Lejweleputswa District Municipality
Annual Financial Statements
for the year ended 30 June 2024

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act, 1998 (Act No.11 of 1998) read with section 151(1) of the Constitution of the Republic of South Africa, 1996 (Act No.108 of 1996)
Nature of business and principal activities	District municipality
Mayoral committee from December 2021	
Executive Mayor	Cllr NV Ntakumbana
Speaker	Cllr DJ Dikane
Councillors	Cllr SE Tsuinke - MMC Health Services and Disaster Management
	Cllr MJ Meli - MMC LED, Tourism, Agriculture, Youth and SMME
	Cllr BA Kabi - MMC Community Services and Special Programmes
	Cllr MS Baleni - MMC Corporate Services
	Cllr PP Maleka - MMC Infrastructure
	Cllr KV Van Rooyen - MMC IDP, PMS, Policy Development and Monitoring
	Cllr D Kotzee - MMC Finance
Municipal demarcation code	DC18
Capacity of local authority	Low capacity
Grading of local authority	4
Accounting Officer	Mr ML Makhetha
Chief Financial Officer	Mr MK Khoabane
Registered office	Office of the Municipal Manager Corner of Jan Hofmeyer and Tempest Road Jim Fouche Park Welkom 9459
Business address	Corner of Jan Hofmeyer and Tempest Road Jim Fouche Park Welkom 9459
Postal address	P.O. Box 2163 Welkom 9460
Bankers	ABSA Bank Limited
Auditors	Auditor-General of South Africa

Index

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

CRR	Capital Replacement Reserve
GRAP	Generally Recognised Accounting Practice
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
IAS	International Accounting Standards

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 7.

The annual financial statements set out on pages 7 to 68, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024 and were signed on its behalf by:

ML Makhetha
Municipal Manager

Audit Committee Report

The Audit Committee of Lejweleputswa District Municipality ("the Committee") herewith presents its Draft Annual Report for the financial year ended June 2024

Audit Committee Members and Attendance

The Committee is constituted of five independent members. Members were appointed by the Municipal Council in terms of section 166 of Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

During the 2023/2024 financial year one special and three ordinary meetings were held. The attendance is reflected in the table below:

Name of member	Position	Attended	Apologies	Total
Mr. P V Chwene	Chairperson	3	1	4
Me T L Pino	Member	4	-	4
Mr. L J Nkomo	Member	3	1	4
Me. N R Phatlane	Member	4	-	4
Mr TJ Macholo	Member	4	-	4
		-	-	-

Operations of the Audit Committee

In discharging its responsibilities and in its terms of reference, the Committee has developed a schedule of quarterly meetings and has adopted a standard agenda aligned to the Municipal Finance Management Act, Act 56 of 2003 and also to reporting guidelines as published from time to time by National Treasury. The attendance of the meetings is disclosed above.

At its meetings during the 2023/2024 reporting period, the Committee focussed on financial reporting, internal and external audit, performance, compliance and risk management. It also reviewed the charters for both the Audit and Performance Committee and the Annual Internal Audit Plan and recommended for approval to Council.

The Committee commenced its work during the second half of the 2023/2024 financial year, and it could not provide an opinion on the effectiveness of internal control during the first half of the financial year. However, its opinion on the second half of the financial year is that the system of internal control was not efficient and effective.

The Committee has identified deficiencies in the system of internal control, breaches and deviations. There was an apparent non-responsiveness between management and Internal Audit in the reporting period whereby compliance reports were not submitted timeously and thus rendering Internal Audit ineffective in its reporting obligations to the Audit Committee. As reported by management this was partly attributed to the changes in the management during the first half of the financial year.

In addressing our key objective, which is to assist and advice the Lejweleputswa District Municipality in ensuring the integrity of their financial reporting, the 2023/2024 Annual Financial Statements shall be reviewed at a Special Audit Committee Meeting of the 23rd August 2024.

Year-End Statutory Audit

The Auditor General presented the Audit Strategy for the year ended 30 June 2024 prior to the commencement of the year end audit. The Committee considered and approved this Audit Strategy. There was an overall increase of 6% in the proposed audit fees from the previous year mainly as a result of an average tariff increase. The Audit Committee requested that the Auditor General's office must have a closer collaboration with Internal Audit Unit so as to increase areas of reliance and ultimately reduce audit fees.

The Committee remains optimistic that the Municipality will retain its unqualified opinion with improvement in matters of emphasis henceforth or at best, attain a clean audit if such matters are addressed robustly and with the commitment and support of all relevant stakeholders.

Internal Audit

The Committee is partly satisfied about the performance of the function and has raised concern in their interaction with the Internal Audit during the year under review. The Committee is of the view that the internal audit function did not properly discharging its functions and responsibilities effectively. The Committee expects that charters, programmes, evaluations and training plans will contribute to the internal audit function becoming more efficient, more responsive to challenges and better able to provide audit reports of a high quality to management and the committee on a timely basis.

Audit Committee Report

Appreciation

The Audit Committee wishes to thank the Accounting Officer of Lejweleputswa District Municipality, municipal officials and all other stakeholders for the cordial manner in which the preparation of the 2023/2024 financial year audit was conducted together with the enthusiasm portrayed by management in ensuring that issues raised/identified in prior year audits were addressed. This is a task, and however daunting it may seem, with a collective effort by all – from the lowest ranking support staff to Executive Management and Councillors, the municipality will surely reach greater heights and be a benchmark municipality not only in the province but nationally. In the end, a clean audit is a result of everybody's effort and determination and fundamentally, it is achievable!

The Audit Committee takes cognizance circumstances that Council and management found itself during the 2023/2024 financial year, whereby there were changes in the senior management structure, as most of the senior managers were in acting capacity during the first half of the financial year. This impact on the performance of the municipality to be consistent with the implementation of the IDP and the SDBIP.

The appointment of the functional Audit Committee in the second half of the financial year also impacted on effective governance and compliance in the municipality. However, the Audit Committee is confident that in the 2024/2025 financial year, the Audit Committee shall execute its responsibilities effectively as detailed in the approved Audit Charter. Also there will be improvement in the Internal Audit function in implementing its internal audit plan.

____

PV Chwene - Member and Chairperson of the Audit Committee

Date: ______________________________

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

2. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R 70,105,405 and that the municipality's total assets exceed its liabilities by R 70,105,405.

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 of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

3. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Mr More was the acting accounting officer at the beginning of the year until October 2023.
Mr Makhetha was appointed as the accounting officer in October 2023

4. Interest in controlled entities

Name of controlled entity	
Lejwe Le Putswa Development Agency	-

Lejweleputswa District Municipality is the parent of Lejwe Le Putswa Development Agency SOC Ltd and holds 100% interest.

Details of the municipality's investment in controlled entities are set out in note 8.

5. Auditors

Auditor-General of South Africa.

