings	Financial liability measured at amortised cost

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.12 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Impairment losses

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

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

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

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

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.12 Statutory receivables (continued)

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

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

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

Derecognition

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

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

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

1.13 Leases

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

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

Operating leases - lessee

Operating lease payments are recognised as an expense. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.14 Inventories

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

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

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

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

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

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

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.14 Inventories (continued)

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

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

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

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

1.15 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

1.16 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Identification

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

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

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

Value in use

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

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

1.17 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

Value in use

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

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

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.18 Employee benefits

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

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

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

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

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

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

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

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

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

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

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.18 Employee benefits (continued)

Post-employment benefits

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

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

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

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.18 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.18 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.18 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

1.19 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.19 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 52.

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

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

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

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

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

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

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

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.19 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.20 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.21 Revenue from exchange transactions

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

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

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

Measurement

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

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

Sale of goods

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

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

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

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.21 Revenue from exchange transactions (continued)

- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

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

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

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

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.22 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

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

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Value Added Tax

The Municipality is registered with the South African Revenue Services as a VAT vendor in accordance with section 15(2) of the Value Added Tax Act (No. 89 of 1991).

The Municipality accounts for Value Added Tax on the payment basis as per the VAT Act.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

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

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

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

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

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

Rates, Collection charges, penalties and interest

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 apportionment basis with reference to the principle amount receivable and effective interest rate applicable. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Gifts and donations, including goods in-kind

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

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.23 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value-added taxation.

1.24 Investment income

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

1.25 Borrowing costs

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

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

1.26 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Recognition

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

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

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

1.27 Insurance fund

The insurance fund is accounted for at net of cost, and any liability thereto, and adjustments are made only where there are valid claims to the fund.

1.28 Comparative figures

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

1.29 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.29 Unauthorised expenditure (continued)

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

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

1.30 Fruitless and wasteful expenditure

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

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

1.31 Irregular expenditure

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

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

1.32 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.33 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.34 Budget information

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

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

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

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

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

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

1.35 Related parties

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

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

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

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

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

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

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

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

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

1.36 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.36 Events after reporting date (continued)

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

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

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

2024

2023

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised): Employee Benefits	01 April 2023	Not material
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	Not material
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	Not material

2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (as revised): Financial Instruments	01 April 2024	Not material

2.3 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2024	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	Not yet determined	Not material

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
3. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Current Account Bank	4 306 333	6 676 160
Short-term deposits	20 811 980	49 528 557
Traffic Fines Bank	337 672	41 221
	25 455 985	56 245 938

Cash and cash equivalents pledged as collateral

No cash and cash equivalents is pledged as collateral.

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
First National Bank-Main Account-62031232531	4 244 805	6 544 696	4 306 333	6 676 160
First National Bank -Current Account- 62633129631	337 672	41 221	337 672	41 221
First National Bank -Call account -62233411884	11 214 004	5 450 875	11 214 004	5 450 875
First National Bank -Call Account - 62646088139	1 988 802	1 849 755	1 988 802	1 849 755
First National bank -12 Months Deposit-71538811574	418 000	418 000	418 000	418 000
First National Bank -Call Account - 74790017815	6 743 442	41 388 065	6 743 442	41 388 065
Standard Bank- 12 Months Deposit-088807667-004	425	425	425	425
Standard Bank- 12 Months Deposit-088812685-001/4/7	1 507	1 507	1 507	1 507
Standard Bank- Call Account-088822370-002	64 168	59 550	64 168	59 550
Standard Bank-12 Months Deposit- 08880566-002	163	163	163	163
Standard Bank-12 Months Deposit- 088812723-001	415	415	415	415
ABSA-Call account- 9095809301	183 892	172 369	183 892	172 369
Ned Bank -Call account-03/7881065141/00001	129 740	120 009	129 740	120 009
NedBank-Just invest-145027119998	19 930	19 930	19 930	19 930
NedBank-Just invest-90206079996	14 782	14 784	14 782	14 782
NedBank-Just invest-145027119992	32 710	32 711	32 710	32 712
Total	25 394 457	56 114 475	25 455 985	56 245 938

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
4. Receivables from exchange transactions		
Gross balances		
Electricity	92 520 385	74 962 237
Water	711 593 380	517 314 342
Waste water	147 185 034	117 008 524
Refuse	109 291 833	83 844 512
Other	15 728 428	15 300 821
	1 076 319 060	808 430 436
Less: Allowance for impairment		
Electricity	(59 771 317)	(48 657 355)
Water	(667 994 382)	(481 019 035)
Waste water	(137 126 670)	(109 718 643)
Refuse	(102 791 976)	(79 206 165)
Other	(15 234 965)	(14 879 358)
	(982 919 331)	(733 480 556)
Net balance		
Electricity	32 749 068	26 304 882
Water	43 598 998	36 295 307
Waste water	10 058 364	7 289 881
Refuse	6 499 857	4 638 347
Other	493 442	421 463
	93 399 729	74 949 880
Electricity		
Current (0 -30 days)	12 274 123	9 400 852
31 - 60 days	4 702 798	4 162 678
61 - 90 days	3 118 796	3 220 139
91 - 120 days	2 925 849	2 380 576
> 120 days	69 498 819	55 797 993
Less: Allowance for impairment	(59 771 317)	(48 657 356)
	32 749 068	26 304 882
Water		
Current (0 -30 days)	24 333 580	20 712 089
31 - 60 days	23 016 688	15 402 551
61 - 90 days	17 455 316	14 043 405
91 - 120 days	21 929 052	14 451 025
> 120 days	624 858 744	452 705 272
Less: Allowance for impairment	(667 994 382)	(481 019 035)
	43 598 998	36 295 307
Waste water		
Current (0 -30 days)	3 893 126	2 930 325
31 - 60 days	3 074 718	2 130 986
61 - 90 days	2 923 104	1 985 505
91 - 120 days	2 858 351	1 942 935
> 120 days	134 435 735	108 018 773
Less: Allowance for impairment	(137 126 670)	(109 718 643)
	10 058 364	7 289 881

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
4. Receivables from exchange transactions (continued)		
Refuse		
Current (0 -30 days)	2 953 562	2 024 407
31 - 60 days	2 630 946	1 733 826
61 - 90 days	2 531 289	1 637 426
91 - 120 days	2 483 211	1 605 664
> 120 days	98 692 625	76 843 188
Less: Allowance for impairment	(102 791 976)	(79 206 164)
	6 499 857	4 638 347
Other		
Current (0 -30 days)	179 151	144 106
31 - 60 days	94 414	99 298
61 - 90 days	89 252	84 541
91 - 120 days	77 506	118 698
> 120 days	15 288 105	14 854 177
Less: Allowance for impairment	(15 234 966)	(14 879 357)
	493 442	421 463
Reconciliation of allowance for impairment		
Balance at beginning of the year	(733 480 556)	(559 874 731)
Contributions to allowance for impairment	(249 744 985)	(173 605 825)
Debt impairment written off against allowance	306 210	-
	(982 919 331)	(733 480 556)
Receivables from exchange transactions pledged as security		
None of the receivables from exchange transactions were pledged as security.		
Credit quality of receivables from exchange transactions		
The credit quality of other receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.		
Receivables from exchange transactions are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.		
5. Receivables from non - exchange transactions		
Gross balances		
Property rates	148 507 889	115 956 153
Traffic fines debtors	5 805 594	4 926 212
Accrued income	971 229	1 698 875
Other receivables from non-exchange	209 319	2 041 317
	155 494 031	124 622 557
Less: Allowance for impairment		
Property rates	(122 247 606)	(95 006 813)
Traffic fines debtors	(5 496 065)	(4 691 457)
	(127 743 673)	(99 698 270)

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
5. Receivables from non - exchange transactions (continued)		
Net balance		
Property rates	26 260 281	20 949 340
Traffic fines debtors	309 529	234 755
Accrued income	971 229	1 698 875
Other receivables from non-exchange	209 319	2 041 317
	27 750 358	24 924 287
Statutory receivables included in receivables from non-exchange transactions		
Consumer debtors - Rates	26 260 281	20 949 340
Traffic fines debtors	309 529	234 755
	26 569 810	21 184 095
Financial asset receivables included in consumer debtors above	1 180 548	3 740 192
Total receivables from non-exchange transactions	27 750 358	24 924 287
Rates		
Current (0 -30 days)	7 382 501	8 088 806
31 - 60 days	4 854 101	3 744 020
61 - 90 days	3 807 545	2 994 578
91 - 120 days	3 411 751	2 797 551
> 120 days	129 051 991	98 114 671
Less: Allowance for impairment	(122 247 608)	(94 780 286)
	26 260 281	20 949 340
Traffic fines debtors		
Fines	5 805 594	4 926 212
Less Allowance for impairment	(5 496 065)	(4 691 457)
	309 529	234 755
Reconciliation of allowance for impairment for receivables from non exchange		
Balance at beginning of the year	(99 474 743)	(82 981 823)
Contributions to allowance	(28 268 930)	(16 489 920)
	(127 743 673)	(99 471 743)

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

2024

2023

5. Receivables from non - exchange transactions (continued)

Statutory receivables general information

Statutory receivables general information

Statutory receivables are accounted for as follows:

Traffic fines are issued to offenders in terms of the Criminal Procedures Act, hence this is therefore recognised as a statutory receivable. The receivable is calculated by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in terms of the court of law. No interest is charged on outstanding fines, and any additional penalties applied by the court is paid by the offender to the court directly, and is therefore not considered to be revenue for the municipality.

Property rates is levied in terms of the Municipal Property Rates Act, hence this is therefore recognised as a statutory receivable. The receivable is calculated by applying the Council approved rates against the valuation of individual properties within the municipality's jurisdiction. Council approved rebates and exemptions are further applied to reduce the receivable. Interest is applied on outstanding debt.

The basis of impairment takes into account the following:

The estimate were determined in accordance with the debt impairment policy of the municipality, supplemented by experience of past practices and statistics in relation to uncollectable debt. In assessing whether statutory receivables are impaired, management considered both individual receivables that may be impaired as well as groups of similar receivables that may be impaired.

