

**COLLINS CHABANE
LOCAL MUNICIPALITY**
Since 2016



**Collins Chabane Local Municipality
(Registration number LIM345)
Annual Financial Statements
for the year ended 30 June 2024**

Collins Chabane Local Municipality

(Registration number LIM345)

Annual Financial Statements for the year ended 30 June 2024

General Information

Nature of business and principal activities	Providing municipal services and maintaining the best interest of the local community.
Accounting Officer	Shilenge RR
Registered office	Municipal Offices 125 Collins Chabane Drive Malamulele 0982
Business address	Municipal Offices 125 Collins Chabane Drive Malamulele 0982
Postal address	Private Bag X9271 Malamulele 0982
Bankers	First National Bank
Auditors	Auditor-General South Africa (AGSA)

Collins Chabane Local Municipality

(Registration number LIM345)

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General Information

Mayoral Committee

Executive Mayor

Cllr Maluleke SG

Speaker

Cllr Mbedzi TS

Chief Whip

Cllr Baloyi ME

Members of the Executive Committee

Cllr Maluleke SG

Cllr Chauke TF (Appointed 15 November 2023)

Cllr Thovhakale MS

Cllr Lebea ME

Cllr Manganyi MN (Appointed 15 November 2023)

Cllr Shiburi SK (Appointed 15 November 2023)

Cllr Mavikane SX (Appointed 15 November 2023)

Cllr Mabasa D

Cllr Mahlawule TP

Cllr Baloyi DL (Terminated 11 June 2024)

Cllr Chauke HG (Moved to Sec 79 Chairpersons 15 November 2023)

Cllr Maluleke LR (Moved to Sec 79 Chairpersons 15 November 2023)

Cllr Mashila D (Terminated 15 November 2023)

Audit Committee members

Mudau FJ (Chairperson)

Mabuza JM

Ngobeni SAB

Nevhutalu TG CA(SA)

Makhubele E

Collins Chabane Local Municipality

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General Information

Other members of municipal council

Cllr Maremane HR
Cllr Bila TJ (Terminated May 2024)
Cllr Mashimbye FP
Cllr Mutele TM
Cllr Mavikane SX
Cllr Shivambu S
Cllr Matamela SM
Cllr Masangu GD
Cllr Chauke TR
Cllr Maluleke ET
Cllr Ndove HD
Cllr Mudau TS
Cllr Mabasa KK
Cllr Ngobeni MR (Deceased)
Cllr Mabasa J
Cllr Baloyi HR
Cllr Sunduza SZ
Cllr Chabangu TC
Cllr Mabunda MC
Cllr Munyai N
Cllr Sithole MW
Cllr Shandukani MJ
Cllr Rekhoto SM
Cllr Miyambo ZQ
Cllr Baloyi MJ
Cllr Hlabangwani TL (Resigned 13 October 2023 & resumed 17 July 2024)
Cllr Masia TM
Cllr Rikhotso GM
Cllr Mathavha HF
Cllr Baloyi HJ
Cllr Manganyi HL
Cllr Mabasa W
Cllr Mhangwane C
Cllr Khange G
Cllr Makhubele S
Cllr Bamuza E
Cllr Hlatswayo TG
Cllr Mafanela RM
Cllr Maluleka RM
Cllr Mathebula ML
Cllr Rasiuba NR
Cllr Maluleke HM
Cllr Tshoteli LD Cllr
Maloleka SB Cllr
Chabalala KR Cllr
Chauke MC Cllr
Hlungwani S Cllr
Mathebula ME Cllr
Chauke GP
Cllr Makhomisani SE
Cllr Maringa RE
Cllr Manganye MJ
Cllr Manganyi MN
Cllr Muthubi KR
Cllr Mulaudzi MM
Cllr Chaoke TS
Cllr Chauke MG
Cllr Munarini TJ
Cllr Yingwani T (Terminated)
Cllr Maluleke LR
Cllr Chauke FT (Appointed 15 November 2023)

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Cllr Chauke HG (Appointed 15 November 2023)

Cllr Siweya SL (Appointed 15 November 2023)

Cllr Makondo NS (Appointed 15 November 2023)

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

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Abbreviations used:

COIDA	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
CFO	Chief Financial Officer
AGSA	Auditor-General of South Africa
CIGFARO	Chartered Institute of Governance, Finance, Audit and Risk Officers
CCLM	Collins Chabane Local Municipality
MM	Municipal Manager
INEP	Integrated National Electrification Programme
FMG	Finance Management Grant
ME's	Municipal Entities
MEC	Member of the Executive Council
MIG	Municipal Infrastructure Grant (Previously CMIP)
WIP	Work in Progress
EPWP	Extended Public Works Programme
VAT	Value Added Tax
SALGA	South African Local Government Association
PPPFA	Preferential Procurement Policy Framework Act
UIF	Unemployment Insurance Fund
PAYE	Pay As You Earn
WCA	Workmen's Compensation Act

Collins Chabane Local Municipality

(Registration number LIM345)

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the entity 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 entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The annual financial statements set out on pages 8 to 89, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024.

Shilenge RR
Municipal Manager

Collins Chabane Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2024.

1. Incorporation

The municipality was incorporated on August 10, 2016 and obtained its certificate to commence business on the same day.

The municipality was established in terms of section 12 of the Municipal Structures Act, No. 117 of 1998 and is a category B municipality. It consists of 71 elected councillors and 36 wards.

2. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R 1,854,459,367 and that the municipality's total assets exceed its liabilities by R 1,854,459,367.

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 and that sound annual financial statements will remain in force for so long as it takes to maintain the solvency of the municipality.

3. Events after the reporting period

The following events occurred since the end of the financial year.

Collins Chabane Local Municipality//VBS Liquidation (Creditor's Claim).

A dividend amounting to R20,125,845.79 was successfully collected/approved for payment from the VBS liquidators on 24 November 2024. The financial statements have been adjusted to reflect this information.

There were no material subsequent events, apart from those mentioned above, that occurred from the end of the financial year to the date of these audited annual financial statements.

4. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

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

Name	Nationality
Shilenge RR	South African

6. Auditors

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

Shilenge RR
Municipal Manager

Collins Chabane Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

Figures in Rand	Notes	2024	2023 Restated*
Assets			
Current Assets			
Inventories	10	5,055,869	6,771,260
Receivables from exchange transactions	11	2,802,708	2,563,745
Receivables from non-exchange transactions	12	10,115,171	9,561,669
Consumer receivables from exchange transactions	13	7,655,120	5,399,564
VAT receivable	14	25,037,315	48,055,407
Cash and cash equivalents	15	96,354,092	194,254,732
Other receivable	8	20,125,846	-
		167,146,121	266,606,377
Non-Current Assets			
Investment property	3	3,000,014	3,720,015
Property, plant and equipment	4	1,834,453,386	1,587,791,385
Intangible assets	5	1,960,350	3,494,819
Heritage assets	6	1,126,500	1,126,500
Other financial assets	7	2	2
		1,840,540,252	1,596,132,721
Total Assets		2,007,686,373	1,862,739,098
Liabilities			
Current Liabilities			
Finance lease obligation	16	2,076,344	1,809,759
Payables from exchange transactions	19	120,356,945	96,660,439
Employee benefit obligation	9	7,274,399	7,402,441
Unspent conditional grants and receipts	17	1,933,743	9,234,000
Provisions	18	1,037,020	553,749
		132,678,451	115,660,388
Non-Current Liabilities			
Finance lease obligation	16	1,517,434	3,593,778
Employee benefit obligation	9	19,031,121	16,525,308
		20,548,555	20,119,086
Total Liabilities		153,227,006	135,779,474
Net Assets		1,854,459,367	1,726,959,624
Accumulated surplus		1,854,459,367	1,726,959,624
Total Net Assets		1,854,459,367	1,726,959,624