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	70,619,898	106,197,292
Receivables from non-exchange transactions	4	15,277	261,496
VAT receivable	5	2,477,829	3,466,334
		73,113,004	**109,925,122**
Non-Current Assets			
Property, plant and equipment	6	53,724,893	51,462,358
Intangible assets	7	116,306	53,088
Investments in controlled entities	8	100	100
		53,841,299	**51,515,546**
Total Assets		**126,954,303**	**161,440,668**
Liabilities			
Current Liabilities			
Payables from exchange transactions	9	28,597,932	24,395,592
Transfers payable (non-exchange)	11	5,483,724	-
Unspent conditional grants and receipts	12	60,242	1,056,723
Long service awards	10	1,348,000	597,000
Employee benefit obligation	10	523,000	551,000
		36,012,898	**26,600,315**
Non-Current Liabilities			
Employee benefit obligation	10	16,651,000	15,577,000
Long service awards	10	4,185,000	4,292,000
		20,836,000	**19,869,000**
Total Liabilities		**56,848,898**	**46,469,315**
Net Assets		**70,105,405**	**114,971,353**
		70,105,405	114,971,353

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Licences and permits	14	93,500	-
Proceeds from disposal of property, plant and equipment	15	25,330	246,572
Operational revenue	16	361,280	398,106
Interest earned	17	9,819,349	8,689,197
Total revenue from exchange transactions		**10,299,459**	**9,333,875**
Revenue from non-exchange transactions			
Transfer revenue			
Transfer and Subsidies	18	153,977,481	152,118,277
Fines, Penalties and Forfeits	19	-	50,500
Total revenue from non-exchange transactions		**153,977,481**	**152,168,777**
Total revenue	13	**164,276,940**	**161,502,652**
Expenditure			
Employee related cost	20	(125,976,452)	(112,119,666)
Remuneration of councillors	21	(11,160,345)	(10,331,892)
Transfers and subsidies	22	(16,015,835)	(7,767,454)
Depreciation and amortisation	23	(4,529,668)	(3,912,534)
Operating lease expenditure	25	(730,122)	(765,317)
Inventory consumed	26	(3,306,123)	(3,244,301)
Contracted services	27	(24,378,545)	(15,219,365)
Operational cost	28	(23,480,721)	(20,365,970)
Total expenditure		**(209,577,811)**	**(173,726,499)**
Gain (loss) on disposal of assets and liabilities		2,354	(452,274)
Actuarial gains / (losses)	10	1,081,503	933,854
Impairment loss	24	(156,112)	(464,098)
		927,745	**17,482**
Deficit for the year		**(44,373,126)**	**(12,206,365)**

* See Note 34

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2022	**127,876,835**	**127,876,835**
Net income (losses) recognised directly in net assets	(162,769)	(162,769)
Surplus/(deficit) for the year previously stated	(9,765,380)	(9,765,380)
Opening balance as previously reported	117,948,686	117,948,686
Prior year adjustments*	(2,977,333)	(2,977,333)
Balance at 01 July 2023	**114,971,353**	**114,971,353**
Net income (losses) recognised directly in net assets	(492,822)	(492,822)
Surplus/(deficit) for the year	(44,373,126)	(44,373,126)
Total changes	(44,865,948)	(44,865,948)
Balance at 30 June 2024	**70,105,405**	**70,105,405**

Note(s)

* See Note 34

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Taxation		988,505	-
Grants - LDM		152,981,297	153,175,000
Interest income		9,660,663	8,321,853
Other receipts		298,668	448,608
Grants - Masilonyana		22,687,000	-
		186,616,133	161,945,461
Payments			
Employee costs		(133,493,385)	(120,460,501)
Suppliers		(64,420,758)	(44,230,937)
Transfers paid - Masilonyana		(17,203,206)	-
		(215,117,349)	(164,691,438)
Net cash flows from operating activities	31	**(28,501,216)**	**(2,745,977)**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(6,980,908)	(1,545,982)
Proceeds from sale of property, plant and equipment		25,330	246,572
Purchase of intangible assets	7	(120,600)	(60,000)
Net cash flows from investing activities		**(7,076,178)**	**(1,359,410)**
Cash flows from financing activities			
Employee benefit obligation payments		-	(492,119)
Movement in long service awards		-	(731,027)
Net cash flows from financing activities		**-**	**(1,223,146)**
Net increase/(decrease) in cash and cash equivalents		**(35,577,394)**	**(5,328,533)**
Cash and cash equivalents at the beginning of the year		106,197,292	111,525,825
Cash and cash equivalents at the end of the year	3	**70,619,898**	**106,197,292**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Licences and permits	-	100,000	**100,000**	93,500	**(6,500)**	
Proceeds from disposal of property, plant and equipment	-	-	**-**	25,330	**25,330**	
Operational revenue	97,000	-	**97,000**	361,280	**264,280**	X1
Interest received - investment	5,555,000	1,950,000	**7,505,000**	9,819,349	**2,314,349**	X2
Total revenue from exchange transactions	**5,652,000**	**2,050,000**	**7,702,000**	**10,299,459**	**2,597,459**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	153,761,000	22,937,000	**176,698,000**	153,977,481	**(22,720,519)**	X3
Total revenue	**159,413,000**	**24,987,000**	**184,400,000**	**164,276,940**	**(20,123,060)**	
Expenditure						
Employee remuneration	(120,433,896)	2,421,013	**(118,012,883)**	(125,976,452)	**(7,963,569)**	X4
Remuneration of councillors	(11,219,884)	-	**(11,219,884)**	(11,160,345)	**59,539**	X5
Transfers and Subsidies	(17,135,230)	(23,020,169)	**(40,155,399)**	(16,015,835)	**24,139,564**	X6
Depreciation and amortisation	(5,871,350)	-	**(5,871,350)**	(4,529,668)	**1,341,682**	X7
Impairment loss/ Reversal of impairments	-	-	**-**	(156,112)	**(156,112)**	
Operating lease expenditure	-	-	**-**	(730,122)	**(730,122)**	X9
Inventory consumed	(2,461,992)	75,988	**(2,386,004)**	(3,306,123)	**(920,119)**	X10
Contracted services	(22,355,988)	(3,661,384)	**(26,017,372)**	(24,378,545)	**1,638,827**	X11
Operational cost	(28,224,770)	(802,448)	**(29,027,218)**	(23,480,721)	**5,546,497**	X12
Total expenditure	**(207,703,110)**	**(24,987,000)**	**(232,690,110)**	**(209,733,923)**	**22,956,187**	
Operating deficit	**(48,290,110)**	**-**	**(48,290,110)**	**(45,456,983)**	**2,833,127**	
Gain on disposal of assets and liabilities	-	-	**-**	2,354	**2,354**	
Actuarial gains/losses	-	-	**-**	1,081,503	**1,081,503**	
	-	**-**	**-**	**1,083,857**	**1,083,857**	
Deficit before taxation	**(48,290,110)**	**-**	**(48,290,110)**	**(44,373,126)**	**3,916,984**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(48,290,110)**	**-**	**(48,290,110)**	**(44,373,126)**	**3,916,984**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Receivables from non-exchange transactions	256,088	-	**256,088**	15,278	**(240,810)**	X13
VAT receivable	2,787,194	-	**2,787,194**	2,477,829	**(309,365)**	
Cash and cash equivalents	61,044,868	(356,000)	**60,688,868**	70,619,898	**9,931,030**	X14
	64,088,150	**(356,000)**	**63,732,150**	**73,113,005**	**9,380,855**	
Non-Current Assets						
Property, plant and equipment	56,815,074	1,150,000	**57,965,074**	53,724,893	**(4,240,181)**	X15
Intangible assets	(32,592)	208,251	**175,659**	116,306	**(59,353)**	X16
Investments in controlled entities	100	-	**100**	100	**-**	
	56,782,582	**1,358,251**	**58,140,833**	**53,841,299**	**(4,299,534)**	
Total Assets	**120,870,732**	**1,002,251**	**121,872,983**	**126,954,304**	**5,081,321**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	21,533,777	1,002,251	**22,536,028**	28,597,932	**6,061,904**	X17
Transfers payable (non-exchange)	-	-	**-**	5,483,724	**5,483,724**	X18
Unspent conditional grants and receipts	-	-	**-**	60,242	**60,242**	
Long service awards	1,054,000	-	**1,054,000**	1,348,000	**294,000**	
Employee benefit obligation	-	-	**-**	523,000	**523,000**	X20
	22,587,777	**1,002,251**	**23,590,028**	**36,012,898**	**12,422,870**	
Non-Current Liabilities						
Employee benefit obligation	14,371,000	-	**14,371,000**	16,651,000	**2,280,000**	X22
Long service awards	4,097,000	-	**4,097,000**	4,185,000	**88,000**	X23
	18,468,000	**-**	**18,468,000**	**20,836,000**	**2,368,000**	
Total Liabilities	**41,055,777**	**1,002,251**	**42,058,028**	**56,848,898**	**14,790,870**	
Net Assets	**79,814,955**	**-**	**79,814,955**	**70,105,405**	**(9,709,549)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	79,814,955	-	**79,814,955**	70,105,405	**(9,709,550)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation	-	-	**-**	988,505	**988,505**	
Grants - LDM and Masilonyana	151,761,000	24,937,000	**176,698,000**	175,668,297	**(1,029,703)**	
Interest income	5,390,000	1,950,000	**7,340,000**	9,660,663	**2,320,663**	
Other receipts	97,000	100,000	**197,000**	298,668	**101,668**	
	157,248,000	**26,987,000**	**184,235,000**	**186,616,133**	**2,381,133**	
Payments						
Suppliers and employees	(172,046,983)	(21,000,566)	**(193,047,549)**	(197,914,143)	**(4,866,594)**	
Transfers paid - Masilonyana	-	-	**-**	(17,203,206)	**(17,203,206)**	
	(172,046,983)	**(21,000,566)**	**(193,047,549)**	**(215,117,349)**	**(22,069,800)**	
Net cash flows from operating activities	**(14,798,983)**	**5,986,434**	**(8,812,549)**	**(28,501,216)**	**(19,688,667)**	
Cash flows from investing activities						
Purchase of capital assets	(7,400,000)	(1,350,000)	**(8,750,000)**	(7,101,508)	**1,648,492**	
Proceeds from sale of property, plant and equipment	-	-	**-**	25,330	**25,330**	
Net cash flows from investing activities	**(7,400,000)**	**(1,350,000)**	**(8,750,000)**	**(7,076,178)**	**1,673,822**	
Net increase/(decrease) in cash and cash equivalents	(22,198,983)	4,636,434	**(17,562,549)**	(35,577,394)	**(18,014,845)**	
Cash and cash equivalents at the beginning of the year	111,525,825	(32,918,408)	**78,607,417**	106,197,292	**27,589,875**	
Cash and cash equivalents at the end of the year	**89,326,842**	**(28,281,974)**	**61,044,868**	**70,619,898**	**9,575,030**	