The total debtors were further separated into groups of similar receivables with similar risk profiles and assessed for impairment.

Accrued income

Accrued income relates to MIG Interest receivable from Sarah Baartman. The MIG grant allocation of Makana Local Municipality was transferred to Sarah Baartman District Municipality in prior years to ensure proper management of the grants funds in terms of the MFMA and the conditions of the grant. A Service Level Agreement(SLA) was entered into between the SBDM and Makana Local Municipality to manage the proper disbursement of the MIG allocation as well as the approved rollover amount. The grant was fully spent during the 2018/19 financial year. In terms of the SLA, the interest that accrues on the funds administered by SBDM on behalf of Makana Local Municipality should be utilised for infrastructure projects of Makana Local Municipality.

Other receivables from non - exchange

Other receivables from non - exchange relates to contract guarantee. The contractor Mamlambo Construction failed to comply with contractual obligations. The contractor abandoned the site they were working on which was a material breach of the contractor which resulted in the Municipality calling upon its guarantee.

Receivables from non - exchange transactions pledged as security

None of the receivables from non - exchange transactions were pledged as security.

Credit quality of receivables from non - exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Receivables from non - exchange transactions are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
6. Inventories		
Maintenance materials	1 954 112	1 954 112
Water for distribution	8 182 711	62 962
Consumables stores	1 205 584	494 284
	11 342 407	2 511 358

Inventory pledged as security

No inventory was pledged as security for facilities.

7. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	189 874 700	(2 125 418)	187 749 282	189 874 700	(1 959 702)	187 914 998

Reconciliation of investment property - 2024

	Opening balance	Depreciation	Total
Investment property	187 914 998	(165 716)	187 749 282

Reconciliation of investment property - 2023

	Opening balance	Total
Investment property	187 914 998	187 914 998

Pledged as security

No Investment Property is pledged as collateral.

Details of Investment property

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.

Investment properties comprise residential and commercial properties that are rented out, as well as vacant land held for a currently undetermined use. There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal.

During the year no repairs and maintenance expenditure was incurred on investment properties and there were no commitments for the purchase of investment property at year end.

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
6. Inventories		
Maintenance materials	1 954 112	1 954 112
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Inventory pledged as security

No inventory was pledged as security for facilities.

7. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	189 874 700	(2 125 418)	187 749 282	189 874 700	(1 959 702)	187 914 998

Reconciliation of investment property - 2024

	Opening balance	Depreciation	Total
Investment property	187 914 998	(165 716)	187 749 282

Reconciliation of investment property - 2023

	Opening balance	Total
Investment property	187 914 998	187 914 998

Pledged as security

No Investment Property is pledged as collateral.

Details of Investment property

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.

Investment properties comprise residential and commercial properties that are rented out, as well as vacant land held for a currently undetermined use. There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal.

During the year no repairs and maintenance expenditure was incurred on investment properties and there were no commitments for the purchase of investment property at year end.

Makana Local Municipality

(Registration number EC104)
Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment

	2024		2023	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation
Land	87 056 075	-	87 056 075	87 056 075
Buildings	115 144 315	(29 809 398)	85 334 917	115 144 315
Plant and machinery	7 354 683	(4 012 837)	3 341 856	6 445 144
Furniture and Office Equipment	8 261 457	(7 862 201)	399 256	8 261 457
Motor vehicles	37 533 850	(18 377 021)	19 156 829	31 930 398
Computer equipment	5 301 981	(3 075 998)	2 225 983	4 125 560
Roads Infrastructure	302 162 670	(119 565 817)	182 596 853	302 162 670
Community	114 596 497	(54 350 116)	60 246 381	114 596 497
Work-in-progress	57 687 544	-	57 687 544	40 306 771
Sanitation Infrastructure	196 515 288	(41 111 720)	155 403 568	196 515 288
Electrical Infrastructure	171 926 295	(74 883 114)	97 043 181	171 807 062
Water network	273 776 858	(78 611 944)	195 164 914	243 083 545
Landfill site	29 795 357	(15 215 867)	14 579 490	30 239 335
Total	1 407 112 880	(446 876 033)	960 236 847	1 351 674 117
				(398 275 420)
				953 398 697

Makana Local Municipality

(Registration number EC104)
Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Transfers received	Landfill site valuation	Depreciation	Impairment reversal	Total
Land	87 056 075	-	-	-	-	-	87 056 075
Buildings	97 418 480	-	-	-	(2 063 563)	-	95 354 917
Plant and machinery	2 854 808	909 549	-	-	(422 501)	-	3 341 856
Furniture and Office Equipment	519 802	-	-	-	(120 546)	-	399 256
Motor vehicles	14 838 411	5 603 452	-	-	(1 285 034)	-	19 156 829
Computer equipment	1 491 476	1 176 421	-	-	(441 914)	-	2 225 983
Roads Infrastructure	193 888 298	-	-	-	(11 091 445)	-	182 796 853
Community	66 500 621	-	-	-	(6 857 200)	542 960	60 246 381
Work-in-progress	40 306 771	48 074 086	(30 693 313)	-	-	-	57 687 544
Sanitation Infrastructure	161 902 352	-	-	-	(6 498 784)	-	155 403 568
Electrical Infrastructure	104 729 891	119 233	-	-	(7 805 943)	-	97 043 181
Water network	175 958 580	-	30 693 313	-	(11 486 979)	-	195 164 914
Landfill site	16 073 132	-	-	(443 978)	(1 049 664)	-	14 579 490
	953 398 697	55 882 741	-	(443 978)	(49 143 573)	542 960	960 236 847

Makana Local Municipality

(Registration number EC104)
Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Transfers received	Landfill site valuation	Depreciation	Impairment loss	Total
Land	87 056 075	-	-	-	-	-	87 056 075
Buildings	89 535 312	-	-	-	(2 116 832)	-	87 418 480
Plant and machinery	2 990 251	226 534	-	-	(361 977)	-	2 854 808
Furniture and Office Equipment	622 523	28 980	-	-	(131 701)	-	519 802
Motor vehicles	12 962 255	3 044 369	-	-	(1 168 213)	-	14 838 411
Computer equipment	1 663 975	228 241	-	-	(401 740)	-	1 491 476
Roads Infrastructure	201 334 817	-	-	-	(7 646 518)	-	193 688 298
Community	69 149 035	-	-	-	(2 588 414)	-	66 560 621
Work-in-progress	60 530 233	24 419 262	(44 642 724)	-	-	-	40 306 771
Sanitation Infrastructure	124 538 645	-	40 746 189	-	(3 383 482)	-	161 902 352
Electrical Infrastructure	105 746 902	-	3 896 535	-	(4 913 546)	-	104 729 891
Water network	186 999 566	-	-	-	(11 040 986)	-	175 958 580
Landfill site	17 203 858	-	-	(95 585)	(1 006 073)	(29 068)	16 073 132
	960 334 447	27 948 386	-	(95 585)	(34 759 483)	(29 068)	953 398 697

Pledged as security

No Property Plant and Equipment is pledged as security

Reconciliation of depreciation to the Statement of Financial Performance

Total depreciation for the year as per property plant and equipment note	-	33 873 816
Less: Depreciation capitalised in cost of goods sold	-	(2 217 768)
Depreciation in the Statement of Financial Performance Note 36	-	31 656 048

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
8. Property, plant and equipment (continued)		
Property, plant and equipment in the process of being constructed or developed		
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Refurbishment of two halls in alicedale	1 708 093	1 708 093
Waainek bulk water supply refurbishment phase 2	6 420 284	6 117 529
	8 128 377	7 825 622
	-	-
	-	-

Reconciliation of Work-in-Progress 2024

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Total
Opening balance	41 582 607	41 582 607
Transferred to completed items	(3 807 150)	(3 807 150)
	37 775 457	37 775 457

Expenditure incurred to repair and maintain property, plant and equipment

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

Employee related costs	-	8 147 393
Contracted services	1 481 948	374 419
Sale of goods/inventory	-	1 244 405
	1 481 948	9 766 217

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.

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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9. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	3 278 365	(1 492 564)	1 785 801	3 278 365	(1 492 564)	1 785 801

Reconciliation of intangible assets - 2024

	Opening balance	Total
Computer software	1 785 801	1 785 801

Reconciliation of intangible assets - 2023

	Opening balance	Total
Computer software	1 785 801	1 785 801

Pledged as security

No intangible assets were pledged as security for liabilities.

Details of intangible assets

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.

During the year no repairs and maintenance expenditure was incurred on intangible assets and there were no commitments for the purchase of intangible assets at year end.

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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10. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	32 788 263	-	32 788 263	32 788 263	-	32 788 263

Reconciliation of heritage assets 2024

	Opening balance	Total
Historical buildings	32 788 263	32 788 263

Reconciliation of heritage assets 2023

	Opening balance	Total
Historical buildings	32 788 263	32 788 263

Pledged as security

No heritage assets are pledged as security.

Details of Heritage assets

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.

During the year no repairs and maintenance expenditure was incurred on heritage assets and there were no commitments for the purchase of heritage assets at year end.

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
11. Financial assets		
At amortised cost		
Eskom SOC Ltd	3 735 085	3 493 381
The amount held is a deposit to Eskom. The deposit bears interest at a linked rate.		
The increase in the amount of the deposit related to interest accrued.		
Non-current assets		
At amortised cost	3 735 085	3 493 381
12. Payables from exchange transactions		
Trade payables	235 623 851	181 471 744
Accruals	4 238 024	35 244 246
Payments received in advanced	21 230 834	24 018 649
Retentions	9 581 805	9 438 184
Retention guarantee	138 030	1 833 368
Accrued Leave	666 189	107 635
Accrued bonus	4 783 971	4 304 893
Salary control	9 356 575	8 272 592
	285 619 279	264 691 311
Retention Guarantee		
The contractor failed to comply with contractual obligations. The contractor abandoned the site they were working on which was a material breach of the contractor which resulted in the Municipality requesting the service provider to pay back the money which will be paid to the supplier who will be appointed to complete the project.		
13. Payables from non - exchange transactions		
Department of Local Government and Human Settlements	15 098 128	15 604 424
Department of Transport	(57 807)	69 094
Unallocated receipts	20 643 092	21 847 712
	35 683 413	37 521 230

Department of Local Government and Human Settlements

Makana Local Municipality entered into an agreement with the Eastern Cape Department of Human Settlements for the construction of 178 houses including water tanks for the Makana Infill Housing Programme. The municipality acts as an implementing agent for procurement of Professional Service Providers to undertake the planning design and monitoring of the Makana Infill Housing Programme in this arrangement and receives money from the department which it then uses to pay the Service Providers.