Collins Chabane Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in Rand	Notes	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Sale of stands	20	732,167	7,514,159
Service charges	21	5,672,816	5,559,694
Rendering of services	20	2,443,223	2,894,937
Interest on arrear receivables	20	1,812,568	1,459,309
Agency services	20	4,148,166	3,949,163
Licences and permits	20	4,979,837	4,619,359
Rental income	22	343,707	319,942
Investment revenue	23	16,910,819	18,002,852
Fair value adjustments	35	-	1,659,997
Total revenue from exchange transactions		37,043,303	45,979,412
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	35,824,726	33,887,616
Transfer revenue			
Government grants & subsidies	25	619,882,876	605,090,980
Public contributions and donations	26	2,759,595	41,003,987
Interest on arrear receivables	20	14,765,291	8,022,225
Other income - VBS investment	20	20,125,846	-
Gain on assets/Fair value adjustments	20	69,145	10,667,629
Traffic fines	20	1,188,100	382,250
Total revenue from non-exchange transactions		694,615,579	699,054,687
Total revenue	20	731,658,882	745,034,099
Expenditure			
Employee related costs	27	(146,501,305)	(132,896,073)
Remuneration of councillors	28	(29,545,233)	(28,265,223)
Depreciation and amortisation	29	(71,379,513)	(68,159,030)
Impairment loss/Reversal of impairments	30	(4,925,923)	(7,408,518)
Finance costs	31	(164,854)	(76,732)
Debt impairment	32	(35,524,370)	(22,253,651)
Repairs and maintenance	4	(30,729,439)	(16,929,124)
Bad debts written off		(2,612,456)	(8,975,582)
Contracted services	33	(164,664,936)	(149,259,900)
General expenses	34	(110,301,630)	(130,333,682)
Fair value adjustments	35	(4,885,776)	-
Loss on disposal of assets		(2,923,707)	(1,308,094)
Total expenditure		(604,159,142)	(565,865,609)
Surplus for the year		127,499,740	179,168,490

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Restated* Balance at 01 July 2022 as restated	1,547,791,134	1,547,791,134
Changes in net assets		
Surplus for the year	179,168,490	179,168,490
Total changes	179,168,490	179,168,490
Adjustments		
Prior year adjustments Note 42	(13,110,191)	(13,110,191)
Restated* Balance at 01 July 2023 as restated	1,726,959,627	1,726,959,627
Changes in net assets		
Surplus for the year	127,499,740	127,499,740
Total changes	127,499,740	127,499,740
Balance at 30 June 2024	1,854,459,367	1,854,459,367

Cash Flow Statement

Figures in Rand

Note(s)

2024

2023
Restated*

Cash flows from operating activities

Receipts

Property rates	16,639,296	23,065,195
Service charges	2,318,820	3,591,116
Grants and subsidies	612,582,619	611,475,004
Interest income	16,910,819	18,002,852
Other receipts	95,411,496	54,793,366
	<u>743,863,050</u>	<u>710,927,533</u>

Payments

Employee costs	(178,558,002)	(158,993,360)
Suppliers and other payments	(316,647,312)	(293,189,593)
	<u>(495,205,314)</u>	<u>(452,182,953)</u>

Net cash flows from operating activities

37 **248,657,736** **258,744,580**

Cash flows from investing activities

Purchase of property, plant and equipment	4	<u>(324,457,917)</u>	<u>(359,760,866)</u>
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Cash flows from financing activities

Finance lease payments	(1,974,613)	(1,598,168)
Investment receipts	(20,125,846)	-
	<u>(22,100,459)</u>	<u>(1,598,168)</u>

Net increase/(decrease) in cash and cash equivalents

(97,900,640) **(102,614,454)**

Cash and cash equivalents at the beginning of the year

194,254,732 296,869,186

Cash and cash equivalents at the end of the year

15 **96,354,092** **194,254,732**

Collins Chabane Local Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Sale of stands	78,339,994	(28,481,199)	49,858,795	732,167	(49,126,628)	Note 54
Service charges	6,765,000	(1,100,000)	5,665,000	5,672,816	7,816	
Rendering of services	2,622,006	309,199	2,931,205	2,443,223	(487,982)	
Rental income	301,000	80,000	381,000	343,707	(37,293)	
Interest on arrear receivables	8,784,000	-	8,784,000	1,812,568	(6,971,432)	
Agency services	4,416,000	483,000	4,899,000	4,148,166	(750,834)	
Licences and permits	7,596,000	227,000	7,823,000	4,979,837	(2,843,163)	
Interest received - investment	25,538,000	(4,000,000)	21,538,000	16,910,819	(4,627,181)	
Total revenue from exchange transactions	134,362,000	(32,482,000)	101,880,000	37,043,303	(64,836,697)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	36,621,000	(1,151,000)	35,470,000	35,824,726	354,726
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Transfer revenue

Government grants & subsidies	598,546,000	18,864,000	617,410,000	619,882,876	2,472,876
Levies	-	-	-	20,125,846	20,125,846
Public contributions and donations	-	-	-	2,759,595	2,759,595
Traffic fines	606,000	-	606,000	1,188,100	582,100
Gain on assets/ Fair value adjustments	-	-	-	69,145	69,145
Interest on arrear receivables	-	-	-	14,765,291	14,765,291

Total revenue from non-exchange transactions	635,773,000	17,713,000	653,486,000	694,615,579	41,129,579
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Total revenue	770,135,000	(14,769,000)	755,366,000	731,658,882	(23,707,118)
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Expenditure

Employee related costs	(146,733,000)	849,000	(145,884,000)	(146,501,305)	(617,305)
Remuneration of councillors	(30,897,500)	(348,500)	(31,246,000)	(29,545,233)	1,700,767
Repairs and maintenance	(35,668,000)	(6,277,546)	(41,945,546)	(30,729,439)	11,216,107
Depreciation and amortisation	(51,219,000)	(11,063,000)	(62,282,000)	(71,379,513)	(9,097,513)
Impairment loss/ Reversal of impairments	-	-	-	(4,925,923)	(4,925,923)
Finance costs	-	-	-	(164,854)	(164,854)
Debt Impairment	(5,897,000)	-	(5,897,000)	(35,524,370)	(29,627,370)
Bad debts written off	-	-	-	(2,612,456)	(2,612,456)
Contracted Services	(137,227,000)	(47,529,000)	(184,756,000)	(164,664,936)	20,091,064
General Expenses	(50,030,000)	(26,874,000)	(76,904,000)	(110,301,630)	(33,397,630)

Total expenditure	(457,671,500)	(91,243,046)	(548,914,546)	(596,349,659)	(47,435,113)
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Operating surplus	312,463,500	(106,012,046)	206,451,454	135,309,223	(71,142,231)
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Collins Chabane Local Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Loss on disposal of assets	-	-	-	(2,923,707)	(2,923,707)	
Fair value adjustments	-	-	-	(4,885,776)	(4,885,776)	
	-	-	-	(7,809,483)	(7,809,483)	
Surplus before taxation	312,463,500	(106,012,046)	206,451,454	131,439,917	(78,951,714)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	312,463,500	(106,012,046)	206,451,454	131,439,917	(78,951,714)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Position

Assets

Current Assets

Inventories	3,846,000	800,000	4,646,000	5,055,869	409,869	Note 54
Other receivable	-	-	-	20,125,846	20,125,846	
Receivables from exchange transactions	18,553,000	(715,000)	17,838,000	2,802,708	(15,035,292)	
Receivables from non-exchange transactions	-	-	-	10,115,171	10,115,171	
VAT receivable	9,745,000	-	9,745,000	25,037,315	15,292,315	
Consumer receivables from non-exchange transactions	64,954,000	(748,000)	64,206,000	7,655,120	(56,550,880)	
Cash and cash equivalents	372,708,000	(111,237,000)	261,471,000	96,354,092	(165,116,908)	
	469,806,000	(111,900,000)	357,906,000	167,146,121	(190,759,879)	

Non-Current Assets

Investment property	2,060,000	-	2,060,000	3,000,014	940,014	
Property, plant and equipment	1,596,486,000	7,688,000	1,604,174,000	1,834,453,386	230,279,386	
Intangible assets	6,076,000	(1,000,000)	5,076,000	1,960,350	(3,115,650)	
Heritage assets	1,127,000	-	1,127,000	1,126,500	(500)	
Other financial assets	-	-	-	2	2	
	1,605,749,000	6,688,000	1,612,437,000	1,840,540,252	228,103,252	