Accounting Policies

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. All figures have been rounded to the nearest Rand.

A summary of the significant accounting policies are disclosed below.

1.1 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.

1.2 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.

1.3 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:

Impairment testing

The recoverable (service) 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 assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating 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. 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 tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as inflation and interest.

Value in use of non-cash generating 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. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependant on the availability of data and the nature of the impairment.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

1.3 Significant judgements and sources of estimation uncertainty (continued)

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 10.

Effective interest rate

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

Allowance for impairment

For receivables 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 receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current 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.

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

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

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

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

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

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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 and paving	Straight line	30-45 years
Plant and machinery	Straight line	5-20 years
Furniture and fixtures	Straight line	5-15 years
Motor vehicles	Straight line	5-20 years
Office equipment (including computers)	Straight line	3-5 years
Emergency equipment	Straight line	5-10 years
Other property, plant and equipment	Straight line	5-10 years

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

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

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

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

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

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

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

1.5 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.

Accounting Policies

1.5 Intangible assets (continued)

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.

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

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

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

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

Internally generated goodwill 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	Amortisation method	Average useful life
Computer software	Straight line	3 years - indefinite

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

1.6 Investments in controlled entities

In the municipality's separate annual financial statements, investments in controlled entities are carried at cost.

The municipality applies the same accounting for each category of investment.

The municipality recognises a dividend or similar distribution in surplus or deficit in its separate annual financial statements when its right to receive the dividend or similar distribution is established.

Investments in controlled entities that are accounted for in accordance with the accounting policy on Financial instruments in the consolidated annual financial statements, are accounted for in the same way in the controlling entity's separate annual financial statements.

1.7 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.

1.7 Financial instruments (continued)

A concessionary loan is a loan granted to or received by the municipality 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 the municipality's statement of financial position.

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the municipality estimates 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 municipality uses 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 municipality; or
- a contractual right to:
  - receive cash or another financial asset from another municipality; 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 the municipality 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.

1.7 Financial instruments (continued)

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

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

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

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

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of the 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 the 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 municipality 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 municipality 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;
- 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 municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

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

The municipality 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
Transfers payable - non exchange	Financial liability measured at amortised cost

Accounting Policies

1.7 Financial instruments (continued)

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability, other than those subsequently measures at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures all other financial assets and financial liabilities initially at fair value.

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

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

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

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 in the case of a financial asset.

Fair value measurement considerations

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

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

Accounting Policies

1.7 Financial instruments (continued)

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

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

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

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

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial assets measured at cost:

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

1.7 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

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

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

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

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

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

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

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

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1.7 Financial instruments (continued)

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

Presentation

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

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

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

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

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

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

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 purposes of this Standard) 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

Statutory receivables (continued)

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

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.

1.8 Leases

Operating leases - lessee

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

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

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

1.9 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.

1.9 Impairment of cash-generating assets (continued)

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.

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.

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

Accounting Policies

1.9 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

1.9 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

1.10 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:

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

- 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.

Identification

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

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

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

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 asset is determined using the following approach:

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Reversal of an impairment loss

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

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

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

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

1.11 Employee benefits

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the municipality during a reporting period, the municipality 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 municipality 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 municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

Accounting Policies

1.11 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 the municipality 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.

Post-employment benefits: Defined contribution plans

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

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

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

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.11 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 municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

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 municipality 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 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 municipality 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.

The municipality determine 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 municipality 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, which is recognised immediately;
- past service cost, which is recognised immediately;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

Accounting Policies

1.11 Employee benefits (continued)

The municipality 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, the municipality attributes 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, the municipality attributes 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 municipality 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 municipality 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 presented as the net of the amount recognised for a reimbursement.

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

1.11 Employee benefits (continued)

Other long-term employee benefits

The municipality has an obligation to provide long-term service allowance benefits to all of its employees. According to the rules of the long-term service allowance scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

1.12 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.

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 expenditure.

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

1.12 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when the municipality:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a 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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 33.

1.13 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.

Interest and investment income

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

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

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

Interest charged on debtor accounts are limited to the principal debt as prescribed by the National Credit Act.

1.14 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.

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

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 arise 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.

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.

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.

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.

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

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.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

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

1.15 Investment income

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

1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 34 for detail.

1.17 Unauthorised expenditure

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

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

1.18 Fruitless and wasteful expenditure

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

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

1.19 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 municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

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

1.20 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:
- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

Accounting Policies

1.20 Grants in aid (continued)

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving raise to the transfer occurred.