All funds received for Eastern Cape Department Human Settlement are subjected to conditions as stipulated in the contract. No commission is earned by the Municipality on the implementation of this programme.

Department of transport

The municipality has an arrangement with the Department of Transport in which it collects licence fees on behalf of the department and receives an agreed fee for the service provided. The liability represents amount not yet paid over to the department at yearend.

Unallocated receipts

Makana Local Municipality occasionally receives money into its bank account without adequate reference and are reipted in unallocated receipts only to be allocated when depositors come wit the relevant details to allocate the money and removed move the register maintained. At year end, the money is a liability.

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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14. VAT payable

VAT	58 557 992	46 047 598
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VAT is accounted for on an accrual basis in the annual financial statements whilst VAT submissions to SARS are accounted for on a cash basis. All VAT returns have been submitted throughout the year.

Due to the accrual basis of accounting applied, the amount disclosed for VAT includes the total movement of VAT accounts. The basis includes a set of accounts that indicate the amount accrued for VAT in debtors and creditors separate from the amount receivable or owed to SARS. The basis of accounting does not lend itself to the separate disclosure of VAT movement items. In terms of the prescribed guidelines only the net VAT receivable or payable are disclosed.

15. Consumer deposits

Electricity	2 696 017	2 609 070
Water	1 085 765	997 209
Regional services levies	484 058	525 172
Housing rental	21 783	10 539
	<u>4 287 623</u>	<u>4 141 990</u>

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal infrastructure grant	-	19 998 444
Municipal disaster relief grant	1 836 480	-
Integrated national electrification programme	-	423 557
	<u>1 836 480</u>	<u>20 422 001</u>

Movement during the year

Balance at the beginning of the year	20 422 001	19 126 894
Additions during the year	165 574 251	150 247 053
Income recognition during the year	(184 159 772)	(148 951 946)
	<u>1 836 480</u>	<u>20 422 001</u>

See note 30 for reconciliation of grants from National/Provincial Government.

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
17. Borrowings		
At amortised cost		
Borrowings	45 430 883	47 252 539
Development Bank of South Africa (DBSA)		
Makana Local Municipality has restructured its loan with DBSA effectively on 30th of September 2015. The borrowed amount amounts to R 45 430 883 as at 30 June 2024 (2023: R 47 252 539 (2023FY) with an interest rate of 10.5% p.a for a period of 20 years with the first installment which started on 31 January 2017.		
Non-current liabilities		
At amortised cost	43 179 614	45 236 752
Current liabilities		
At amortised cost	2 251 269	2 015 787

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
18. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Post retirement medical benefits	(76 142 908)	(70 917 244)
Long service awards	(5 226 574)	(4 217 547)
	(81 369 482)	(75 134 791)
Non-current liabilities	(77 841 265)	(71 522 147)
Current liabilities	(3 528 217)	(3 612 644)
	(81 369 482)	(75 134 791)

Post retirement medical benefits

The Municipality offers employees and continuation members the opportunity of belonging to one of several accredited medical schemes. The Municipality has agreed to subsidize the medical aid contributions of continuation pensioners in the following way. Eligible employees will receive a post-employment subsidy of 61.80% of the contribution payable should they become a member of a medical scheme at retirement.

All continuation members and their eligible dependents receive a 70% subsidy. Upon a member's death-in-retirement the surviving dependents will continue to receive the same subsidy. Upon a member's death-in-service the surviving dependents will not continue to receive a subsidy. Upon retirement, an employee may continue membership of the accredited medical scheme.

In accordance with the requirements of GRAP 25, the Projected Unit Credit method has been applied. The assumption underlying the funding method is that the employer's post-employment medical scheme costs in respect of an employee should be fully recognised by the time that the employee reaches fully accrued age. The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP 25.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In service members	412	413
Continuation members	49	49

Net expense recognised in the statement of financial performance

Current service cost	3 260 800	3 913 516
Current interest cost	9 383 087	9 069 107
Actuarial (gains) losses	(4 286 150)	(11 342 750)
	8 357 737	1 639 873

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

Opening balance	70 917 244	72 014 404
Current service cost	3 260 800	3 913 516
Current interest cost	9 383 087	9 069 107
Actuarial (gain)/loss	(4 286 150)	(2 737 033)
Medical contributions subsidies for continuation pensioners	(3 132 073)	(11 342 750)
	76 142 908	70 917 244

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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18. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used (D)	13.51 %	13.51 %
Consumer price inflation (C)	7.53 %	7.53 %
Health care cost inflation (H)	9.03 %	9.03 %
Net discount rate $((1+D)/(1+H)-1)$	4.11 %	4.18 %

It is the relative levels of the discount rate and health care cost inflation to one another that are important, rather than the nominal values. The assumption regarding the relative levels of these two rates is our expectation of the long-term average.

GRAP 25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2023 the duration of liabilities was 12.36 years.

At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2024 is 12.69% per annum, and the yield on the inflation linked bonds of a similar term was about 5.18% per annum, implying an underlying expectation of inflation of 6.67% per annum $((1 + 12.69\% - 0.5\%) / (1 + 5.18\%) - 1)$.

A healthcare cost inflation rate of 8.17% was assumed. This is 1.50% in excess of the expected inflation over the expected term of the liability, consistent with the previous actuary.

However, it is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 4.18% per annum $((1 + 12.69\%) / (1 + 8.17\%) - 1)$. This year's valuation basis is therefore stronger than previous year's basis from a discount rate perspective.

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 continuemembership of the medical scheme.

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) Hosmed

Medical inflation rate	1% decrease	Impact	1% increase	Impact
Accrued liability	68 941 505	13.79%	86 643 144	12.08%
Current cost	2 956 146		4 241 498	
Interest cost	8 290 989		10 788 785	

As per the table above, a 1% increase in the medical inflation rate results in a 14.19% increase in the accrued liability whilst a 1% decrease in the medical inflation rate will result in a 11.76% decrease in the accrued liability.

Inversely, a 1% increase in the discount rate results in a 11.05% decrease in the accrued liability whilst a 1% decrease in the discount rate will result in a 13.48% increase in the accrued liability.

Discount rate	1% decrease	Impact	1% increase	Impact
Accrued liability	86 079 748	11.37%	67,484 604	13.05%
Current cost	4 176 411		3 008 417	
Interest cost	9 917 613		9 017 780	

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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18. Employee benefit obligations (continued)

Long service awards

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2024 may become entitled to in future, based on an actuarial valuation performed at that date. The Municipality offers employees Long Service Awards for every five years of continuous service completed, from 5 years to 45 years of service, inclusive.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2023 by 1 Pangaea Expertise and Solutions (Pty) Ltd, a member 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. No other long service benefits are provided by the municipality.

The Long Service Awards plans are defined benefit plans. As at year end, 480 employees were eligible for Long Service Awards. (2023: 515 employees)

Long Service Awards	Year ending 30/06/2024	Year ending 30/06/2023
Opening accrued liability	4 217 547	4 383 013
Plus: Current service cost	392 048	426 838
Plus: Current interest cost	405 772	378 550
Less: Expected benefit payments	(982 957)	(926 805)
Actuarial (gain)/loss	1 194 164	(44 047)
Expected Employer Benefit Payments	-	-
	5 226 574	4 217 547

General description of the type of plan

The Municipality offers employees LSA for every five years of service completed, from five years of service to 45 years of service, inclusive.

Principal assumptions used as at the balance sheet date

Discount rates used	9.78 %	10.47 %
Consumer price index	4.36 %	5.26 %
Salary increase rate	5.36 %	6.26 %
Net Discount Rate	4.20 %	3.96 %

GRAP 25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2023 the duration of liabilities was 4.42 years. At this duration the discount rate determined by using the Bond Exchange Zero.

Coupon Yield Curve as at 30 June 2024 is 9.78% per annum, and the yield on inflation-linked bonds of a similar term was about 4.72% per annum. This implies an underlying expectation of inflation of 4.36% per annum $((1 + 9.78\% - 0.5\%) / (1 + 4.72\%) - 1)$.

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 5.36% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 4.20% per annum $((1 + 9.78\%) / (1 + 5.36\%) - 1)$

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

2024

2023

18. Employee benefit obligations (continued)

Sensitivity Analysis

The table below summarises the results of the sensitivity analysis.

The table below indicates the effect of a 1% movement in the key assumptions:

Assumption	1% decrease	Impact	1% increase	Impact
Accrued liability	4 962 637	5.46%	5 512 108	5.05%
Current cost	491 033		441 276	
Interest cost	468 915		518 949	

As per the table above, a 1% increase in the salary increase rate results in a 4.81% increase in the accrued liability whilst a 1% decrease in the salary increase rate will result in a 5.28% decrease in the accrued liability.