Total Assets

	2,075,555,000	(105,212,000)	1,970,343,000	2,007,686,373	37,343,373	
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Liabilities

Current Liabilities

Finance lease obligation	954,000	-	954,000	2,076,344	1,122,344	
Payables from exchange transactions	159,760,000	500,000	160,260,000	120,356,948	(39,903,052)	
Employee benefit obligation	6,927,000	-	6,927,000	7,274,399	347,399	
Unspent conditional grants and receipts	-	-	-	1,933,743	1,933,743	
Provisions	-	-	-	1,037,020	1,037,020	
	167,641,000	500,000	168,141,000	132,678,454	(35,462,546)	

Non-Current Liabilities

Finance lease obligation	-	-	-	1,517,434	1,517,434	
Employee benefit obligation	17,168,000	-	17,168,000	19,031,121	1,863,121	
	17,168,000	-	17,168,000	20,548,555	3,380,555	

Total Liabilities

	184,809,000	500,000	185,309,000	153,227,009	(32,081,991)	
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Net Assets

	1,890,746,000	(105,712,000)	1,785,034,000	1,854,459,364	69,425,364	
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Collins Chabane Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1,890,746,000	(105,712,000)	1,785,034,000	1,854,459,364	69,425,364	

Collins Chabane Local Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	16,129,000	(403,000)	15,726,000	16,639,296	913,296	Note 54
Service charges	2,976,500	(385,500)	2,591,000	2,318,820	(272,180)	
Government grants and subsidies	601,533,000	18,864,000	620,397,000	612,582,619	(7,814,381)	
Interest income	25,538,000	(4,000,000)	21,538,000	16,910,819	(4,627,181)	
Other receipts	155,868,000	(27,382,000)	128,486,000	75,572,033	(52,913,967)	
	802,044,500	(13,306,500)	788,738,000	724,023,587	(64,714,413)	
Payments						
Employee costs and supplier payments	(400,556,000)	(80,179,000)	(480,735,000)	(477,537,514)	3,197,486	
Net cash flows from operating activities	401,488,500	(93,485,500)	308,003,000	246,486,073	(61,516,927)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(325,650,000)	(17,751,000)	(343,401,000)	(324,457,917)	18,943,083	
Cash flows from financing activities						
Finance lease payments	-	-	-	(1,974,613)	(1,974,613)	
Net increase/(decrease) in cash and cash equivalents	75,838,500	(111,236,500)	(35,398,000)	(79,946,457)	(44,548,457)	
Cash and cash equivalents at the beginning of the year	296,869,000	-	296,869,000	194,254,732	(102,614,268)	
Cash and cash equivalents at the end of the year	372,707,500	(111,236,500)	261,471,000	114,308,275	(147,162,725)	
Reconciliation						

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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

Figures in Rand	Notes	2024	2023
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1. Significant accounting policies

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

1.1 Basis of preparation

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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.

The municipality does not retrospectively adjust the accounting of past items (or group of items) that were previously assessed as immaterial, unless an error occurred.

1.5 Investment property

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

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

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

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

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

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

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Accounting Policies

1.5 Investment property (continued)

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

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

Subsequent measurement

Property, plant and equipment is carried at cost, being the cost/fair value at the date of acquisition or transfer less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Land is carried at cost and is not depreciated.

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

Components of assets that are significant relative to the overall asset and have different useful lives are depreciated separately. The annual depreciation rates are based on the estimated average asset lives outlined in the MFMA - Local Government Capital Assets Management Guidelines.

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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.6 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life (years)
Buildings/ Community Assets	Straight-line	5 - 30
Electrical	Straight-line	3 - 80
Solid waste	Straight-line	5 - 55
Computer equipment	Straight-line	3 - 10
Furniture and office equipment	Straight-line	3 - 10
Motor vehicles	Straight-line	4 - 15
Plant, machinery and equipment	Straight-line	2 - 20
Bridges	Straight-line	15 - 80
Roads	Straight-line	5 - 80
Storm water drainage	Straight-line	20 - 80
Other infrastructure assets	Straight-line	5 - 30
Leased assets	Straight-line	Limited to the contract term

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 entity 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.

Impairment

The municipality tests for impairment whenever there is an indication that an asset may be impaired. An assessment to determine whether such an indication exists is conducted at each reporting date. If the carrying amount of an item of property, plant, and equipment exceeds its estimated recoverable amount (or recoverable service amount), the asset is written down to its recoverable amount. An impairment loss is then recorded in the Statement of Financial Performance. Note that an impairment loss on a revalued asset is treated as a revaluation decrease.

Derecognition

Items of property, plant, and equipment are derecognized when they are disposed of or when there are no further economic benefits or service potential expected from their use. The gain or loss resulting from the derecognition of such an item is included in the surplus or deficit at the time of derecognition. This gain or loss is determined as the difference between any net disposal proceeds and the carrying amount of the item.

The municipality separately discloses expenditure related to the repair and maintenance of property, plant, and equipment in the notes to the financial statements (see note 4).

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Accounting Policies

1.7 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

Subsequent measurement

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life (years)
Licenses and franchises	Straight-line	2 - 5
Computer software, other	Straight-line	2 - 5
Other Intangible assets	Straight-line	2 - 5

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Accounting Policies

1.7 Intangible assets (continued)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

Derecognition

Intangible assets are derecognised:

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

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

1.8 Heritage assets

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

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

Impairment

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

Derecognition

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

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

1.9 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.

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

A financial asset is:

- cash;
- a residual interest of another entity; or

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Accounting Policies

1.9 Financial instruments (continued)

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

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

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

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

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

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

Consumer deposits are recognised as liabilities.

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.

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

Consumer receivables from exchange transactions
Receivables from non-exchange transactions
Cash and cash equivalents
Other receivables from exchange transactions
Other financial assets

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
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

Trade and other payables from exchange transactions
Finance lease liabilities

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost

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.

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Accounting Policies

1.9 Financial instruments (continued)

Initial measurement

The municipality measures a financial asset and financial liability initially at its fair value (for financial instruments not classified as fair value through profit or loss (FVPL), plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The fair value of a financial instrument upon initial recognition is typically the transaction price, unless a different fair value is evident from observable market data. For financial instruments that are not traded in an active market, the municipality employs a discounted cash flow model incorporating entity-specific variables to determine fair value. Differences may arise between the fair value initially recognized (which, in accordance with GRAP 104, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognized in profit or loss only to the extent that they relate to changes in factors (including time) that market participants would consider when setting the price.

Subsequent measurement

Financial assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation. The municipality classifies its financial assets into the following categories:

- Loans and receivables; a
- Fair value through profit and loss

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Accounting Policies

1.9 Financial instruments (continued)

The classification depends on the purpose for which the financial asset is acquired, and is as follows: Loans and receivables are financial assets that are created by providing money, goods or services directly to a debtor. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.

Fair value through profit and loss financial assets include derivative financial instruments used by the entity to manage its exposure to fluctuations in interest rates attached to certain of its external borrowings interest swap agreements. Any fair value adjustment is recorded in the Statement of Financial Performance in the period in which it arises. To the extent that a derivative instrument has a maturity period of longer than a year, the fair value of these instruments will be reflected as a noncurrent asset or liability, and is subsequently measured at fair value at Statement of Financial Position date.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

Cash and cash equivalents

Cash includes cash on hand and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as current assets.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

Fixed deposit investments

Short-term deposit is cash and cash equivalents which is short-term and highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three to twelve months or less and are subject to an insignificant risk of change in value.

Impairment

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the financial asset.

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of

Collins Chabane Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.9 Financial instruments (continued)

Financial Performance.