1.21 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.22 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

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

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

1.23 Budget information

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

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

The 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.

1.24 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.

1.24 Related parties (continued)

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

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

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

1.25 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements.

1.26 VAT

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (15%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods and services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT or are scoped out for VAT purposes. The entity accounts for VAT on a monthly basis.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP - 2023 Improvements to the Standards of GRAP 2023	To be determined	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	To be determined	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6,811	6,293
Bank balances	9,718,019	75,915,821
Short-term deposits	60,895,068	30,275,178
	70,619,898	**106,197,292**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
ABSA Bank - cheque account - 134000017	9,718,019	76,212,103	111,485,994	9,718,019	75,922,114	111,490,041
ABSA Bank - fixed account - 2081591664	60,000,000	-	-	60,895,068	-	-
STANDARD BANK - Fixed deposit - 24 853 881 0- 024	-	30,000,000	-	-	30,275,178	-
Total	**69,718,019**	**106,212,103**	**111,485,994**	**70,613,087**	**106,197,292**	**111,490,041**

4. Receivables from non-exchange transactions

Council receivables	31,173,144	31,263,251
Less: Allowance for impairment	(31,157,866)	(31,001,755)
	15,278	**261,496**

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 past due but not impaired

The ageing of amounts past due but not impaired is as follows:

1 month past due	15,278	261,496

Reconciliation of allowance for impairment

Opening balance	(31,001,754)	(30,537,656)
Provision for impairment	(157,112)	(464,098)
	(31,158,866)	**(31,001,754)**

5. VAT receivable

VAT	2,477,829	3,466,334

The carrying amount of VAT receivable approximates fair value due to its short term nature. The municipality reports to SARS on a cash basis and the amounts receivable represent creditors/accruals owed by the municipality being more than VAT payable on cash receipts from customers. The input tax is claimed upon the cash payment to creditors. Output tax is paid upon cash receipts from debtors.

Notes to the Annual Financial Statements

Figures in Rand

6. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,140,000	-	1,140,000	1,140,000	-	1,140,000
Buildings	75,930,366	(37,730,245)	38,200,121	75,695,151	(35,201,956)	40,493,195
Plant and equipment	7,555,908	(1,193,352)	6,362,556	5,613,590	(758,444)	4,855,146
Furniture and fixtures	6,634,226	(5,316,900)	1,317,326	6,608,905	(5,037,043)	1,571,862
Motor vehicles	2,189,412	(464,326)	1,725,086	2,189,411	(327,536)	1,861,875
Office equipment	11,491,055	(6,522,516)	4,968,539	7,072,009	(5,547,228)	1,524,781
Emergency equipment	58,797	(47,532)	11,265	58,797	(43,298)	15,499
Total	**104,999,764**	**(51,274,871)**	**53,724,893**	**98,377,863**	**(46,915,505)**	**51,462,358**

Reconciliation of property plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers	Depreciation on disposals	Depreciation	Total
Land	1,140,000	-	-	-	-	-	1,140,000
Buildings	40,493,195	448,606	-	(213,390)	-	(2,528,289)	38,200,121
Plant and equipment	4,855,146	1,942,317	-	-	-	(434,909)	6,362,556
Furniture and fixtures	1,571,862	25,322	-	-	-	(279,857)	1,317,326
Motor vehicles	1,861,875	-	-	-	-	(136,790)	1,725,086
Office equipment	1,524,781	4,564,663	(145,618)	-	112,921	(1,088,209)	4,968,539
Emergency equipment	15,498	-	-	-	-	(4,233)	11,265
	51,462,357	**6,980,908**	**(145,618)**	**(213,390)**	**112,921**	**(4,472,287)**	**53,724,893**

Notes to the Annual Financial Statements

Figures in Rand

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Depreciation on disposals	Depreciation	Total
Land	1,140,000	-	-	-	-	-	1,140,000
Buildings	43,175,515	573,696	(350,351)	(536,295)	145,260	(2,514,630)	40,493,195
Plant and equipment	4,559,461	592,455	(1,991)	-	1,448	(296,226)	4,855,146
Furniture and fixtures	1,820,857	86,414	(77,393)	-	58,861	(316,878)	1,571,862
Motor vehicles	2,602,062	-	(1,147,861)	-	549,145	(141,471)	1,861,875
Office equipment	1,913,026	288,628	(540,501)	-	419,906	(556,278)	1,524,781
Emergency equipment	15,566	4,354	-	-	-	(4,422)	15,498
	55,226,487	**1,545,547**	**(2,118,097)**	**(536,295)**	**1,174,620**	**(3,829,905)**	**51,462,357**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	1,475,409	298,287

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

Notes to the Annual Financial Statements

Figures in Rand

7. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,769,059	(1,652,753)	116,306	1,648,459	(1,595,371)	53,088

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software	53,088	120,600	(57,382)	116,306

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Disposals	Amortisation on disposals	Amortisation	Total
Computer software	81,248	60,000	(8,000)	2,469	(82,629)	53,088

8. Investments in controlled entities

Name of company	Held by	% holding 2024	% holding 2023	Carrying amount 2024	Carrying amount 2023
Lejwe le Putswa Development Agency	Lejweleputswa District Municipality	100.00 %	100.00 %	100	100

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

9. Payables from exchange transactions

Trade payables	9,687,664	6,547,578
Accrued leave pay	13,411,723	12,620,800
Accrued bonus	5,425,572	4,263,083
Retention	72,973	964,135
	28,597,932	**24,395,596**

10. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2024 by ZAQ Actuaries. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:
* Bonitas
* Hosmed
* Keyhealth
* LA Health
* Samwumed

The members of the post-employment health care benefit plan are made up as follows:		
In service member (employees)	126	126
In service members (employees) non-members	11	9
	137	**135**

Long service awards

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2024 by ZAQ Actuaries. The projected unit credit funding method has been used to determine the past - service liabilities at the valuation date and the projected annual expense in the year following the valuation date.
The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth.
Long service benefits are awarded in the form of leave days and a percentage of salary. We have converted the awarded leave days into a percentage of the employee's annual salary. The conversion is based on a 250 working day year.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

10. Employee benefit obligations (continued)

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

Carrying value		
Employee benefit obligation (non-current portion)	16,651,000	15,577,000
Employee benefit obligation (current portion)	523,000	551,000
Long service awards (non-current portion)	4,185,000	4,292,000
Long service awards (current portion)	1,348,000	597,000
	22,707,000	**21,017,000**

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

Opening balance	16,128,000	14,702,000
Current service cost	704,000	791,000
Interest cost	2,092,000	1,766,000
Actuarial (gain) / losses	(1,379,010)	(858,881)
Benefits paid	(370,990)	(272,119)
	17,174,000	**16,128,000**

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

Opening balance	4,889,000	4,820,000
Current Service Cost	510,000	517,000
Interest Cost	508,000	484,000
Actuarial (gain) / losses	297,507	(74,973)
Benefits paid	(671,507)	(857,027)
	5,533,000	**4,889,000**

Key assumptions used

Although we have used the yield curve for our discount rates and our corresponding inflation rates, for indicative purposes we show the discount rate and CPI that corresponds to the implied duration of our liability. The implied duration of the liability for this valuation is 11,21 years. It is however important to note that this is solely for indicative purposes as we use the entire yield curve to obtain our financial variables:

Discount rates used	12.33%	12.91%
Consumer price inflation	6.89%	7.98%
Medical aid contribution inflation	7.89%	8.98%
Net effective discount rate	4.12%	3.61%

10. Employee benefit obligations (continued)

Sensitivity analysis

The actual cost to the Municipality will be dependent on actual future levels of assumed variables.
In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:
20% increase/decrease in the assumed level of mortality;
1% increase/decrease in the Medical Aid inflation.
1% increase/decrease in the discount rate
1-year increase/decrease in the average retirement age

Mortality rate

Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the Municipality. If the actual rate of mortality turns out higher than the rates assumed in the valuation basis, the cost to the Municipality in the form of subsidies will reduce and vice versa.