Actuarial (gain)/loss reconciliation

Post retirement medical benefits
Long service awards

(4 286 150)	(11 342 750)
1 194 164	(44 047)
(3 091 986)	(11 386 797)

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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19. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions	Finance costs	Change in discount factor	Total
Environmental rehabilitation	35 519 195	(443 978)	4 482 522	(413 635)	39 144 104
Leave provision	17 162 779	4 198 080	-	-	21 360 859
	52 681 974	3 754 102	4 482 522	(413 635)	60 504 963

Reconciliation of provisions - 2023

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	32 070 941	3 543 839	(95 585)	35 519 195
Leave provision	17 408 086	(245 307)	-	17 162 779
	49 479 027	3 298 532	(95 585)	52 681 974

Non-current liabilities	39 144 104	35 519 195
Current liabilities	21 360 859	17 162 779
	60 504 963	52 681 974

Environmental rehabilitation provision

Makana Local Municipality has an obligation to restore three Landfill Sites situated in Grahamstown , Riebeck East, Alicedale. The Landfill Sites are currently licensed and are used for general waste disposal (non-hazardous) purpose. The valuation for Landfill site were done by One Pangea with their team of Engineers and Environmental specialists.

Leave Provision

Makana Municipality is using 48 days as the maximum bracket for the leave provision calculation , the municipality is required by the GRAP standards to do a disclosure and calculate the provision as at the end of the financial year. Leave days are only paid to employees subject to termination of employment, the leave days are added on a monthly basis to a maximum of 24 days in a financial period. Leave days available have decreased due to number of leave days taken by the employees.

20. Revenue

Rendering of services	1 335 568	1 810 606
Service charges	406 130 659	336 677 768
Rental of facilities and equipment	230 576	233 083
Interest received from receivables from exchange transactions	64 640 381	44 102 203
Agency services	3 426 153	2 946 397
Licences and Permits	-	-
Other operational income	2 450 501	944 042
Interest received from cash and bank and other financial assets	5 320 769	3 837 845
Property rates	116 826 314	107 449 662
Government grants & subsidies	184 159 772	148 951 946
Public contributions and donations	1 498 081	3 105 222
Fines, Penalties and Forfeits	1 216 885	1 420 516
Debt forgiven	21 599 019	262 783
	808 834 678	651 742 073

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
20. Revenue (continued)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	406 130 659	336 677 768
Rendering of services	1 335 568	1 810 606
Rental of facilities and equipment	230 576	233 083
Interest received on receivables from exchange transactions	64 640 381	44 102 203
Agency services	3 426 153	2 946 397
Other operational income	2 450 501	944 042
Interest received from cash and bank and other financial assets	5 320 769	3 837 845
	483 534 607	390 551 944
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	116 826 314	107 449 682
Licences or permits	27 624	12 070
Transfer revenue		
Government grants & subsidies	184 159 772	148 951 946
Public contributions and donations	1 498 081	3 105 222
Fines, Penalties and Forfeits	1 216 885	1 420 516
Debt forgiven	21 599 019	262 783
	325 327 695	261 202 199
21. Service charges		
Sale of electricity	168 102 958	148 545 646
Sale of water	171 189 763	138 402 988
Solid waste	24 532 583	16 529 306
Sewerage and sanitation charges	42 305 355	33 199 848
	406 130 659	336 677 768
22. Revenue earned from rendering of services		
Encroachment fees	907 342	1 305 503
Cattle Grazing	25 613	25 613
Building plans approval	232 968	314 112
Application fees for land usage	146 956	147 121
Sale of consumables	22 689	18 257
	1 335 568	1 810 606
23. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	230 576	233 083
24. Interest earned on receivables from exchange transactions		
Interest earned from receivables from exchange transactions	64 640 381	44 102 203

During the current financial year all consumers were charged interest at a rate of 10% on the arrear accounts as per Makana Local Municipality's credit control policy.

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

25. Income from agency services

Driver's Licenses	3 426 153	2 946 397
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The municipality has an arrangement with the Department of Transport in which it collects licence fees on behalf of the department and receives an agreed fee for the service provided.

26. Other operational revenue

Administrative Handling Fees	393 711	383 635
Receivables/Affiliates/Related Parties/Associated Companies	-	178 782
Discounts and Early Settlement	17 122	-
Incidental Cash Surpluses	13 661	8 414
Inspection Fees	132 476	131 182
Operational Revenue: Sale of Property	210 420	242 029
Forfeits retentions	1 683 111	-
	2 450 501	944 042

27. Interest received cash and bank and other financial assets

Interest revenue		
Cash and bank and other financial assets	5 320 769	3 837 845

28. Property rates

Rates received

Residential	44 569 264	38 542 774
Commercial	21 738 736	16 788 617
Public benefit infrastructure	44 024 200	44 793 450
Small holdings and farms	4 426 992	4 147 422
Industrial	2 067 122	3 177 399
	116 826 314	107 449 662

Valuations R'000

Agriculture	2 285 435	2 285 435
Bed and Breakfast	75 373	75 373
Commercial	838 342	838 342
Educational	1 108 457	1 108 457
Industrial	304 257	304 257
Municipal	648 084	648 084
Other	763 130	763 130
Residential	5 999 076	5 999 076
State	1 610 501	1 610 501
	13 632 655	13 632 655

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

Rates are levied on an annual basis.

The new general valuation will be implemented on 01 July 2025.

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
29. Interest from non-exchange receivables		
Interest received on receivable from non exchange property rates	10 960 575	7 899 696
During the current financial year all consumers were charged interest at a rate of 10% on the arrear accounts as per Makana Local Municipality's credit control policy.		
30. Government grants & subsidies		
Operating grants		
Equitable share	121 876 537	113 634 568
Municipal infrastructure grant	1 327 600	1 782 083
Financial management grant	3 100 000	3 000 000
Expanded public works program grant	1 061 260	1 333 000
LG seta grant	310 402	381 213
Municipal disaster relief grant	7 363 520	-
Fire grant	650 608	503 618
	135 689 927	120 634 482
Capital grants		
Municipal infrastructure grant	22 522 845	18 715 314
Water services infrastructure grant	21 947 000	4 425 707
Department Sport, recreation, arts and Culture (Libraries)	4 000 000	4 000 000
Integrated national electrification programme	-	1 176 443
	48 469 845	28 317 464
	184 159 772	148 951 946
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Equitable share	121 876 537	113 634 568
Unconditional grants recognised as revenue	62 283 235	35 317 378
	184 159 772	148 951 946
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Municipal infrastructure grant		
Balance unspent at beginning of year	19 998 444	17 697 841
Current-year receipts	26 552 000	22 798 000
Conditions met - transferred to revenue operating	(1 327 600)	(1 782 083)
Conditions met - transferred to revenue capital	(22 522 845)	(18 715 314)
Refunded to National treasury	(22 699 999)	-
	-	19 998 444

Conditions still to be met - remain liabilities (see note 16).

The purpose of the grant is to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprise and social institutions servicing poor communities.

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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30. Government grants & subsidies (continued)

Financial management grant

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

This grant is utilised for Interns' salaries to advance the implementation of the MFMA, training of officials to meet the minimum competency requirements, and for Asset Management and Financial System enhancements and training.

Expanded public works program grant

Current-year receipts	1 061 260	1 333 000
Conditions met - transferred to revenue	(1 061 260)	(1 333 000)
	-	-

The Expanded Public Works Programme is a government programme aimed at the alleviation of poverty and unemployment. This programme ensures the full engagement on Labour Intensive Methods of Construction to workers for skills development.

LG Seta Grant

Current-year receipts	310 402	381 213
Conditions met - transferred to revenue	(310 402)	(381 213)
	-	-

The levy grant scheme aims to expand the knowledge and competencies of the labour force resulting in improvements in employability and productivity.

Municipal disaster relief grant

Current-year receipts	9 200 000	-
Conditions met - transferred to revenue	(7 363 520)	-
	1 836 480	-

Conditions still to be met - remain liabilities (see note 16).

This grant is utilised for COVID-19 related expenditure with regard to Personal Protective Equipment and Cleaning Materials for Decontamination and Sanitising of Municipal Buildings. Additional text

Fire grant

Current-year receipts	650 608	503 618
Conditions met - transferred to revenue	(650 608)	(503 618)
	-	-

This is an unconditional grant

Fire safety grants fund critically needed resources to equip and train emergency personnel, enhance efficiencies and support community resilience.

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
30. Government grants & subsidies (continued)		
Water services infrastructure grant		
Balance unspent at beginning of year	-	1 425 707
Current-year receipts	21 947 000	3 000 000
Conditions met - transferred to revenue	(21 947 000)	(4 425 707)
	-	-

The purpose of this grant is to supplement the gaps, and focusing on functionality of water infrastructure.

Department Sport, recreation, arts and Culture (Libraries)

Current-year receipts	4 000 000	4 000 000
Conditions met - transferred to revenue	(4 000 000)	(4 000 000)
	-	-

The purpose of the grant is to support the municipality with the administration of libraries.

Integrated national electrification programme

Balance unspent at beginning of year	423 557	-
Current-year receipts	-	1 600 000
Conditions met - transferred to revenue	-	(1 176 443)
Refunded to National treasury	(423 557)	-
	-	423 557

The purpose of the grant is to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of all existing and planned residential dwellings and the installation of relevant bulk infrastructure.