Impairment of non-financial assets

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

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

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

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

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

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

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

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

Gains and losses

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

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

1.10 Statutory receivables

Identification

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

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

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

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Accounting Policies

1.10 Statutory receivables (continued)

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

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

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Accounting Policies

1.10 Statutory receivables (continued)

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

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

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

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

Derecognition

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

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

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

1.11 Value Added Tax

Basis

The municipality accounts for VAT on the cash basis when preparing VAT returns, the accrual basis of accounting is applied in capturing vat on the accounting system.

1.12 Leases

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

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

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1.12 Leases (continued)

Finance leases - lessee

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

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

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

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

1.13 Inventories

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

"**Land inventory** is recognised at fair value which equate to net realisable value due to illegal occupation."

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

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

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

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

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

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

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

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

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

1.14 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.

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1.14 Impairment of cash-generating assets (continued)

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

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

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

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

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

Useful life is either:

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

1.15 Employee benefits

Identification

Employee benefits

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

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

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

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either:

- (a) a municipality's decision to terminate an employee's employment before the normal retirement date; or
- (b) an employee's decision to accept an offer of benefits in exchange for the termination of employment.

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

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

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

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

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1.15 Employee benefits (continued)

Short-term employee benefits

Recognition and measurement

All short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

Recognition and measurement

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

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

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

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1.15 Employee benefits (continued)

Termination benefits

Recognition

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

- (a) terminate the employment of an employee or group of employees before the normal retirement date; or
- (b) provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

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

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

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

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity 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 deficits.

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1.16 Provisions and contingencies (continued)

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

Contingent liabilities:

"Contingent liabilities shall not be recognized in the statement of financial position, a contingent liability shall be disclosed under the notes unless the possibility of an outflow of resources embodying economic benefits or service potential is remote."

"A disclosure shall be made for each class of contingent liability at the reporting date with a brief description of the nature of the contingent liability and where practicable."

Contingent assets:

"Contingent assets shall not be recognised in the Statement of financial position, a contingent asset usually arises from unplanned or other unexpected events that are not wholly within the control of the municipality that give rise to the possibility of an inflow of economic benefits."

"A contingent asset is disclosed under the notes by providing a brief description of the nature of the contingent assets at the reporting date, and where practicable, an estimate of their financial effect."

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

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

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

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

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;

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1.16 Provisions and contingencies (continued)

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

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

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

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

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1.18 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.

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. Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances. Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges

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

- 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.

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

Sale of goods

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

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

Interest

Interest is recognised, on a time proportionate basis that takes into account the effective interest rate method. Interest is earned from primary bank account and short term deposits.

Agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement. The revenue is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Collection charges are recognised when incurred.

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1.19 Revenue from non-exchange transactions

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

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

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

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

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

Gain/loss on assets

Gain/ loss on assets - this applies to assets acquired at no consideration and disposal of assets.

Gain/loss on fair value

Gain/ loss on fair value - this applies to the movement on fair value adjustments on investment property as at year-end.

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.

Public contributions and donations

Revenue from donations are recognised as 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.

Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria is met. Revenue from property rates is recognised when the legal entitlement to this revenue arises.

Collection charges are recognised when such amounts are legally enforceable.

Rebates are respectively granted to owner of land on which not more than two dwelling units are erected provided that solely used for residential purpose.

Assessment rates income is recognised as rates account has been issued to the rate payers.

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1.19 Revenue from non-exchange transactions (continued)

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

Government grants and 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.

“The municipality recognizes government grants as revenue upon receipts except for; Grants with conditions is recognised as revenue when capital expenditure is incurred. These grants are only recognized as revenue only upon the fulfilment of the conditions attached to the use of the grants. The grants shall be disclosed as a liability until the conditions attached are met.”

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

Traffic fines

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

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

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

1.20 Investment income

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

1.21 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

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1.21 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

1.22 Translation of foreign currencies

1.23 Changes in accounting policies, estimates and errors

Accounting policies are the specific principles, bases, conventions, rules and practices applied by a municipality in preparing and presenting financial statements. A change in accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors.

Prior period errors are omissions from, and misstatements in, the municipality's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- (a) was available when financial statements for those periods were authorised for issue; and
- (b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements. Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Prospective application of a change in an accounting policy and of recognising the effect of a change in an accounting estimate, respectively, are:

- (a) applying the new accounting policy to transactions, other events and conditions occurring after the date as at which the policy is changed; and
 - (b) recognising the effect of the change in the accounting estimate in the current and future periods affected by the change.
- Retrospective application is applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.

The effect of a change in an accounting estimate shall be recognised prospectively.

1.24 Comparative figures

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

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

1.26 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.

1.27 Irregular expenditure

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

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

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

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

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

1.28 Segment information

A segment is an activity of a municipality:

- 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.

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1.28 Segment information (continued)

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.

1.29 Budget information

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

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

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

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

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

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.

The municipality will provide an explanation of +-10% variance on comparison of budget and actual amounts.

1.30 Related parties

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

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

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

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

Where the entity is exempt from the disclosures in accordance with the above, the entity 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.

Collins Chabane Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.31 Events after reporting date

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

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

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

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

1.32 Expenditure

Expenditure is recognised in the financial statements on an accrual basis.

1.33 Consumer deposits

Consumer deposits represents funds received by the municipality as security for payment of consumer accounts. The amount represent the actual cash received and can either be paid back or set off against an consumer account. The gross un-utilised deposit amount is indicated. No interest is paid to the consumers on the deposits held by the municipality.

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Annual Financial Statements for the year ended 30 June 2024

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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
- GRAP 2023 Improvements to the Standards of GRAP 2023 - GRAP 1 (amended): Presentation of Financial Statements (Going Concern) - GRAP 103 (as revised): Heritage Assets - iGRAP 22 Foreign Currency Transactions and Advance Consideration - GRAP 104 (as revised): Financial Instruments	- To be determined - To be determined - To be determined 01 April 2025 01 April 2025	- To be determined - To be determined - To be determined - To be determined - To be determined

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3. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	3,000,014	-	3,000,014	3,720,015	-	3,720,015

Reconciliation of investment property - 2024

	Opening balance	Transfers out	Fair value adjustments	Total
Investment property	3,720,015	(50,003)	(669,998)	3,000,014

Reconciliation of investment property - 2023

	Opening balance	Transfers	Fair value adjustments	Total
Investment property	1,739,931	(2)	1,980,086	3,720,015

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

During the current year, the land with a value of R50,003 was transferred to land inventory for sale.

The value of investment property was reduced by R669,998 due to illegal occupation.

Fair valuation:

The fair values of investment property as disclosed in the annual financial statements are based on the valuation by Luthendo Group, an independent valuer who is adequately qualified and has experience in the valuation industry.

The valuation assumptions applied include recent sales comparison approach investment properties.

Investment properties were assessed for impairment as at year end, those which have indicator of impairments were impaired.

Repairs and maintenance:

There were no repairs and maintenance costs incurred on the investment properties during the reporting period.

Rental income:

There was no rental income raised from occupation of investment property during the year.