We have illustrated the effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20%. The effect is as follows:

	-20% Mortality rate	Valuation Assumption	+20% Mortality rate
Total Accrued Liability	R 18 081 000	R 17 174 000	R 16 373 000
Interest Cost	R 2 242 000	R 2 128 000	R 2 027 000
Service Cost	R 849 000	R 807 000	R 770 000

Medical aid inflation

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.
We have tested the effect of a 1% p.a. change in the medical aid inflation assumption. The effect is as follows:

	-1% Medical aid inflation	Valuation Assumption	+1% Medical aid inflation
Total Accrued Liability	R 16 800 000	R 17 174 000	R 17 449 000
Interest Cost	R 2 081 000	R 2 128 000	R 2 162 000
Service Cost	R 794 000	R 807 000	R 816 000

Discount rate

The value of the liability is directly dependent on the level of the discount rate used to discount the future expected cashflows. If the discount rate is higher the present value of the liability will be lower and vice versa.
We have tested the effect of a 1% p.a. change in the discount rate assumption. The effect is as follows:

	-1% Discount rate	Valuation Assumption	+1% Discount rate
Total Accrued Liability	R 19 066 000	R 17 174 000	R 15 577 000
Interest Cost	R 2 367 000	R 2 128 000	R 1 926 000
Service Cost	R 922 000	R 807 000	R 713 000

Average retirement age

The liability value is directly influenced by the assumption about the average retirement age of members as this determines the length these benefits are paid out to members.
We have tested the effect of a one-year increase and decrease in the assumed average retirement age. The effect is as follows:

	-1-year Average Retirement Age	Valuation Assumption	+1-year Average Retirement Age
Total Accrued Liability	R 19 174 000	R 17 174 000	R 15 488 000
Interest Cost	R 2 362 000	R 2 128 000	R 1 912 000
Service Cost	R 789 000	R 807 000	R 674 000

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

11. Transfers payable (non-exchange)

Masilonyana grant - MIG	5,483,724	-

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
LG Seta Grant	27,020	27,020
Rural Roads Asset Management Systems Grant	33,222	636,985
Local Government Financial Management Grant	-	392,718
	60,242	**1,056,723**

Movement during the year

Balance at the beginning of the year	1,056,723	-
Additions during the year	4,879,000	9,131,000
Income recognition/offset during the year	(5,875,481)	(8,074,277)
	60,242	**1,056,723**

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

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

See note 17 for reconciliation of grants from National Government.

13. Revenue

Licences and permits	93,500	-
Proceeds from disposal of property, plant and equipment	25,330	246,572
Operational revenue	361,280	398,106
Interest received	9,819,349	8,689,197
Transfers and subsidies	153,977,481	152,118,277
Fines, Penalties and Forfeits	-	50,500
	164,276,940	**161,502,652**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Licences and permits	93,500	-
Proceeds from disposal of property, plant and equipment	25,330	246,572
Operational revenue	361,280	398,106
Interest received	9,819,349	8,689,197
	10,299,459	**9,333,875**

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

Transfer revenue		
Transfers and subsidies	153,977,481	152,118,277
Fines, Penalties and Forfeits	-	50,500
	153,977,481	**152,168,777**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

14. Licences and permits (exchange)

Atmospheric Emissions Licences	93,500	-

15. Proceeds from disposal of property, plant and equipment

Proceeds from disposal of property, plant and equipment		
Sale of property, plant and equipment	25,330	246,572

16. Operational revenue

Commission received	129,903	120,513
Insurance claim	-	39,360
Sundry income	231,377	238,233
	361,280	**398,106**

17. Interest revenue

Interest revenue		
Interest received - investment and cash and cash equivalents	9,660,663	8,321,853
Interest received - trading	158,686	367,344
	9,819,349	**8,689,197**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

18. Transfers and subsidies

Operating grants

Equitable Share	149,131,703	144,044,000
Expanded Public Works Programme Grant	1,428,000	1,265,000
Local Government Financial Management Grant	1,000,000	607,282
Rural Roads Asset Management Systems Grant	2,417,778	1,804,015
LG SETA Grant	-	397,980
Energy Efficiency Demand Side Management Grant	-	4,000,000
	153,977,481	**152,118,277**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	4,845,778	8,074,277
Unconditional grants received	149,131,703	144,044,000
	153,977,481	**152,118,277**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

18. Transfers and subsidies (continued)

Energy Efficiency and Demand-Side Management Grant

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

The purpose of the EEDSM Grant is to implement energy efficiency and demand-side management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

Expanded Public Works Programme Grant

Current-year receipts	1,428,000	1,265,000
Conditions met - transferred to revenue	(1,428,000)	(1,265,000)
	-	-

The purpose of the grant is,to incentivise municipalities to expand work creation efforts through the use of labour-intensive delivery methods in the following identified focus areas, in compliance with the EPWP guidelines: road maintenance and the maintenance of buildings; low traffic volume roads and rural roads; basic services infrastructure, including water and sanitation reticulation (excluding bulk infrastructure); other economic and social infrastructure; tourism and cultural industries; waste management; parks and beautification; sustainable land-based livelihoods; social services programmes; community safety programmes.

LG SETA Grant

Balance unspent at beginning of year	27,020	-
Current-year receipts	-	425,000
Conditions met - transferred to revenue	-	(397,980)
	27,020	**27,020**

Conditions still to be met - remain liabilities (see note 12).

The purpose of the grant is to facilitate growth and performance of the local government sector. Expand employment opportunities in the local government sector to adapt to changes in the economy and needs of the country through skills development.

Rural Roads Asset Management Systems Grant

Balance unspent at beginning of year	636,985	-
Current-year receipts	2,451,000	2,441,000
Conditions met - transferred to revenue	(2,417,778)	(1,804,015)
Offset against equitable share	(636,985)	-
	33,222	**636,985**

Conditions still to be met - remain liabilities (see note 12).

The purpose of the grant is, to assist district municipalities to set up rural roads asset management systems, and collect road, bridges and traffic data on municipal road networks in line with the Road Infrastructure Strategic Framework for South Africa.

Local Government Financial Management Grant

Balance unspent at beginning of year	392,718	-
Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(607,282)
Offset against equitable share	(392,718)	-

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

18. Transfers and subsidies (continued)

	-	**392,718**

Conditions still to be met - remain liabilities (see note 12).