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
31. Public contributions and donations		
Donations from Department of Forestry, Fisheries and Environment	1 498 081	3 105 222
The municipality received donations of a truck from Department of Forestry, Fisheries and Environment.		
The municipality received donations of from Sarah Baartman		
32. Fines, Penalties and Forfeits		
Illegal Connections Fines	59 985	73 516
Law Enforcement Fines	1 156 900	1 347 000
	1 216 885	1 420 516
33. Licences and permits (non-exchange)		
Licences or Permits	27 624	12 070
34. Debt forgiven		
Debt written off by various trade creditors	21 599 019	262 783
The municipality received a debt write off for interest incurred from Eskom and Amatola water amanzi		

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
35. Employee related costs		
Basic	137 915 896	122 023 586
Bonus	11 457 713	9 885 384
Medical aid - company contributions	14 403 034	11 642 952
Unemployment Insurance	1 150 917	1 046 517
Bargaining Council	75 290	65 543
Leave pay	6 137 295	1 119 815
Standby Allowance	2 172 621	1 878 970
Other short term costs	3 652 849	4 281 991
Overtime payments	14 410 400	9 289 108
Acting allowances	940 248	1 159 020
Travel allowance	3 617 230	3 441 553
Housing benefits and allowances	566 307	527 635
Scarcity Allowance	1 022 897	958 282
Social Contributions: Group Life Insurance	827 410	744 234
Cellular and Telephone	376 589	376 977
Pension	24 280 820	21 412 671
	223 007 496	189 854 238
Remuneration of Municipal Manager - MA Mene		
Annual Remuneration	-	544 965
Other allowances (travel, housing, cellphone)	-	75 084
Contributions to UIF, Medical and Pension Funds	-	6 888
Other	-	240 052
	-	866 989
Municipal Manager- MA Mene Resigned in October 2022.		
Remuneration of Municipal Manager- P Kate		
Annual Remuneration	1 209 840	782 753
Other allowances (travel, housing, cellphone)	501 816	320 550
Contributions to UIF, Medical and Pension Funds	18 238	11 610
	1 729 894	1 094 913
Municipal Manager- P Kate Appointed in November 2022.		
Remuneration of Chief Finance Officer - N Ntsangani		
Annual Remuneration	1 172 914	982 336
Other allowances (travel, housing, cellphone)	269 613	247 655
Contributions to UIF, Medical and Pension Funds	16 156	14 069
	1 458 683	1 244 060
Appointed in July 2022		
Remuneration of Chief Financial Officer - GJ Goliath		
Annual Remuneration	-	19 601
Contributions to UIF, Medical and Pension Funds	-	373
	-	19 974

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
35. Employee related costs (continued)		
Remuneration of Director Corporate Services and Shared Services - XP Kalashe		
Annual Remuneration	738 282	711 232
Other allowances (travel, housing, cellphone)	389 025	313 136
Contributions to UIF, Medical and Pension Funds	11 186	8 189
	1 138 493	1 032 557
Director : Corporate services and Shared Services-XP Kalashe Appointed 1 May 2021		
Remuneration of Director Engineering and Infrastructure Services - SA Gidana		
Annual Remuneration	518 958	1 148 632
Other allowances (travel, housing, cellphone)	68 057	172 439
Contributions to UIF, Medical and Pension Funds	8 075	15 164
Leave pay	120 723	-
	715 813	1 336 235
Director : Engineering and Infrastructure Services- S A Gidana Appointed 1 March 2021.		
Remuneration of Acting Engineering and Infrastructure Services - Radu		
Acting Allowance	74 298	-
Acting Engineering and Infrastructure Services - Mr Radu from September 2023 to March 2024 .		
Remuneration of Acting LED Director - S Jonas		
Annual Remuneration	122 877	80 018
S Jonas acted as the Acting LED Director for the following periods September to December 2022 and June 2023.		
Remuneration of Director LED - Ms NC Eddie		
Annual Remuneration	-	524 123
Contributions to UIF, Medical and Pension Funds	-	6 181
	-	530 304
Director: LED - Ms NC Eddie Appointed on 1st January 2023 Resigned on 31 May 2023.		
Director : Local Development Development - NM Khoahla		
Annual Remuneration	324 546	-
Car Allowance	12 415	-
Contributions to UIF, Medical and Pension Funds	3 497	-
	340 458	-
Director : Local Development Development - NM KHOAHLA (Appointed on 1st December 2023)		
Remuneration of Director Public Safety & Community Services - K Makgoka		
Annual Remuneration	363 995	1 060 784
Car Allowance	2 200	103 715
Contributions to UIF, Medical and Pension Funds	5 986	10 713

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
35. Employee related costs (continued)		
Leave pay	161 515	-
	533 696	1 175 212
Appointed in July 1st 2018.		
Acting Public Safety & Community Service - WJ Welkom		
Annual Remuneration	31 022	-
Acting Public Safety & Community Service - WJ Welkom from October 2023 to November 2023.		
Remuneration of Director: Public Safety & Community Services : N Notyeke		
Annual Remuneration	566 983	-
Car Allowance	44 524	-
Contributions to UIF, Medical and Pension Funds	6 573	-
	618 080	-
Director: Public Safety & Community Services : N Notyeke (Appointed in December 2023).		
36. Remuneration of councillors		
Executive Mayor	1 003 081	949 489
Executive Committee Members	3 822 824	3 570 766
Speaker	812 267	768 279
Chief Whip	448 203	416 302
Councillors	6 784 419	6 293 397
	12 870 794	11 998 233
In-kind benefits		
The Executive Mayor, Chief Whip, Speaker and Mayoral Committee Members are full-time. The Mayor is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.		
Additional information		
The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.		
37. Depreciation and amortisation		
Property, plant and equipment	49 309 288	32 541 717
38. Impairment loss / reversal		
Impairments		
Property, plant and equipment	-	29 068
Reversal of impairments		
Property, plant and equipment	(542 960)	-
Total impairment losses (recognised) reversed	(542 960)	29 068

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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39. Finance costs

Borrowings	4 883 188	5 085 901
Trade and other payables	16 088 526	12 822 249
Interest cost on employee benefit obligations	9 788 859	9 447 657
Interest cost on landfill site provision	4 068 887	3 543 839
	34 839 460	30 899 646

The finance cost include interest incurred on loan from DBSA, time value of money in respect of provision for rehabilitation of landfill sites, employee benefits obligations and other various interest paid for late payments to trade creditors.

40. Lease rentals on operating lease

Plant and equipment		
Contractual amounts	161 973	389 160

41. Debt impairment

Debt impairment provision	281 263 969	179 121 176
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42. Bulk purchases

Electricity - Eskom	160 801 200	135 614 220
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Electricity losses

	Number- (KHW) 2024	Number - (KHW) 2023
Units purchased	96 730 752	94 371 074
Units sold	(79 616 976)	(75 699 344)
Total loss in units	17 113 776	18 671 730
Loss calculated for (in rand value)		
Total losses	28 449 233	26 831 868
Own use	(67 873)	-
Network loss after own use losses	(8 361 662)	(7 051 939)
Total loss after own use	20 019 698	19 779 929

Water losses

	Lost Units	Value
Unaccounted water losses - 2022	941 478	3 595 177

43. Contracted services

Outsourced Services

Administrative and Support Staff	-	99 648
Business and Advisory	186 657	929 664
Cleaning Services	1 170 924	-
Internal Auditors	158 580	113 458
Personnel and Labour	2 482 020	526 163
Security Services	7 766 258	7 591 929

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
43. Contracted services (continued)		
Consultants and Professional Services		
Business and Advisory	7 915 599	10 311 007
Legal Cost	3 762 289	2 797 254
Contractors		
Catering Services	220 887	47 556
Employee Wellness	18 844	19 356
Event Promoters	70 800	291 497
Gardening Services	-	843
Maintenance of Buildings and Facilities	7 362 073	6 977 609
Maintenance of Equipment	1 333 258	288 805
Maintenance of Unspecified Assets	2 351 490	1 210 817
Transportation	29 966	-
	34 829 645	31 205 606
44. Transfer and subsidies		
Other subsidies		
Social Assistance :Grant In Aid	351 214	990 060
The Municipality committed itself to quarterly payments from 1 July 2010		
45. Material loss due to payments for goods not delivered		
Material loss incurred due to payments made without goods being delivered	-	2 342 634
The above mentioned amount were paid as a direct payment for property plant and equipment to be delivered to the municipality and the assets were never delivered. It was established that this payment meets the definition of material loss due to the municipality paying for goods before being delivered. The matter shall be reported to council to pronounce on how this matter should be addressed and has further been included in the fruitless and wasteful expenditure for investigation.		
46. Inventory consumed		
Sale of goods		
Cost of goods sold	5 057 041	27 590 205

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
47. General expenses		
Advertising	652 741	279 262
Auditors remuneration	6 070 886	5 077 011
Bank charges	871 200	541 675
Commission paid	2 104 390	4 326 243
Hire Charges	2 586 281	608 391
Insurance	1 592 195	1 680 198
Conferences and seminars	328 817	389 327
IT expenses	2 820 146	1 528 059
Skills Development Levies	1 875 450	1 619 507
Fuel and oil	4 483 004	4 390 932
Postage and courier	344 639	70 806
Printing and stationery	1 406 389	256 554
Protective clothing	445 224	66 071
Subscriptions and membership fees	2 574 533	2 392 371
Telephone and fax	1 613 189	1 845 730
Travel - local	1 108 492	973 726
Assets expensed	45 291	13 352
Indigent costs	1 920 104	5 061 065
Water costs levies	469 137	648 692
Sundry operational costs	56 611	54 972
Municipal services	5 765 288	5 868 298
Motor Vehicle Licence and Registrations	1 838 779	3 633 000
	40 972 766	41 325 242
48. Auditors' remuneration		
Fees	6 070 886	5 077 011
49. Cash generated from operations		
Deficit	(19 165 525)	(12 889 025)
Adjustments for:		
Depreciation and amortisation	49 309 286	32 541 717
(Loss) gain on sale of assets and liabilities	(841 496)	28 456
Public contributions and donations	(1 498 081)	(3 105 222)
Impairment	(542 960)	29 068
Debt impairment	281 263 969	179 121 176
Movements in retirement benefit assets and liabilities	6 234 691	(1 262 636)
Movements in provisions	8 266 963	3 202 947
Changes in working capital:		
Inventories	(8 831 049)	(1 412 351)
Receivables from exchange transactions	(299 713 818)	(187 814 828)
Receivables from non - exchange transactions	(2 826 071)	(2 190 227)
Payables from exchange transactions	20 927 971	23 717 257
Value Added Tax	12 510 394	(5 298 541)
Payables from non - exchange transactions	(1 837 817)	25 688 889
Unspent conditional grants and receipts	(18 585 521)	1 298 453
Consumer deposits	145 633	160 245
	24 816 569	51 815 378

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023	
50. Financial instruments disclosure			
Categories of financial instruments			
2024			
Financial assets			
	At fair value	At amortised cost	Total
Cash and cash equivalents	25 455 985	-	25 455 985
Receivables from exchange transactions	-	93 399 729	93 399 729
Receivables from non - exchange transactions	-	1 180 548	1 180 548
Financial assets	-	3 735 085	3 735 085
	25 455 985	98 315 362	123 771 347
Financial liabilities			
		At amortised cost	Total
Payables from exchange transactions		285 619 279	285 619 279
Payables from non - exchange transactions		35 683 413	35 683 413
Consumer deposits		4 287 623	4 287 623
Borrowings		45 430 883	45 430 883
		371 021 198	371 021 198
2023			
Financial assets			
	At fair value	At amortised cost	Total
Cash and cash equivalents	56 245 938	-	56 245 938
Receivables from exchange transactions	-	74 949 880	74 949 880
Receivables from non - exchange transactions	-	3 740 192	3 740 192
Financial assets	-	3 493 381	3 493 381
	56 245 938	82 183 453	138 429 391
Financial liabilities			
		At amortised cost	Total
Payables from exchange transactions		264 691 311	264 691 311
Payables from non - exchange transactions		37 521 230	37 521 230
Consumer deposits		4 141 990	4 141 990
Borrowings		47 252 539	47 252 539
		353 607 070	353 607 070

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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51. Commitments

Capital commitments disclosed in the annual financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

Authorised capital expenditure

Approved and contracted for:

• Property, plant and equipment	69 639 309	56 255 289
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Total capital commitments

Approved and contracted for	69 639 309	56 255 289
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Total commitments

Total commitments

Authorised capital expenditure	69 639 309	56 255 289
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This committed expenditure relates to plant and equipment and will be financed by grants and funds internally generated cash resources.