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2023

4. 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	28,713,442	-	28,713,442	28,713,442	-	28,713,442
Buildings	45,175,487	(9,562,386)	35,613,101	44,617,626	(7,859,859)	36,757,767
Movable assets	144,878,780	(69,139,522)	75,739,258	142,305,828	(51,718,911)	90,586,917
Community assets	259,546,666	(51,346,151)	208,200,515	239,591,182	(38,769,224)	200,821,958
Roads infrastructure	970,875,691	(123,209,586)	847,666,105	749,849,564	(98,226,464)	651,623,100
Leased assets	5,972,093	(2,655,915)	3,316,178	5,972,094	(659,889)	5,312,205
WIP - infrastructure	527,570,086	-	527,570,086	462,727,030	-	462,727,030
Electricity assets	130,332,630	(22,697,929)	107,634,701	124,437,915	(13,188,949)	111,248,966
Total	2,113,064,875	(278,611,489)	1,834,453,386	1,798,214,681	(210,423,296)	1,587,791,385

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Donated assets	Disposals	Transfers received	Transfers out	Depreciation	Impairment loss	Impairment reversal	Total
Land	28,713,442	-	2,740,000	-	-	(2,739,998)	-	-	-	28,713,442
Buildings	36,757,767	557,859	-	-	-	-	(1,702,525)	-	-	35,613,101
Movable assets	90,586,917	2,674,193	-	(47,885)	88,739	-	(17,582,198)	(277,538)	297,030	75,739,258
Community assets	200,821,958	2,833,210	-	-	17,122,274	-	(12,255,365)	(321,562)	-	208,200,515
Roads infrastructure	651,623,100	10,268,488	-	(135,822)	217,334,140	-	(31,406,904)	(16,897)	-	847,666,105
Leased assets	5,312,205	-	-	-	-	-	(1,996,027)	-	-	3,316,178
WIP - Infrastructure	462,727,030	326,078,650	-	-	-	(261,235,594)	-	-	-	527,570,086
Electricity assets	111,248,966	-	-	-	5,894,719	-	(4,902,028)	(4,606,956)	-	107,634,701
Weapons systems	-	-	-	-	-	-	3	-	-	-
	1,587,791,385	342,412,400	2,740,000	(183,707)	240,439,872	(263,975,592)	(69,845,044)	(5,222,953)	297,030	1,834,453,386

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Donated assets	Disposals	Transfers received	Transfers out	Depreciation	Impairment loss	Impairment reversal	Total
Land	10,973,442	-	20,240,000	-	-	(2,500,000)	-	-	-	28,713,442
Buildings	37,127,042	1,339,542	-	(1,585)	-	-	(1,655,706)	(51,526)	-	36,757,767
Movable assets	90,674,082	18,366,104	-	(25,047)	-	-	(16,142,953)	(2,471,475)	186,206	90,586,917
Community assets	142,875,098	2,483,065	-	(714,757)	68,094,675	(220,814)	(10,752,826)	(942,483)	-	200,821,958
Roads infrastructure	603,714,999	2,200,544	16,643,987	(566,706)	53,595,214	-	(23,336,842)	(628,096)	-	651,623,100
Leased Assets	844,886	5,971,718	-	-	-	-	(1,504,399)	-	-	5,312,205
WIP - Infrastructure	306,715,244	325,616,508	-	-	-	(169,604,722)	-	-	-	462,727,030
Electricity assets	94,796,455	-	10,920,765	-	13,634,060	-	(4,800,403)	(3,314,938)	13,027	111,248,966
	1,287,721,248	355,977,481	47,804,752	(1,308,095)	135,323,949	(172,325,536)	(58,193,129)	(7,408,518)	199,233	1,587,791,385

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Annual Financial Statements for the year ended 30 June 2024

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4. Property, plant and equipment (continued)

Pledged as security

During the financial year ended 30 June 2024, no components of property, plant and equipment were pledged as security for borrowings or banking facilities.

Other information

Completion of the following projects were delayed due to budget constraints and community disputes

Malamulele D Street	-	41,969,488
Upgrading of Vuwani Stadium	869,566	869,566
	869,566	42,839,054

The following projects were delayed due to budget constraints:

Construction of traffic circle Malamulele	434,783	434,783
Construction of road at Masakona Village	869,565	869,565
Construction of stormwater channel at Malamulele B	869,321	869,321
Construction of ring road at Muchipisi Village	869,565	869,565
Construction of Jim Jenos Access Road to public	869,565	869,565
Construction of Tiyani Mall intersection	434,783	434,783
Construction of sub-offices traffic/DLTC and VTS at Hlaganani	869,550	869,550
Vuwani traffic and licensing admin block	434,783	434,783
Rehabilitation of Saseleman taxi rank	848,315	848,315
	6,500,230	6,500,230

Cumulative work in progress (WIP) expenditure as per GRAP 16.92(a) and GRAP 17.87(a) for the reported period is as follows:

Building infrastructure	137,753,602	108,530,749
Community assets	103,839,161	87,785,993
Electrical infrastructure	1,812,335	1,374,074
Roads infrastructure	284,164,980	265,036,213
	527,570,078	462,727,029

The completion of the project was delayed due to pre cast concrete:

Construction of municipal building	137,753,602	108,530,749
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Details of properties

The completion of the project was delayed due to re-prioritisation of budget

Construction of Highmast lights	1,374,074	1,374,074
Widening of streets in Business Park	36,821,691	23,921,071
	38,195,765	25,295,145

The completion of the project was delayed due to licence approval from Limpopo Department of Economic Development, Environment and Tourism (LEDET) and Department of Water and Sanitation (DWS)

Development of Landfill Site	49,887,018	49,887,018
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Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand	2024	2023
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4. Property, plant and equipment (continued)

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

Electrical	-	3,074,271
Buildings	-	4,063,105
Machinery and equipment	12,709,325	2,349,849
Roads infrastructure	15,987,480	5,328,698
Motor vehicles	-	2,093,933
Community assets	-	19,268
	28,696,805	16,929,124

5. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	8,825,739	(6,865,389)	1,960,350	8,825,739	(5,330,920)	3,494,819

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software, other	3,494,819	(1,534,469)	1,960,350

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	5,076,243	(1,581,424)	3,494,819

Other information

The municipality has reviewed the useful lives, residual values and performed assessment of impairment as at 30 June 2024.

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Annual Financial Statements for the year ended 30 June 2024

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6. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain and gowns	1,126,500	-	1,126,500	1,126,500	-	1,126,500

Reconciliation of heritage assets 2024

	Opening balance	Total
Mayoral chain and gowns	1,126,500	1,126,500

Reconciliation of heritage assets 2023

	Opening balance	Total
Mayoral chain and gowns	1,126,500	1,126,500

7. Other financial assets

Residual interest at cost

Investment - VBS	113,841,784	113,841,784
	113,841,784	113,841,784
Impairments	(113,841,782)	(113,841,782)
	2	2

Non-current assets

Residual interest at cost	2	2
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Allowance for impairment

Reconciliation of provision of impairment of financial assets - 2024

	Opening balance	Closing balance
Investment - VBS	(113,841,782)	(113,841,782)

Reconciliation of provision of impairment of financial assets - 2023

	Opening balance	Closing balance
Investment - VBS	(113,841,782)	(113,841,782)

8. Other receivable

VBS investment	20,125,846	-
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Annual Financial Statements for the year ended 30 June 2024

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9. Employee benefit obligations

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

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

Defined benefit obligation: Long service award	(4,590,000)	(4,300,000)
Defined benefit obligation: Unused leave days	(8,947,520)	(7,932,749)
Defined benefit obligation: Post employment medical aid	(12,768,000)	(11,695,000)
	(26,305,520)	(23,927,749)
Non-current liabilities	(19,031,121)	(16,525,308)
Current liabilities	(7,274,399)	(7,402,441)
	(26,305,520)	(23,927,749)

9.1 Long service award

The municipality provides long service awards to its permanent employees. The municipality offers rewards for specified year intervals of completed years of services.

In accordance with prevailing legislation, the defined benefits funds are actuarially valued at intervals of every year. The latest valuation was performed by ARCH Actuarial Consulting for 30 June 2024.

Long service awards relate to the legal obligation to provide long service awards. Actuarial benefits have been calculated for 263 eligible employee as at 30 June 2024 that are entitled to long service awards.

The long service awards liability is not a funded arrangement. i.e no assets have been set aside to meet this liability. The municipality offers rewards as per specified year intervals of completed service.

Non-current portion	4,416,000	3,436,000
Current portion	174,000	864,174
	4,590,000	4,300,000

The fair value of plan assets includes:

Changes in the long service award liability are as follows:

Opening balance	4,300,000	3,941,000
Service cost	620,000	545,000
Interest cost	462,000	419,000
Expected benefit vesting	72,000	(83,000)
Actuarial gain	(864,000)	(522,000)
	4,590,000	4,300,000

Represented by:

The plan is a final salary pension / flat plan or a post employment medical benefit plan.