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

19. Fines, Penalties and Forfeits

Sundry Fines	-	50,500

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

20. Employee related costs

Bargaining council	20,894	20,174
Basic	71,894,681	63,810,001
Bonus - 13th cheque	5,588,977	5,110,954
Cellphone allowance	361,232	286,233
Contribution to pension and provident fund	11,482,518	10,774,345
Post retirement benefits	2,797,843	2,557,000
Group life insurance	1,658,455	1,537,579
Housing benefits and allowances	584,303	534,985
Leave pay provision charge	4,520,993	3,686,281
Long-service awards	1,018,000	1,001,000
Medical aid - company contributions	5,834,503	5,442,477
Overtime payments	127,036	121,640
Standby allowance	1,181,437	774,464
Travel allowance	13,690,631	12,017,510
UIF	355,600	344,946
Senior management	4,859,349	4,100,077
	125,976,452	**112,119,666**

Remuneration of Mr ML Makhetha - Municipal Manager

Annual Remuneration	628,955	112,205
Car Allowance	203,078	19,246
Performance Bonuses	151,602	16,420
Contributions to Group Life, UIF, Medical and Pension Funds	164,718	14,198
Cellphone Allowance	27,328	3,000
Housing Allowance	-	7,000
Acting Allowance and other payments	25,496	281,003
Bonus - 13th Cheque	18,121	5,778
13th cheque provision	36,242	-
Backpay	5,214	-
	1,260,754	**458,850**

Mr More acted from July 2023 to October 2023.

Mr Makhetha was appointed in October 2023

Remuneration of Mr MK Khoabane - Chief Finance Officer

Annual Remuneration	749,439	470,892
Car Allowance	134,516	33,349
Performance Bonuses	123,977	80,533
Contributions to UIF, Medical and Pension Funds	1,594	108,333
Cellphone Allowance	20,800	15,000
Acting Allowance and other payments	39,281	80,481
Backpay	27,427	-
	1,097,034	**788,588**

Mr Tsoaeli acted from July 2023 to August 2023

Mr Khoabane was appointed in October 2023

Remuneration of Me SC Abrams - Manager Corporate Services

Annual Remuneration	534,343	153,522
Car Allowance	128,902	20,000

Figures in Rand	2024	2023

20. Employee related costs (continued)

Cellphone Allowance	12,000	3,000
Contributions to Group Life, UIF, Medical and Pension Funds	4,683	30,233
Housing Allowance	-	15,886
Performance Bonuses	99,742	26,844
Acting Allowance and other payments	23,507	93,561
Bonus - 13th Cheque	-	9,446
Backpay	9,142	-
Bonus provision	35,388	-
	847,707	**352,491**

Me Abrams was appointed in November 2023

Remuneration of Manager Environmental Health and Disaster Management

Annual Remuneration	372,484	653,663
Car Allowance	72,392	116,367
Performance Bonuses	84,459	145,258
Contributions to Group Life, UIF, Medical and Pension Funds	118,440	191,771
Cellphone Allowance	3,005	13,109
Housing Allowance	35,000	60,000
Bonus	-	42,699
Backpay	42,495	-
13th Cheque Provision	31,040	8,646
Acting Allowance and other payments	55,148	-
	814,463	**1,231,513**

Mr Kupiso resigned in January 2024

Mr Manake acted from February 2024 to April 2024

Mr Nzume has been acting from June 2024

Remuneration of Mr E Lesenyelo - Manager LED, Planning and Tourism

Annual Remuneration	374,040	665,058
Car Allowance	95,227	129,939
Performance Bonuses	87,276	147,643
Contributions to UIF, Medical and Pension Funds	82,963	188,854
Cellphone Allowance	12,189	16,500
Housing Allowance	40,000	55,000
Bonus	-	52,659
Acting Allowance and other payments	66,242	12,804
Backpay	50,283	-
Bonus provision	31,170	-
	839,390	**1,268,457**

Mr Musapelo acted from July 2023 to October 2023

Mr Lesenyelo was appointed in November 2023

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

21. Remuneration of councillors

	2024	2023
Mayoral committee members	4,821,212	4,423,831
Speaker	837,187	726,785
Executive mayor	1,038,730	963,092
Councillors	4,463,221	4,218,184
	11,160,350	**10,331,892**

Executive Mayor	Basic	Cellphone Allowance	Pension and Medical Aid	Backpay	Total
Cllr Ntakumbana	802,124	51,003	147,692	37,911	1,038,730

Speaker	Basic	Cellphone Allowance	Pension and Medical Aid	Backpay	Total
Cllr Leeto	-	-	-	19,562	19,562
Cllr Dikane	714,712	45,383	46,222	11,308	817,625
Total	**714,712**	**45,383**	**46,222**	**30,870**	**837,187**

Mayoral committee members	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	Back pay	Total
7 Members	2,814,096	1,137,188	272,480	470,889	126,560	4,821,213
	-	-	-	-	-	-
Total	**2,814,096**	**1,137,188**	**272,480**	**470,889**	**126,560**	**4,821,213**

Part time councillors	Basic+ PAYE	Travel Allowance	Cellphone and data allowance	Pension and Medical Aid	Backpay	Total
15 Members	2,017,465	835,605	393,295	397,737	91,825	3,735,927
Session allowances	727,294	-	-	-	-	727,294
	2,744,759	**835,605**	**393,295**	**397,737**	**91,825**	**4,463,221**

22. Transfers and subsidies

	2024	2023
Allocation in kind: Development Agency	172,200	22,400
Allocation in kind: Households	5,217,160	2,403,796
Allocation in kind: Local Municipalities	1,496,696	3,996,212
Allocation in kind: Private enterprises	1,123,882	845,046
Monetary allocation: Development Agency	8,005,897	500,000
	16,015,835	**7,767,454**

23. Depreciation and amortisation

	2024	2023
Property plant and equipment	4,472,286	3,829,905
Intangible assets	57,382	82,629
	4,529,668	**3,912,534**

24. Impairment of assets

Impairments

	2024	2023
Trade and other receivables	156,112	464,098

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

25. Operating lease expenditure

Equipment		
Contractual amounts	730,122	765,317

26. Inventory Consumed

Printing, stationery, personal protective equipment and cleaning material	3,306,123	3,244,301

27. Contracted Services

Outsourced Services		
Administrative and Support Staff	324,250	350,000
Cleaning Services	-	588,858
Litter Picking and Street Cleaning	5,014,447	2,874,994
Consultants and Professional Services		
Business Advisory Services	306,983	664,500
Infrastructure and Planning	2,682,224	1,804,015
Laboratory Services	213,245	160,786
Legal Cost	5,725,637	3,778,015
Contractors		
Artists and Performers	-	27,500
Catering Services	3,635,954	2,890,205
Employee Wellness	24,000	62,211
Event Promoters	344,442	32,000
Maintenance of Buildings and Facilities	1,354,957	135,860
Maintenance of Equipment	120,452	162,427
Plants, Flowers and Other Decorations	67,080	75,488
Transportation	3,350,241	936,872
Safeguard and Security	1,214,633	675,634
	24,378,545	**15,219,365**

28. Operational cost

Advertising and Marketing	845,587	642,712
Auditors Remuneration	3,925,859	2,902,236
Bank charges	90,655	93,245
Bursaries	910,266	574,756
Communication	243,461	211,559
Entertainment	264,956	445,663
External Computer Services	1,421,059	1,317,136
Fuel and oil	640,066	694,940
Hire charges	6,081,970	2,450,449
Insurance	358,690	951,882
Learnership and internships	1,330,898	1,887,689
Licences	11,084	62,639
Municipal Services	972,302	878,159
Registration fees	348,138	172,498
Skills Development Levy	1,227,550	1,110,533
Subscriptions and Membership fees	64,451	2,539,422
Travel and Subsistence	4,160,711	2,873,142
Uniforms	-	11,054
Workmen's Compensation Fund	583,018	546,257
	23,480,721	**20,365,971**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