52. Contingencies

There is no reimbursement from any third parties for potential obligations of the municipality.

Contingent liabilities

High court (Makhanda) 1942/2020 - damages	900 000	-
High court (Makhanda) 209/2023 matter relating to personal injury lawsuit	7 120 000	7 120 000
High court (Makhanda) 2532/24 matter relating to civil claim for leave and bonus	312 180	-
High court (Makhanda) 3909/2015 matter relating to breach of contract and lease	9 310 000	9 300 000
High court (Makhanda) 4063/2022 matter relating to general damages	500 000	500 000
High court (Makhanda) 718/18 matter relating to damages lawsuit	44 970 431	3 428 457
High court matter relating to civil claim damages	51 183 703	26 625 739
Labour court - PS06/2024 matter relating to salary discrepancy	200 000	-
Matter relating to civil claim damages for pothole	-	37 818
Matter relating to civil claim damages for pothole	-	22 729
Magistrate - 1155/2014 matter relating to unlawful arrest	200 000	200 000
	114 696 314	47 234 743

Contingent assets

Subsequent to the disciplinary hearing in respect of the fruitless and wasteful expenditure referred to in Note 59, civil proceedings have commenced against the employees concerned to recover an amount of R -. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount but this recovery is virtually certain.

Contingent assets

Makana Municipality vs S.C & J.A Bryan	-	1
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Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

2024

2023

53. Related parties

Relationships

Accounting Officer

Councillors names

Refer to accounting officers' report note 8

Refer to General information page for Councillor names. The remuneration to Councillors has been included in note 35.

Close family member of key management

There were no transactions between close family members of key management.

Joint venture of key management

None

Associate of close family member of key management

None

Post employment benefit plan for employees of entity and/or other related parties

Refer to note 17.

Members of key management

No other payments were made outside the contractual employment payments from employment. Refer to note 30 for remuneration.

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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54. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2023

	Note	As previously reported	Prior period error	Re-classification	Restated
Receivables from exchange transactions		73 741 517	1 208 363	-	74 949 880
Receivables from non - exchange transactions		20 752 523	4 171 764	-	24 924 287
Inventories		8 575 189	(6 063 831)	-	2 511 358
Property, plant and equipment		943 603 121	9 795 576	-	953 398 697
Intangible assets		435 712	1 350 089	-	1 785 801
Payables from exchange transactions		(275 996 653)	3 565 283	7 740 059	(264 691 311)
Payables from non - exchange transactions		-	(14 153 305)	(23 367 925)	(37 521 230)
VAT payable		(52 468 431)	6 420 833	-	(46 047 598)
Consumer deposits		(2 782 089)	(1 359 901)	-	(4 141 990)
Unspent conditional grants and receipts		(42 371 956)	6 322 089	15 627 866	(20 422 001)
Employee benefit obligation		(3 612 654)	10	-	(3 612 644)
Provisions - non-current portion		(34 521 937)	(997 258)	-	(35 519 195)
Accumulated deficit/surplus		(795 380 096)	(7 628 098)	-	(803 008 194)
		(160 025 754)	2 631 614	-	(157 394 140)

Statement of financial performance

2023

	Note	As previously reported	Prior period error	Re-classification	Restated
Rendering of services		(1 807 531)	(3 075)	-	(1 810 606)
Rental of facilities and equipment		(240 124)	7 041	-	(233 083)
Other operating revenue		(869 943)	-	(74 099)	(944 042)
Actuarial gains		(11 342 750)	(44 047)	-	(11 386 797)
Government grants & subsidies		(143 257 610)	(5 768 435)	74 099	(148 951 946)
Debt forgiven		-	(262 783)	-	(262 783)
Employee related costs		199 396 132	(94 237)	(9 447 657)	189 854 238
Depreciation and amortisation		31 656 046	885 669	-	32 541 717
Impairment (loss) / reversal		-	29 068	-	29 068
Finance costs		16 652 380	4 799 609	9 447 657	30 899 646
Debt impairment		182 665 210	(3 544 034)	-	179 121 176
Contracted services		30 624 362	581 244	-	31 205 606
Material loss due to payments for goods not delivered		-	2 342 634	-	2 342 634
Inventories losses/write-downs		623 809	-	(623 809)	-
Inventory consumed		27 696 034	(729 638)	623 809	27 590 205
Operational costs		42 155 872	(830 630)	-	41 325 242
Surplus for the year		373 951 889	(2 631 614)	-	371 320 275

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand		2024	2023	
54. Prior-year adjustments (continued)				
Cash flow statement				
2023				
	Note	As previously reported	Prior period error	Restated
Cash flow from operating activities				
Taxation and fines		-	101 550 806	101 550 806
Sale of goods and services		390 481 811	(183 079 915)	207 401 896
Grants and subsidies		150 424 286	9 764 786	160 189 072
Interest income		3 837 845	-	3 837 845
Other receipts		1	6 059 978	6 059 979
Employee costs		-	(208 267 227)	(208 267 227)
Suppliers		-	(203 507 836)	(203 507 836)
Other cash item		(489 398 544)	489 398 544	-
Finance costs		(16 652 380)	1 203 223	(15 449 157)
		38 693 019	13 122 359	51 815 378
Cash flow from investing activities				
Purchase of property, plant and equipment		(20 098 190)	(21 777 815)	(41 876 005)

The following errors were identified and are summarised below

Receivables from exchange transactions was increased by R 1 208 363 due to errors identified in the current financial year.

Receivables from non-exchange was increased by R 4 171 764 due to errors identified in the current financial year in the mapping.

Inventories was reduced by R 6 063 831 due to incorrect calculation of inventory values and inventory held for sale that was already included in investment property.

Property, Plant and Equipment was increased by R 9 795 576 due to errors identified in the current year.

Intangible assets was increased by R 1 350 089 due to errors identified in the current year.

Payables from exchange transactions was decreased by R 11 305 342 mainly due to a reclassification of unallocated receipts and Department of Transport amount owing to payables from non - exchange transactions and Department of Human Settlements by R 7 740 059 and decreased by R 3 565 283 due to invoices that were not captured relating to the previous financial period and reversal of incorrect transactions.

Payables from non - exchange transactions was increased by R 37 521 230 mainly due to a reclassification of unallocated receipts from payables from exchange transactions and Department of Human settlements from unspent conditional grants and unallocated deposits errors that were posted in incorrect payables segments.

VAT payable was decreased by R 6 420 833 due to invoices that were omitted in the prior financial period and incorrect posting in the system.

Consumer deposits were increased by R 1 359 901 due to transacting errors identified in the current year.

Unspent conditional grants was restated by R 21 949 955 due to due corrections of misposting errors in the financial system amounting to R 6 322 089 and reclassification of Department of Human settlements from Unspent Grant to Payables from non - exchange transactions amounting to R 15 627 866 as the municipality is only an implementing agent of the department's project.

Employee benefits obligation was decreased by R 10 due to an error in the previous year's report.

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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54. Prior-year adjustments (continued)

Provisions - non-current portion was increased by R 997 258 due to errors identified in the landfill site valuations corrected.

Accumulated surplus was decreased by R 7 628 098 due to the restatement of items disclosed above.

Rendering of services was increased by R 3 075 due to omissions during the previous financial year.

Rental of facilities and equipment was decreased by R 7 041 due to omissions during the previous financial year.

Other operating income was increased by R 74 099 due to reclassification of revenue from principal agent relationship previously accounted for as grant.

Actuarial gains was increased by R 44 047 due to actuarial gain on long service awards accounted for in employee related costs.

Government grants and subsidies were restated R 5 694 336 due to increase of R 5 768 435 of misposting errors in the financial system and decreased by R 74 099 due to reclassification of revenue from principal agent relationship previously accounted for as grant.

Debt forgiven was increased by R 262 783 due to interest written off by service providers that was not recognised as revenue from non exchange transaction in the previous financial year.

Employee related costs was reduced by R 9 541 894 due to reclassification of medical benefits and long service awards interest cost from employee related costs to finance costs amounting to R 9 447 657 and adjusted by R 94 237 due to errors corrects in the current year.

Depreciation and amortisation was restated by 885 669 due to corrections made to property, plant and equipment.

Impairment (loss) / reversal was increased by R 29 068 due to impairments that were previously not accounted for in the previous financial year.

Finance costs was increased by R 14 247 266 due to reclassification of medical benefits and long service awards interest cost from employee related costs to finance costs amounting to R 9 447 657 and interest amounting to R 4 799 609 that was not accounted for.

Debt impairment was decreased by R 3 544 034 due to corrections made in the current year.