Key assumptions

Discount rate	11,95 %	12,00 %
General salary inflation rate	6,65 %	7,00 %
Net discount rate	4,63 %	5,00 %
Average retirement age (Years)	62	62

Collins Chabane Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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

9.2 Unused leave days

This is the present value of the total unused leave benefit expected to become payable under the employer's current service arrangements and based on the assumption made.

This may be regarded as the amount of money that should be set aside in present day terms to cover all expected unused leave benefit for current employees.

Non-current portion	2,198,121	1,539,308
Current portion	<u>6,749,399</u>	<u>6,393,441</u>
	8,947,520	7,932,749

Changes in the unused leave days liability are as follows:

Opening balance	7,932,749	7,790,599
Service cost	1,076,277	1,030,110
Interest cost	907,527	863,384
Expected benefit vesting	(883,623)	(437,037)
Actuarial gain	<u>(85,410)</u>	<u>(1,315,307)</u>
	8,947,520	7,932,949

Key assumptions

Discount rate	11,90 %	12,09 %
General salary inflation	6,93 %	7,25 %
Net discount rate	4,64 %	4,52 %
Average retirement age (Years)	62	62

9.3 Post employment medical aid

The municipality provides Post-Employment Medical Aid (PEMA) to its permanent employees.

In accordance with prevailing legislation, the defined benefits funds are actuarially valued at intervals of every year. The latest valuation was performed by ARCH Actuarial Consulting for 30 June 2024.

PEMA relate to the legal obligation to provide medical aid contribution after retirement. Actuarial benefits have been calculated for eligible employee as at 30 June 2024 that are entitled to Post employment medical aid.

The post employment health care benefit is not a funded arrangement. i.e no assets have been set aside to meet this liability. The municipality offers rewards as per specified year intervals of completed service.

Non-current portion	12,417,000	11,550,000
Current portion	<u>351,000</u>	<u>145,000</u>
	12,768,000	11,695,000

Changes in the post employment medical aid liability are as follows:

Opening balance	11,695,000	10,549,000
Service cost	764,000	731,000
Interest cost	1,461,000	1,244,000
Expected benefit vesting	(145,000)	(111,000)
Actuarial gain	<u>(1,007,000)</u>	<u>(718,000)</u>
	12,768,000	11,695,000

Collins Chabane Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
9. Employee benefit obligations (continued)		
Key assumptions		
Discount rate	12,35 %	12,57%
Health care cost inflation rate	8,46 %	8,17 %
Net discount rate	4,21 %	4,07 %
10. Inventories		
Consumable stores	5,055,739	2,461,154
Land inventory	130	4,310,106
	5,055,869	6,771,260
Inventories recognised as an expense during the year	7,360,633	4,322,355
"Land inventory is recognised at fair value which equate to net realisable value due to illegal occupation."		
Inventory pledged as security		
No inventories were pledged as collateral for the municipality's liabilities.		
11. Receivables from exchange transactions		
Deposits	2,228,300	2,084,102
Sundry debtors	7,949,681	7,854,916
Sundry debtors - impairment	(7,375,273)	(7,375,273)
	2,802,708	2,563,745
There were no sundry debtors pledged as collateral.		
Reconciliation of provision for impairment of other receivables from exchange transactions		
Opening balance	(7,375,273)	(7,375,273)
12. Receivables from non-exchange transactions		
Traffic fines	2,574,730	1,608,530
Traffic fines - Impairment	(2,056,480)	(1,399,398)
Property rates	150,186,827	131,993,910
Property rates – Impairment	(140,589,906)	(122,641,373)
	10,115,171	9,561,669
Ageing for rates		
Current (0 - 30 days)	2,816,642	2,808,412
31 - 60 days	2,574,922	2,280,248
61 - 90 days	2,311,192	2,214,865
91 - 120 days	2,269,438	2,548,112
121 - 365 days	17,432,987	20,468,242
> 365 days	122,781,647	101,674,031
Less: Allowance for impairment	(140,589,906)	(122,641,373)
	9,596,922	9,352,537
Financial asset receivables included in receivables from non-exchange transactions above	518,249	209,132

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12. Receivables from non-exchange transactions (continued)		
Total receivables from non-exchange transactions	14,055,348	9,561,669
Fair value of consumer debtors approximates the carrying amount thereof.		
Reconciliation of provision for impairment of receivables from non-exchange transactions		
Opening balance	(122,641,373)	(114,012,355)
Provision for impairment	(17,948,533)	(8,629,018)
	(140,589,906)	(122,641,373)
13. Consumer receivables from exchange transactions		
Gross balances		
Refuse	27,038,517	24,003,417
Consumer debtors - other	116,061,553	99,922,347
	143,100,070	123,925,764
Less: Allowance for impairment		
Refuse	(25,565,164)	(22,579,864)
Consumer debtors - other	(109,879,786)	(95,946,336)
	(135,444,950)	(118,526,200)
Net balance		
Refuse	1,473,353	1,423,553
Customer debtors - other	6,181,767	3,976,011
	7,655,120	5,399,564
Refuse		
Current (0 -30 days)	486,243	475,716
31 - 60 days	388,000	370,759
61 - 90 days	372,115	359,840
91 - 120 days	360,070	364,288
121 - 365 days	2,744,880	2,896,908
> 365 days	22,687,209	19,571,074
	(25,565,164)	(22,615,032)
	1,473,353	1,423,553
Customer debtors - other		
Current (0 -30 days)	1,587,159	881,973
31 - 60 days	1,543,909	850,409
61 - 90 days	1,513,090	845,649
91 - 120 days	1,484,513	834,483
121 - 365 days	10,727,155	6,806,628
> 365 days	99,205,727	89,950,540
	(109,879,786)	(96,193,671)
	6,181,767	3,976,011

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
13. Consumer receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Residential		
Current (0 -30 days)	2,012,701	1,841,324
31 - 60 days	1,942,592	1,442,856
61 - 90 days	1,826,683	1,401,559
91 - 120 days	1,790,911	1,394,095
121 - 365 days	13,301,499	11,867,143
> 365 days	146,270,646	123,137,842
	167,145,032	141,084,819
Industrial/ Commercial		
Current (0 -30 days)	659,199	729,544
31 - 60 days	281,764	565,452
61 - 90 days	253,135	729,580
91 - 120 days	243,619	520,835
121 - 365 days	1,745,682	5,101,154
> 365 days	16,927,746	12,832,401
	20,111,145	20,478,966
Government		
Current (0 -30 days)	2,218,144	2,984,033
31 - 60 days	2,282,474	1,673,891
61 - 90 days	2,116,578	1,652,287
91 - 120 days	2,079,490	1,644,489
121 - 365 days	15,857,841	25,058,603
> 365 days	81,476,190	40,675,542
	106,030,717	73,688,845
Total		
Current (0 -30 days)	4,890,044	5,554,901
31 - 60 days	4,506,831	3,682,198
61 - 90 days	4,196,396	3,783,427
91 - 120 days	4,114,021	3,559,420
121 - 365 days	30,905,022	42,026,900
> 365 days	244,674,582	176,645,785
	293,286,896	235,252,631
Less: Allowance for impairment	(285,631,776)	(229,853,067)
	7,655,120	5,399,564
Reconciliation of allowance for impairment		
Balance at beginning of the year	(118,526,200)	(111,103,418)
Contributions to allowance	(16,918,750)	(7,422,782)
	(135,444,950)	(118,526,200)

Collins Chabane Local Municipality

(Registration number LIM345)

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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14. VAT receivable

VAT	25,037,315	48,055,407
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Reconciliation of General Ledger and SARS Statement

VAT balance per GL/AFS	25,037,315	48,055,407
Less: Reconciling items	-12,603,456	-9,811,183
Less: Unclaimed VAT	-10,590,129	-13,574,032
VAT balance per SARS Statement	1,843,823	24,670,191

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	24,681,142	121,923,643
Short-term deposits	71,672,950	72,331,089
	96,354,092	194,254,732

The municipality holds 12 months fixed deposit investments with FNB, ABSA and Nedbank. The ABSA investment commenced in December 2023. The FNB investment matured in November 2023. The Nedbank investment matured in October 2023 and the reinvestment was made in December 2023.