29. Related parties

Relationships			
Controlled entities	Refer to note 8		

Related party balances

Investments		
Lejwe Le Putswa Development Agency (SOC) Ltd	100	100
Transfers		
Lejwe Le Putswa Development Agency (SOC) Ltd	8,005,897	500,000

Remuneration of management

Management class: Councillors

Refer to note "Remuneration of councillors"

Management class: Executive management

*Refer to note "Employee related costs"

30. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At amortised cost	Total
Other receivables from non-exchange transactions	15,278	15,278
Cash and cash equivalents	70,619,898	70,619,898
	70,635,176	**70,635,176**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	28,597,932	28,597,932
Transfers payable (non-exchange)	5,483,724	5,483,724
	34,081,656	**34,081,656**

2023

Financial assets

	At amortised cost	Total
Other receivables from non-exchange transactions	261,496	261,496
Cash and cash equivalents	106,197,292	106,197,292
	106,458,788	**106,458,788**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	24,395,592	24,395,592

31. Cash used in operations

	2024	2023
Deficit	(44,373,126)	(12,206,365)
Adjustments for:		
Depreciation and amortisation	4,529,668	3,912,534
Gains or loss on sale of assets	(2,354)	452,274
Non-cash:Net income (losses) recognised directly in net assets	492,818	162,769
Impairment	156,112	464,098
Movements in retirement benefit assets and liabilities	1,046,000	1,426,000
Movement in long service awards	(644,000)	(69,000)
Non-cash journals	1,610,188	829,163
Offset against equitable share	(1,029,703)	-
Interest received: non cash	158,686	367,344
Current service cost	(1,214,000)	(1,308,000)
Actuary gain or loss	1,081,503	933,854
Changes in working capital:		
Inventories	-	-
Other receivables from non-exchange transactions	246,218	(170,408)
Payables from exchange transactions	3,962,627	2,785,176
VAT	988,505	(1,382,139)
Taxes and transfers payable (non-exchange)	5,483,724	-
Unspent conditional grants and receipts	(994,083)	1,056,723
	(28,501,217)	**(2,745,977)**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

32. Commitments

Authorised expenditure

Already contracted for but not provided for		
• KKMT Construction	-	264,800
• Trisch	-	230,000
• Calandra Trading	-	3,180,176
• Awali Engineering	3,747,024	6,398,025
• Pokomane Trading	-	1,109,403
• Kunene Makopo Risk Solutions	-	454,082
• Down N12 Trading	-	76,798
• Phenyo and Boitumelo Projects	-	421,651
• ZT Security Services	4,415,593	-
	8,162,617	**12,134,935**

Total commitments		
Already contracted for but not provided for	8,162,617	12,134,935

Total commitments

Total commitments		
Authorised expenditure	8,162,617	12,134,935

This committed expenditure relates to plant, equipment and services and will be financed by existing cash resources, funds internally generated.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

33. Contingencies

1) Litigation is in process where a claim for damages was instituted against Lejweleputswa District Municipality in respect of damages to their vehicle resulting from a pothole. The potential liability is R36 182.

2) An application was received from the Department of Labour for non-compliance with the Employment Equity Act. The potential liability is R1 300 000

3) Two employees are claiming overtime.The potential liability is R 1 608 708.

4) Litigation is in process where a claim for damages was instituted against Masilonyana Local Municipality and Lejweleputswa District Municipality in respect of damages resulting from a fire. LDM is being sued as a second defendant. The potential liability is R579 783

5) Damages claimed due to veld fires. Damages claimed for G Nell and Willemse; R5 566 179.68

6) Damages claimed due to veldfire. The following damages are claimed by the respective claimants: HJ Linde R817 083.33; HJ Linde N.O and Others R 96 267.74; HJ Linde N.O and 2 Others R756 052.21; Johan Du Plesis R2 285 448.08; Scheerpan Farm R1 828 505.44; M Labuschagne N.O and Others R5 898 538.30; NJ De Kock R1 567 332.72

7) Damages claimed due to veldfire. Damages claimed R2 262 609.72

8) Damages claimed due to veldfire. Damages claimed; JJ Haasbroek R6 200 969.91 and Vleipan R8 357 808.99

Contingent liabilities

1) Riebeeckstad Makelaars // LDM	36,182	36,182
2) Lejweleputswa District Municipality // Director General	1,300,000	1,300,000
3) Mahlaku & Ponya // Lejweleputswa District Municipality.	1,608,709	1,608,709
4) BENNITA CHRISTINA EARLE AND FIVE OTHERS// LDM	579,783	579,783
5) G.NEL N.O; S.WILLEMSE N.O; B.ERASMUS VS LEJWELEPUTSWA DISTRICT MUNUCIPALITY	5,566,180	-
6) HJ LINDE; HJ LINDE N.O AND OTHERS; HJ LINDE N.O AND 2 OTHERS; M LABUSCHAGNE N.O AND OTHERS; SCHEERPAN FARM PTY LTD; JOHAN DU PLESIS; NJ DE KOCK VS LDM	13,249,228	-
7) JP VAN SCHALKWYK VS LEJWELEPUTSWA DISTRICT MUNICIPALITY	2,262,610	-
8) JJ HAASBROEK AND VLEIPAN VS LEJWELEPUTSWA DISTRICT MUNICIPALITY	14,558,779	-
	39,161,471	**3,524,674**

34. Prior-year adjustments

Statement of financial position

2023

	Note	As previously reported	Correction of error	Reclassification	Restated
Inventory		457,829	-	(457,829)	-
Property plant and equipment	6	51,998,711	(59)	(536,295)	51,462,357
Payables from exchange transactions	9	22,412,441	1,983,151	-	24,395,592
Accumulated surplus		117,948,686	(2,441,038)	(536,295)	114,971,353

Statement of financial performance

34. Prior-year adjustments (continued)

2023

	Note	As previously reported	Correction of error	Reclassification	Restated
Inventory Consumed	26	3,213,647	30,650	-	3,244,297
Operational cost	28	18,902,068	1,463,902	-	20,365,970
Contracted services	27	14,940,827	278,538	-	15,219,365
Transfers and Subsidies	21	7,099,564	210,061	457,829	7,767,454

Errors

Property, plant and equipment:
Carrying value was restated due to correction of rounding error in the prior period. Expenditure reclassified to correct nature

Payables from exchange transactions:
Invoices received after the AFS were finalised and had to be accounted for in the period they occurred in

Inventory
Restated due to correction of reclassified expenditure to correct nature in the prior period

Transfers and subsidies
Restated due to Invoices received after the AFS were finalised and had to be accounted for in the period they occurred

Contracted services
Reclassified expenditure to the correct nature. Restated due to Invoices received after the AFS were finalised and had to be accounted for in the period they occurred

Operational cost
Reclassified expenditure to the correct nature. Restated due to Invoices received after the AFS were finalised and had to be accounted for in the period they occurred

Contingent Liabilities

Balance previously stated	2,011,101
Adjustments made	1,513,573
Restated closing balance	**3,524,674**

Adjustments made to closing balance of contingent liabilities is due to correction of contingent liabilities that were omitted in the prior year.

35. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: credit risk and liquidity risk and market risk.

Liquidity risk

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

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

Notes to the Annual Financial Statements

35. Risk management (continued)

Credit risk

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

Cash and cash equivalents and investments - the municipality limits its credit risk by only banking with registered financial institutions in terms of the Banks Act, 94 of 1990 operating in South Africa. The municipality does not expect any counterparty to fail to meets its obligation.