Contracted services was increased by R 581 244 due to errors in the previous financial year.

Material loss due to payments for goods not delivered was increased by R 2 342 634 due to expensing of costs for goods that were never delivered that was accounted for property plant and equipment in 2022/23.

Inventories losses/write-downs was reduced by R 623 809 due to reclassification of the expense to inventory consumed.

Inventory consumed was adjusted by R 105 829 due to errors in previous financial year amounting to R 729 638 and reclassification of inventories losses of R 623 809.

Operational cost was decreased by R 830 630 due to invoices that were previously accounted for incorrectly in the prior year and department of transport expenditure being expensed.

Cashflow statement - The municipality did not accurately compute the cashflows correctly on the 31st of August 2023 prior to submission and the correct amounts have been recalculated and disclosed as above.

The following comparative account balance names have been changed to better present the financial information:

- Financial assets in note 11 was previously presented as other financial asset and
- Borrowings in note 17 was previously presented as other financial liabilities in the 2022/23 financial year.

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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54. Prior-year adjustments (continued)

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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54. Prior-year adjustments (continued)

Irregular expenditure

Opening balance	-	370 142 385
Adjustments made	-	(1 399 716)
Restated opening balance	-	368 742 669

Adjustment made to opening balance of irregular expenditure is due to an omission of irregular expenditure.

Fruitless and wasteful expenditure

Opening balance	-	7 825 768
Adjustments made	-	9 440 928
Restated opening balance	-	17 266 696

Adjustment made to opening balance of fruitless and wasteful expenditure.

Unauthorised expenditure

Opening balance	-	779 268 401
Adjustments made	-	(220 317 500)
Restated opening balance	-	558 950 901

Adjustment made to opening balance of fruitless and wasteful expenditure.

55. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a central treasury department under policies approved by the . Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units.

Liquidity risk

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

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

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
55. Risk management (continued)		
Credit risk		
Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.		
Financial assets and liabilities exposed to credit risk at year end were as follows:		
Financial instrument	2024	2023
Cash and cash equivalents	25 455 985	56 245 938
Receivables from exchange transactions	93 399 729	74 949 880
Receivables from non - exchange transactions	1 180 548	3 740 192
Financial assets	3 735 085	3 493 381
Payables from exchange transactions	(285 619 279)	(264 691 311)
Payables from non - exchange transactions	(35 683 413)	(37 521 230)
Consumer Deposits	(4 287 623)	(4 141 990)
Borrowings	(45 430 883)	(47 252 539)

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2024 and 2023, the municipality's borrowings at variable rate were denominated in Rand.

56. Going concern

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

We draw attention to the fact that the municipality had a net deficit of R 19 165 525 for the year ended 30 June 2024 (2023: R 12 889 025) and the current liabilities of R 413 125 132 (2023: R 395 615 340) exceeded the current assets of R 157 948 (2023: R 158 631 463) by R 255 176 653 as at 30 June 2024 (2023: R 236 983 877). The municipality is currently faced with numerous financial problems which impact, amongst others, on its ability to meet its financial commitments and the provision of sustainable basic services. Challenges faced regarding financial issues manifests in cash flow constraints. During the current financial year, the municipality experienced serious cash flow challenges and some grants were paid back to national treasury due to under performance of grants.

While the municipality had taken reasonable steps to ensure that all creditors were paid within 30 days, it was not able to meet this criterion. Because of this, there were some instances where the municipality incurred interest in respect of outstanding balances of creditors. There is a material uncertainty and, therefore, the municipality may be unable to realise its assets and discharge its liabilities in the normal course of service delivery. Makana Local Municipality has developed a financial recovery plan which seeks to address the issues that have contributed to the current situation. This strategy takes a holistic approach to the organisation and was presented to and approved by Makana Local Municipality Council.

The plan is for various strategies to effect the changes needed for viability and sustainability of the municipality but not all could be considered due to its limited cash-flow and institutional capacity. In addition to this, the strategies will be balanced between short term and long term to ensure the strategies will have the greatest impact based on the resources available, financial and human resources.

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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57. Events after the reporting date

There were no material events that required an adjustment to the annual financial statements after the reporting date

58. Unauthorised expenditure

Opening balance as previously reported	558 950 899	779 268 401
Add: Unauthorised expenditure - prior period	-	124 392 410
Add: Unauthorised expenditure - current year expenditure	-	169 673 854
Less: Amount written off by Council	-	(514 383 766)
Closing balance	558 950 899	558 950 899

Unauthorised expenditure: Budget overspending – per municipal department:

Vote 3 - Budget and Treasury Office	-	161 377 911
Vote 4 - Corporate and Shared Office	-	8 295 864
	-	169 673 775

Disciplinary steps taken/criminal proceedings

Management submitted all unauthorised expenditure incurred in prior periods to council for investigation. At 30 June 2024, all prior year unauthorised expenditure was being investigated by the Municipal Public Accounts Committee. Current financial year unauthorised expenditure will be reported to Council in the next financial year. No criminal or disciplinary steps have yet been taken as a consequence of the above expenditure.

59. Fruitless and wasteful expenditure

Opening balance as previously reported	17 266 697	7 825 768
Add: Fruitless and wasteful expenditure identified - Correction of prior period error	-	2 689 819
Add: Current year fruitless and wasteful expenditure	16 098 526	12 706 126
Less: Amounts written off by Council	(12 535 311)	(5 955 016)
Closing balance	20 829 912	17 266 697

Management submitted all fruitless and wasteful expenditure incurred in prior periods to council for investigation. At 30 June 2024, all prior years fruitless and wasteful was investigated by the Municipal Public Accounts Committee and a total amount of R 12 535 311 (2023: R 5 955 016) was approved for write off by Council. Current financial year fruitless and wasteful expenditure will be reported to Council in the next financial year.

No criminal or disciplinary steps have been taken as a consequence of the above expenditure as the processes have not yet been concluded.

Expenditure identified in the current year include those listed below:

Eskom	12 208 410	9 349 030
Department of Water	3 858 708	945 206
Material loss due to payments for goods not delivered	-	2 342 634
Eskom small accounts	21 152	45 268
Amatola	7 708	23 682
Auditor general South Africa	1 796	-
Telkom	754	-
Siyawella	-	241
NHLS	-	64
	16 098 526	12 706 125

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
60. Irregular expenditure		
Opening balance as previously reported	396 048 335	370 142 385
Correction of prior period error	3 864 811	-
Add: Irregular expenditure current	37 645 693	36 927 207
Add: Irregular expenditure prior period	-	40 837 018
Less: Amounts written off by Council	(78 338 700)	(51 858 275)
Closing balance	<u>359 220 139</u>	<u>396 048 335</u>

Disciplinary steps taken/criminal proceedings

No disciplinary action or steps taken/criminal proceedings.

61. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	167 729	7 826 119
Current year subscription / fee	2 522 722	2 358 711
Amount paid - current year	(2 522 722)	(10 017 101)
	<u>167 729</u>	<u>167 729</u>

Other material losses

Audit fees

Opening balance	469 039	2 284 830
Current year subscription / fee	6 689 104	7 093 315
Amount paid - current year	(7 132 633)	(8 909 106)
	<u>25 510</u>	<u>469 039</u>

PAYE, UIF and SDL

Opening balance	2 262 984	5 617 090
Current year subscription / fee	32 535 418	29 804 380
Amount paid - current year	(32 028 409)	(33 158 947)
	<u>2 769 993</u>	<u>2 262 523</u>

Pension and Medical Aid Contributions

Opening balance	5 027 072	7 590 888
Current year subscription / fee	61 197 279	58 970 129
Amount paid - current year	(60 898 237)	(61 533 945)
	<u>5 326 114</u>	<u>5 027 072</u>

VAT

VAT payable	(58 557 992)	(46 047 598)
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VAT output payables and VAT input receivables are shown in note 14.

All VAT returns have been submitted by the due date throughout the year.

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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61. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

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

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor L/S Mantla	5 099	96 606	101 707
30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor BPM Jackson	1 834	3 586	5 420
Councillor L/S Mantla	2 983	9 580	12 563
	4 817	13 166	17 983

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

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.

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been approved by the Accounting Officer.

Incident

In terms of SCM regulations 36 (a)(i): In an emergency	1 590 573	203 553
In terms of SCM regulations 36 (a)(ii): Sole Service Provider	2 807 496	606 575
In terms of SCM regulations 36 (a)(v): Impractical to follow the normal SCM process	6 368 092	623 784
	10 766 161	1 433 912

62. Budget differences

Material differences between budget and actual amounts

All budget fluctuations above 10% in comparison to actual results for the financial period were considered material and are explained in the Statement of Comparison of Budget and Actual Amounts.

62.01 Service charges had an acceptable variance

62.02 Rendering of services was not budgeted for.

62.03 Rental of facilities and equipment was higher than budgeted due to adhoc rentals that increased

62.04 Interest received from receivables from exchange transactions was higher than budget due to overbudgeting

62.05 Agency fees had an acceptable variance.

62.06 Other operational income was over budgeted for

62.07 Interest received from bank and other financial assets was higher due to more money being invested in call accounts.

Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
62. Budget differences (continued)		
62.08 Property rates had an acceptable variance.		
62.09 Licences and Permits was overbudgeted for.		
62.10 Interest received from receivables from non exchange transactions was not budgeted for separately as the interest was included in the interest from receivables from exchange transactions.		
62.11 Government grants and subsidies was underbudgeted for.		
62.12 Fines, Penalties and Forfeits were over budgeted for, less traffic infringements were recorded during the current financial year.		
62.13 Debt forgiven was not budgeted for as the municipality was not sure of the approval by Eskom.		
62.13 Employee related costs realised an increase due to overtime and actuarial valuations that were overspent.		
62.14 Remuneration of councillors was within budget		
62.16 Depreciation and amortisation was.		
62.17 Finance costs has an acceptable variance.		
62.18 Lease rentals on operating lease was not budgeted for.		
62.19 Debt impairment was within budget.		
62.20 Bulk purchases was within budget.		
62.21 Contracted services was within budget		
62.22 Transfers and subsidies was overspent due to under budgeting.		
62.23 Inventory consumed was within budget.		
62.24 Operational costs was thin budget and the huge variance was due to the municipality's cost saving due to cash flow monitoring by reducing expenditure.		
63. Gains or losses on biological assets		

Makana Local Municipality
Appendix A

Schedule of external loans as at 30 June 2024

Loan Number	Redeemable	Balance at 30 June 2023	Received during the period	Redeemed written off during the period	Balance at 30 June 2024	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
Development Bank of South Africa							
DBSA @ 10.5%	31-Aug-2035	47 252 539	-	1 821 656	45 430 883	-	-
		<u>47 252 539</u>	<u>-</u>	<u>1 821 656</u>	<u>45 430 883</u>	<u>-</u>	<u>-</u>
Total external loans							
Development Bank of South Africa							
		47 252 539	-	1 821 656	45 430 883	-	-
		<u>47 252 539</u>	<u>-</u>	<u>1 821 656</u>	<u>45 430 883</u>	<u>-</u>	<u>-</u>

ANNEXURE A.

Segment reporting

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

Reportable segment

Segment 1
Community and social services

Segment 2
Electricity

Segment 3
Local economic development and planning

Segment 4
Public works, Roads and storm water

Segment 5
Water Service

2024

	Community and social services	Electricity	Local economic development and planning	Public works, Roads and storm water	Unallocated	Water Service	Grand Total
Balance sheet							
Accumulated Surplus	33 779 009	4 285 198	149 826 072	24 776 122	472 566 396	183 012 009	790 119 166
Cash and cash equivalents	245 783 268	326 350 078	489 503 048	54 178 434	1 198 080 364	202 082 347	25 425 893
Consumer deposits	7 749 051	8 078 554	27 413	66 049	12 814 719	3 901 225	17 839 800
Employee benefit obligation current	-	-	-	-	3 526 217	-	3 526 217
Employee benefit obligation non current	-	-	-	-	17 841 205	-	17 841 205
Heritage assets	-	32 789 263	-	-	1 785 002	-	32 789 263
Intangible assets	-	-	760 691	-	-	-	1 785 002
Investment property	-	186 509 973	-	-	-	-	186 509 973
Other financial assets - current	-	3 735 085	-	-	-	-	3 735 085
Other financial liabilities - current	-	-	-	-	2 251 209	-	2 251 209
Other financial liabilities - non current	-	-	-	-	43 179 614	-	43 179 614
Payables from exchange transactions	11 130 878	153 392 381	244 241 487	2 209 649	440 239 255	115 881 147	474 372 534
Property, plant and equipment	208 219 925	183 167 547	19 483	226 730 179	203 819 441	138 519 242	960 236 851
Provisions current portion	-	-	-	-	21 300 839	-	21 300 839
Provisions non current portion	-	-	-	-	39 144 134	-	39 144 134
Receivables from exchange transactions	11 383 979	29 503 540	4 012 090	-	449 978 697	397 458 008	93 389 730
Receivables from non exchange	4 390 034	16 013 553	8 868 831	2 524 861	27 848 528	3 908 307	38 854 735
Unspent conditional grants	15 088 128	1 944 486	-	1 049 937	98 250 852	93 482 849	16 934 009
Value added tax payable	3 718 246	24 953 557	1 794 595	5 437 185	47 625 250	12 128 764	87 631 484
	489 167 176	670 059 452	563 661 768	205 672 837	2 143 727 183	672 656 745	19 185 515
Income statement							
Account gains/losses	-	-	-	-	3 091 896	-	3 091 896
Bulk purchases	-	160 801 200	-	-	-	-	160 801 200
Contracted services	8 433 355	1 326 610	7 008 362	545 164	15 701 454	1 814 096	34 829 045
Diesel replacement and waste oil	50 993 838	11 918 570	27 240 795	-	4 125 419	180 975 347	281 263 970
Depreciation and amortisation	13 461 509	3 962 292	165 718	7 148 063	11 994 651	12 633 255	48 305 280
Employee related costs	72 962 718	30 785 252	6 041 267	20 312 143	60 393 035	25 640 973	223 007 489
Finance costs	356 603	1 143 415	-	340 825	59 656 025	3 065 860	64 942 728
Interest, penalties and forfeits	-	1 221 142	-	-	4 257	-	1 216 004
Government grants and subsidies	32 276 728	8 890 049	43 780 483	7 363 520	18 237 301	73 614 120	194 162 197
Income from agency services	3 426 153	-	-	-	891 272	-	3 426 153
Interest received from exchange transactions	-	5 922 930	10 960 575	-	5 079 045	43 982 405	75 600 950
Interest received on cash and bank (over) financial assets	-	241 704	-	-	-	-	5 320 769
Licences and Permits	-	-	-	-	-	-	27 634
Loss/gain on disposal of assets and liabilities	-	27 624	-	-	-	-	1 364 456
Operating expenditure	-	543 960	-	-	-	-	29 247 131
Other operating revenue	2 020 732	8 109 604	52 181	267 731	16 618 227	2 128 635	2 648 076
Rendering of services	212 475	-	4 833	1 683 111	534 264	23 388	407 466 237
Rental of facilities and equipment	87 260 184	967 740 476	907 342	-	-	171 552 245	220 576
Transfers and subsidies	230 576	-	-	-	-	-	443 386
	1 698	3 666	-	-	438 022	-	-

Public Contributions and donations	-	1 426 281	-	21 599 019	-	-	-	-	-	1 456 031
Data program	-	-	-	-	-	-	-	-	-	21 599 019
Property sales	-	-	-	116 626 314	-	-	-	-	-	116 626 314
	26 162 916	12 378 282	131 171 125	116 626 314	25 607 666	142 068 949	-	55 871 402	-	19 163 616

2021

	Community and social services	Electricity	Local economic development and planning	Public works, roads and storm water	Unallocated	Water Service	Grand Total
Balance sheet							
Accumulated Surplus	11 388 452	5 101 816	0	54 752	795 284 686	8 712 007	603 008 190
Cash and cash equivalents	201 737 600	300 779 453	597 222 077	32 830 604	1 198 150 748	187 492 545	56 345 931
Consumer deposits	7 428 911	12 941 289	34 939	39 065	7 087 481	2 443 466	15 821 220
Employee benefit obligation current	-	-	-	-	3 612 644	-	3 612 644
Employee benefit obligation non current	-	-	-	-	71 522 147	-	71 522 147
Held-to-maturity assets	-	32 788 263	-	-	-	-	32 788 263
Intangible assets	-	-	-	-	1 765 802	-	1 765 802
Investment property	-	188 675 889	760 691	-	-	-	189 436 580
Other financial assets	-	3 493 381	-	-	-	-	3 493 381
Other financial liabilities - current	-	-	-	-	2 612 787	-	2 612 787
Other financial liabilities - non current	-	-	-	-	45 236 752	-	45 236 752
Payables from exchange transactions	-	-	-	489 100	188 613 830	-	422 316 252
Property plant and equipment	8 736 630	125 919 175	7 752 604	-	211 363 891	109 388 212	953 398 696
Provisions current portion	212 059 153	190 146 273	39 483	220 166 334	17 952 779	119 182 528	17 162 779
Provisions non current portion	-	-	-	-	35 519 193	-	35 519 193
Receivables from exchange transactions	105 587 427	22 711 702	2 756 976	-	430 714 121	367 462 717	75 290 748
Receivables from non exchange	4 290 684	15 937 779	60 461 426	2 524 861	46 978 950	4 193 421	34 261 411
Unsettled conditional grants	16 604 424	1 520 829	-	-	48 993 426	26 222 484	36 026 426
Value added tax payable	1 065 047	25 449 629	471 873	2 873 823	47 953 489	2 316 130	72 327 999
	478 249 720	642 414 216	642 346 748	193 823 201	2 623 888 402	621 162 273	12 849 879
Income statement							
Actual gains/losses	-	-	-	-	11 386 787	-	11 386 787
Real purchases	135 614 220	376 190	5 296 237	256 494	17 079 564	660 184	135 614 220
Contracted services	7 540 907	-	-	-	177 882 782	-	31 205 607
Debt impairment and write off	-	1 238 424	-	-	-	-	179 121 178
Depreciation and amortisation	-	845 669	-	-	31 650 048	-	32 541 717
Employee related costs	63 074 020	23 925 961	5 713 442	22 328 164	62 073 278	13 551 275	189 854 241
Finance costs	97 224	1 164 705	-	1 962 372	55 560 799	24 260 221	83 031 323
F 141: Penalties and interests	-	1 420 516	-	-	-	-	1 420 516
Government grants and subsidies	30 488 154	9 484 160	40 841 375	-	17 739 235	50 409 023	148 951 947
Income from supply services	2 946 397	-	7 899 696	-	94 194	-	2 946 397
Interest received from exchange transactions	11 626 831	4 383 261	-	-	-	-	82 051 899
Interest received on cash and bank other financial assets	-	150 433	-	-	3 087 412	-	3 037 844
Losses and permits	12 070	-	-	-	-	-	12 070
Loss/gain on disposal of assets and liabilities	1 711 806	1 740 674	-	232 336	28 456	2 342 634	2 400 168
Operating expenditure	1 590 097	10 389 596	43 323	-	15 690 776	949 583	29 065 480
Other operating revenue	245 227	-	74 098	-	615 055	8 561	944 042
Rent/lease of services	60 234 257	148 268 002	1 260 903	-	-	138 660 611	328 488 373
Rent/lease of facilities and equipment	233 084	-	-	-	-	-	233 084
Transfers and subsidies	3 726	-	-	-	1 062 015	-	1 065 743
Public Contributions and donations	-	-	-	-	-	-	3 105 222
Debt program	3 105 222	-	-	-	-	-	3 105 222
Property sales	-	262 783	-	-	3 302 778	-	107 441 662
	28 277 171	10 566 153	110 754 401	24 721 371	331 234 964	175 519 417	12 849 879