No cash and cash equivalents were pledged as collateral.

The entity 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
FNB Current Account - 62632407020	24,681,143	121,923,644	296,869,186	24,681,143	121,923,644	296,869,186
FNB 12 Month Fixed Deposit - 76201583143	-	35,971,128	-	-	35,971,128	-
Nedbank 12 Month Fixed Deposit - 03/788166908/000	-	36,359,960	-	-	36,359,960	-
Nedbank - 12 Month Fixed Deposit - 03/7881166908/000004	35,868,837	-	-	35,868,837	-	-
ABSA - 12 Month Fixed Deposit - 2081408049	35,804,112	-	-	35,804,112	-	-
Total	96,354,092	194,254,732	296,869,186	96,354,092	194,254,732	296,869,186

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16. Finance lease obligation		
Minimum lease payments due		
- within one year	2,172,074	1,974,613
- in second to fifth year inclusive	1,537,858	3,709,932
	3,709,932	5,684,545
less: future finance charges	(116,154)	(281,008)
Present value of minimum lease payments	3,593,778	5,403,537
Present value of minimum lease payments due		
- within one year	2,076,344	1,809,759
- in second to fifth year inclusive	1,517,434	3,593,778
	3,593,778	5,403,537
Non-current liabilities	1,517,434	3,593,778
Current liabilities	2,076,344	1,809,759
	3,593,778	5,403,537

Municipality has entered into a contract to lease photocopier machines for a period of 36 months. The lease agreement provides for monthly payments with a 10% annual escalation.

The municipality is also required to pay extra charges per month based on usage. This extra charge includes all printing & copying services, labour, breakdown calls, spares, transport, toner, and drums but excludes paper.

Contingent rent	6,973,574	1,803,514
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17. Unspent conditional grants and receipts

There following were unspent grants as at 30 June 2024.

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Integrated National Electrification Programme (INEP)	-	4,734,000
Disaster Relief Grant (DRG)	1,933,743	4,500,000
	1,933,743	9,234,000

18. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions	Total
Provision for performance bonus	553,749	483,271	1,037,020

Reconciliation of provisions - 2023

	Opening Balance	Reversed during the year	Total
Provision for performance bonus	799,426	(245,677)	553,749

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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19. Payables from exchange transactions

Trade payables	26,715,005	28,077,263
Payments received in advanced from customers	2,286,721	2,210,563
Payments received in advanced from customers - Land auction	13,717,242	-
Sundry creditors	339,057	2,589,435
Accrued bonus - 13th cheque	3,427,671	3,293,978
Unallocated deposits	1,414,526	955,629
Retention	70,781,213	56,634,455
Department of Transport	1,675,510	2,899,116
	120,356,945	96,660,439

20. Revenue

Sale of stands	732,167	7,514,159
Rendering of services	2,443,223	2,894,937
Service charges	5,672,816	5,559,694
Interest on arrear receivables - exchange transactions	1,812,568	1,459,309
Agency services	4,148,166	3,949,163
Licences and permits	4,979,837	4,619,359
Rental income	343,707	319,942
Interest earned - Bank	16,910,819	18,002,852
Property rates	35,824,726	33,887,616
Government grants & subsidies	619,882,876	605,090,980
Public contributions and donations	2,759,595	41,003,987
Other income - VBS investment	20,125,846	-
Interest on arrear receivables - non exchange transactions	14,765,291	8,022,225
Gain or (Loss) on assets/ Fair value adjustments	69,145	10,667,629
Traffic fines	1,188,100	382,250
	731,658,882	743,374,102

The amount included in revenue arising from exchanges of goods or services are as follows:

Sale of stands	732,167	7,514,159
Service charges	5,672,816	5,559,694
Rendering of services	2,443,223	2,894,937
Interest on arrear receivables	1,812,568	1,459,309
Agency services	4,148,166	3,949,163
Licences and permits	4,979,837	4,619,359
Rental income	343,707	319,942
Interest earned - Bank	16,910,819	18,002,852
	37,043,303	44,319,415

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

Taxation revenue

Property rates	35,824,726	33,887,616
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Transfer revenue

Government grants & subsidies	619,882,876	605,090,980
Public contributions and donations	2,759,595	41,003,987
Interest on arrear receivables	14,765,291	8,022,225
Gain on assets/Fair value adjustments	69,145	10,667,629
Other income - VBS investment	20,125,846	-
Traffic fines	1,188,100	382,250
	694,615,579	699,054,687

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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20. Revenue (continued)

Nature and type of services in-kind are as follows:

Nature

Rendering of services - This include revenue for sale of tender documents, approval of building plans and proof of residence fees.

Service revenue - Is the revenue from refuse removal services provided by the municipality

21. Service charges

Refuse removal	5,672,816	5,559,694
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22. Rental income

Facilities and equipment

Rental income - third party	343,707	319,942
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23. Investment revenue

Interest revenue

Bank	11,612,819	15,884,765
Investments	5,298,000	2,118,087
	16,910,819	18,002,852

During the current year, interest was earned from the primary bank account and a 12-month fixed deposit.

24. Property rates

Rates received

Property rates	35,824,726	33,887,616
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Valuations

Residential	1,619,180,000	1,479,770,500
Commercial	364,087,000	410,979,000
Agricultural	153,014,000	412,449,000
Government	1,640,850,000	1,286,300,503
	3,777,131,000	3,589,499,003

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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25. Government grants & subsidies

Operating grants

Equitable share	486,442,000	454,043,000
Financial Management Grant (FMG)	2,550,000	2,550,000
Extended Public Works Programme Grant (EPWP)	1,404,000	1,759,000
Disaster Relief Grant (DRG)	11,566,257	-
LG SETA Grant	1,419,619	-
	503,381,876	458,352,000

Capital grants

Municipal Infrastructure Grant (MIG)	91,570,000	138,889,000
Integrated National Electrification Program Grant (INEP)	24,931,000	7,849,980
	116,501,000	146,738,980
	619,882,876	605,090,980

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy which is funded from the grant.

Finance Management Grant (FMG)

Current-year receipts	2,550,000	2,550,000
Conditions met - transferred to revenue	(2,550,000)	(2,550,000)
	-	-

The grant conditions were met as at year-end.

The grant is used to promote and support reforms to municipal financial management and implementation of MFMA, 2003.

Extended Public Works Programme Grant (EPWP)

Current-year receipts	1,404,000	1,759,000
Conditions met - transferred to revenue	(1,404,000)	(1,759,000)
	-	-

The grant conditions were met as at year-end.

The grant is used to create temporary work for unemployed people.

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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

Disaster Relief Grant (DRG)

Balance unspent at beginning of year	4,500,000	-
Current-year receipts	9,000,000	4,500,000
Conditions met - transferred to revenue	(11,566,257)	-
	1,933,743	4,500,000

Conditions still to be met - remain liabilities (see note 17). The grant conditions were not met in 2024.

The reason the disaster grant was not spent in full is because the grant was transferred to the municipality on 29 February 2024, which was four months before the end of the financial year. Due to time constraints, it was not possible to spend the allocation on time.

The grant is used for re-gravelling roads and construction of low level bridges.

LG SETA Grant

Current-year receipts	1,419,619	-
Conditions met - transferred to revenue	(1,419,619)	-
	-	-

The grant conditions were met as at year-end.

The grant is used for training municipality staff to enhance their skills in their respective positions.

Municipal Infrastructure Grant (MIG)

Current-year receipts	91,570,000	138,889,000
Conditions met - transferred to revenue	(91,570,000)	(138,889,000)
	-	-

The grant conditions were met as at year-end.

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

Integrated National Electrification Programme (INEP)

Balance unspent at beginning of year	4,734,000	2,849,980
Current-year receipts	20,197,000	9,734,000
Conditions met - transferred to revenue	(24,931,000)	(7,849,980)
	-	4,734,000

The grant conditions were met as at year-end.

The grant is used for electrification of villages projects.