Receivables from non-exchange transactions - management evaluated credit risk relating to customers on an ongoing basis. If there is no independent rating, risk control assess the credit quality of the customer, taking into account its financial position, past experience and other factors.

Market risk

Interest rate risk

The municipality has significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The risk is managed on an on-going basis.

36. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R 70,105,405 and that the municipality's total assets exceed its liabilities by R 70,105,405.

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 Free State Provincial Treasury assessed the municipality's 2024/2025 annual budget and concluded that the budget is funded. Which means the municipality will be able to fund it's operations for at least the next 12 months.

37. Unauthorised expenditure

Opening balance as previously reported	2,912,252	2,912,252
Opening balance as restated	**2,912,252**	**2,912,252**
Add: Expenditure identified - current	812,483	-
Closing balance	**3,724,735**	**2,912,252**

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

Cash	812,484	-

Unauthorised expenditure: Budget overspending – per municipal vote

Vote 3: Planning and development - Capital Expenditure	803	-
Vote 5: Health - Capital Expenditure	42,506	-
Vote 3: Planning and development - Operational Expenditure	177,333	-
Vote 5: Health - Operational Expenditure	591,842	-
	812,484	**-**

Notes to the Annual Financial Statements

38. Irregular expenditure

Opening balance as previously reported	24,740,800	6,046,903
Opening balance	**24,740,800**	**6,046,903**
Add: Irregular Expenditure - current	16,786,968	18,693,897
Add: Irregular Expenditure - prior period	7,068,877	-
Closing balance	**48,596,645**	**24,740,800**

Incurred during the year

The municipality incurred irregular expenditure as a result of non-compliance with the supply chain management processes

Irregular expenditure is disclosed inclusive of VAT

The full extent of irregular expenditure needs to be determined.

39. Fruitless and wasteful expenditure

Add: Expenditure identified - current	207,336	-

40. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

Current year subscription / fee	1,395,644	1,070,621
Amount paid - current year	(1,395,644)	(1,070,621)
	-	-

Audit fees

Opening balance	214,572	274,204
Current year subscription / fee	3,925,859	2,902,236
Amount paid - current year	(3,923,187)	(2,687,664)
Amount paid - previous years	(214,572)	(274,204)
	2,672	**214,572**

Unpaid fees for prior year and current year due to the municipality receiving the invoices after the financial year was closed

PAYE, SDL and UIF

Current year subscription / fee	25,410,462	22,642,146
Amount paid - current year	(25,410,462)	(22,642,146)
	-	-

Pension and medical aid deductions

Current year subscription / fee	30,272,900	28,133,210
Amount paid - current year	(30,272,900)	(28,133,210)
	-	-

Notes to the Annual Financial Statements

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

VAT

VAT receivable	2,477,829	3,466,334

VAT output payables and VAT input receivables are shown in note 5.

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

Supply Chain Management Regulations

In terms of Regulation 45 of the Municipal Supply Chain Management Regulations, awards above R2 000 were made to the below companies whose directors have spouses, children or parents in service of the state.

Incident		
Finger Attorneys (Spouse of the director works for the State)	52,394	786,788

41. Deviation from supply chain management regulations

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

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

Figures in Rand	2024	2023
(i) An emergency	-	147,620
(ii) Goods and services are produced or available from a single provider only	92,499	-
(v) Exceptional circumstance where it was impractical or impossible to follow the procurement process	-	59,682
	92,499	**207,302**

Notes to the Annual Financial Statements

42. Budget differences

Material differences between budget and actual amounts

X1 - Municipality budgeted for receipt of SDL refund, as per prior year's budget. However the refund received was more than we had budgeted for in prior years, resulting in under budgeting for operational revenue

X2 -The municipality had anticipated to have less cash available for investments, this was not the case during the financial year. As a result, we received more than we had budgeted for

X3 - The municipality had budgeted for the recognition of Masilonyana MIG Revenue, however this revenue should not be recognised by LDM.

X4 - The municipality incurred higher employee related costs due to the recruitment of new employees, as well as the provisions for post retirement benefits and long service awards.

X5 - Variance is less than 10% , difference is judged to be insignificant and thus no reason is required.

X6 -The municipality had budgeted for the recognition of Masilonyana MIG Expenditure, however the expenditure should not be recognised by LDM

X7 - The under expenditure on the capital budget led to the under expenditure of depreciation

X9 - Operating leases are budgeted for under Operational Costs

X 10 - The initiative taken by management of the municipality to make all municipality meeting to use less paper and have meeting agendas and documents to be circulated electronically. This has manifested in to a favourable cost saving on printing paper, cartridges and toners.

X 11 - Variance is less than 10% , variance is judged to be insignificant and thus no reason is required

X12 - Municipality underspent due to not being able to finalise tenders which had been budgeted for under Operational Cost.

X 13 - Management had not budgeted for the impairment allowance of debtors, however the allowance for impairment greatly decreased debtor balances.

X 14 - Management did not spent 100% of it's budget, as a result the budgeted cash and cash equivalents is less than the actual cash and cash equivalents at year end.

X 15 - Variance is less than 10% , variance is judged to be insignificant and thus no reason is required.

X 16 - Variance as a result of capital budget being underspent due to the municipality realising cost savings in the procurement of intangible assets

X 17 - Material variance due to the unanticipated increase attributable to accrued leave pay, bonus and trade payables that had to be accrued at the end of the financial year.

X18 - Budgeted for the complete utilisation of the Masilonyana Municipal Infrastructure Grant expenditure as per the DORA allocation, however some of the projects were not completed by the end of the financial year

X 20 - The calculation that is made for the future Post Employment Medical Aid Liability and Long Service Award is calculated by actuaries and the budget estimation is brought in line therewith. However, the revised estimation is only done at year end.

X 22 - The calculation that is made for the future Post Employment Medical Aid Liability and Long Service Bonus is calculated by actuaries and the budget estimation is brought in line therewith. However, the revised estimation is only done at year end. .

Notes to the Annual Financial Statements

42. Budget differences (continued)

X 23 - The calculation that is made for the future Post Employment Medical Aid Liability and Long Service Bonus is calculated by actuaries and the budget estimation is brought in line therewith. However, the revised estimation is only done at year end.

43. Segment Information

General Information

Identification of segments

The municipality is organised and reports to management on the basis of functional classification. The segments were organised around the type of functions.Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purpose

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

Aggregated segments

The municipality operates throughout the Free State Province in 5 municipalities. Segments were aggregated on the basis of services delivered.

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Lejweleputswa District Municipality	Please refer to the Statement of Financial Position and Statement of Financial Performance

Segment surplus or deficit.

Information about segment surplus/deficit

Revenue – Please refer to the Statement of Financial Performance for information about the reportable segment

Expenditure - Please refer to the Statement of Financial Performance for information about the reportable segment

Information about segment assets and liabilities

Assets - Please refer to the Statement of Financial Position for information about the reportable segment

Liabilities - Please refer to the Statement of Financial Position for information about the reportable segment

Net Assets - Please refer to the Statement of Financial Position for information about the reportable segment.

Measurement of segment surplus or deficit, assets, and liabilities

Basis of accounting for transactions between reportable segments

The municipality does not have any identifiable segments and as such there are no transactions between segments.

Information about geographical areas

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

43. Segment Information (continued)

The municipality's operations are in the Free State Province

The municipality does not report on a geographical basis; therefore, information is not available, and it is therefore impractical to report on geographical basis.