Collins Chabane Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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26. Public contributions and donations

Public contributions and donations	2,759,595	41,003,987
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2024:

The municipality received a computer and monitor donation from the Department of Economic Development, Environment & Tourism to support business registrations program.

The Department of Public Works, Roads and Infrastructure donated land to the municipality.

2023:

The municipality received donation for roads rehabilitation and land.

27. Employee related costs

Basic	97,758,941	88,027,076
Bonus	8,474,733	7,191,895
Medical aid - company contributions	6,298,403	5,599,657
UIF	546,344	488,129
Other payroll levies	29,360	25,192
Leave pay provision charge	1,369,034	1,213,566
Travel, motor car, accommodation, subsistence and other allowances	11,972,742	12,469,141
Overtime payments	1,214,682	1,248,279
Long-service awards	1,175,608	875,424
Housing benefits and allowances	235,677	53,624
Pension fund contribution	17,404,781	15,694,090
Uniform allowance	15,000	10,000
Cellphone allowance	6,000	-
	146,501,305	132,896,073

Remuneration of Municipal Manager

Annual remuneration	1,096,483	1,099,964
Car allowance	292,225	281,542
Performance bonus	92,726	102,886
	1,481,434	1,484,392

Remuneration of Chief Finance Officer

Annual remuneration	903,909	912,734
Car allowance	239,932	231,161
Performance bonus	54,381	52,797
Leave pay	-	155,799
	1,198,222	1,352,491

Remuneration of Senior Manager - Corporate Services

Annual remuneration	903,909	730,277
Car allowance	239,932	193,015
Performance bonus	97,885	-
Acting allowance	-	58,862
	1,241,726	982,154

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
27. Employee related costs (continued)		
Remuneration of Senior Manager - Spatial Planning and Development		
Annual remuneration	903,909	882,780
Car allowance	239,932	231,161
Performance bonus	54,381	-
Acting allowance	-	4,525
	1,198,222	1,118,466
Remuneration of Senior Manager - Technical Services		
Annual remuneration	903,909	657,019
Car allowance	239,932	173,943
	1,143,841	830,962
Remuneration of Senior Manager - Community Services		
Annual remuneration	903,909	620,852
Car allowance	239,932	153,726
Performance bonus	-	52,797
Leave payment	-	158,136
	1,143,841	985,511
28. Remuneration of councillors		
Executive Mayor	1,002,979	952,533
Speaker	811,389	759,984
Other councillors	27,730,865	26,552,706
	29,545,233	28,265,223
29. Depreciation and amortisation		
Property, plant and equipment	69,845,044	66,577,596
Intangible assets	1,534,469	1,581,434
	71,379,513	68,159,030
30. Impairment loss		
Impairments		
Property, plant and equipment	4,925,923	7,408,518
31. Finance costs		
Finance leases	164,854	76,732
32. Impairment		
Debt impairment	35,524,370	22,253,651

Collins Chabane Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
33. Contracted services		
Outsourced Services		
Security Services	17,334,312	17,174,312
Consultants and Professional Services		
Business and Advisory	61,405,158	28,222,412
IT services and others	69,248,189	88,936,992
Legal Cost	16,677,277	14,926,184
	164,664,936	149,259,900
34. General expenses		
Advertising and administrative	711,099	2,484,144
Auditors remuneration	5,414,795	5,047,641
Bank charges	967,772	925,847
Consumables	14,565,702	18,329,171
Insurance	7,185,173	8,071,761
Printing and stationery	1,666,080	1,102,885
Protective clothing	5,593,126	3,058,232
Subscriptions and membership fees	87,004	96,295
Telephone and fax	463,238	733,403
Venue, conference and catering	5,484,392	7,415,318
Accommodation	6,787,828	5,821,187
Ward committees	7,302,324	6,907,598
Travel - local	2,557,009	1,435,431
Electricity	8,130,164	7,206,710
Licences and permits (non-vehicle)	400,698	2,018,244
IDP forum and other trainings	6,667,524	6,950,696
Bursary	1,389,300	1,257,927
Information and technology	7,521,886	6,764,263
Transfers expenditure	19,683,078	41,152,160
Indigent expenses	7,723,438	2,201,250
Workmen's Compensation Assessment	-	1,353,519
	110,301,630	130,333,682
35. Fair value adjustments		
Investment property (Fair value model)	(4,118,709)	1,539,561
Eskom deposits	144,198	120,436
Land inventory - Transferred out	(911,265)	-
	(4,885,776)	1,659,997
36. Auditors' remuneration		
Fees	5,414,795	5,047,641

Collins Chabane Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
37. Cash generated from operations		
Surplus	131,439,917	179,168,490
Adjustments for:		
Depreciation and amortisation	71,379,513	68,159,030
Gain on sale of assets and liabilities	2,923,707	1,308,094
Fair value adjustments	4,885,776	(1,659,997)
Finance costs - Finance leases	164,854	76,732
Impairment loss	4,925,923	7,408,518
Debt impairment	27,644,016	22,253,651
Bad debts written off	2,612,456	8,975,582
Movements in provisions	483,271	(245,677)
Gain on assets	-	(11,154,499)
Public contributions and donations	(2,759,595)	(41,003,987)
Interest in arrears	-	(9,695,190)
Changes in working capital:		
Inventories	(2,594,597)	(1,305,529)
Receivables from exchange transactions	(238,963)	56,366
Consumer receivables from exchange transactions	3,035,100	(236,597)
Receivables from non-exchange transactions	(19,159,117)	29,420,601
Payables from exchange transactions	8,197,640	6,536,055
VAT	23,018,092	(5,701,083)
Unspent conditional grants and receipts	(7,300,257)	6,384,020
	248,657,736	258,744,580

38. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At cost	Total
Receivables from non-exchange transactions	14,055,348	14,055,348
Consumer receivables from exchange transactions	7,655,120	7,655,120
Cash and cash equivalents	96,354,092	96,354,092
	118,064,560	118,064,560

Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	120,356,945	120,356,945
Finance lease obligations	3,593,778	3,593,778
	123,950,723	123,950,723

2023

Financial assets

	At cost	Total
Receivables from non-exchange transactions	9,561,669	9,561,669
Consumer receivables from exchange transactions	5,399,564	5,399,564
Cash and cash equivalents	194,354,732	194,354,732
	209,315,965	209,315,965

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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38. Financial instruments disclosure (continued)

Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	90,055,224	90,055,224
Finance lease obligations	5,403,537	5,403,537
	95,458,761	95,458,761

39. Commitments

Authorised expenditure

Already contracted for but not provided for

• Capital	327,463,510	475,878,221
• Operational	44,673,669	64,256,892
	372,137,179	540,135,113

Total operational commitments

Already contracted for but not provided for	372,137,179	540,135,113
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Total commitments

Total commitments

Authorised operational expenditure	372,137,179	540,135,113
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Commitments in respect of capital and operational expenditure are disclosed inclusive of VAT.

40. Contingencies

Litigation comprised of the lawsuits which are deemed to be possible obligations and neither the expense nor the accompanying liability was recognised. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely.

Contingent liabilities

Cases

1. Nyari Violet & Others (Applicants) versus LIM 345 [Collins Chabane] Local Municipality (Respondent) - Case Number 832/18 for finalisation as Case Number 1036/18

Nyari Violet and her twenty-five (25) other colleagues (the Applicants) were procured to serve as workers under the Extended Public Works Programme (EPWP) within Collins Chabane Local Municipality (the Municipality). Their contract has since been terminated by the municipality.

The municipality lawyers & management considers the likelihood of the success to be in favour of the municipality.

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
40. Contingencies (continued)		
2. Midiro Civils and Construction CC (First Applicant) & Lebaka Construction (Pty) Ltd (Second Applicant) versus Engineerex (Pty) Ltd (First Respondent) & Collins Chabane Local Municipality (Second Respondent) - Case Number 5472/2018 and	17,165,134	17,165,134
Engineerex (Pty) Ltd (Applicant) versus Midiro Civils and Construction CC (First Respondent), Lebaka Construction (Pty) Ltd Municipality (Second Respondent) & Collins Chabane Local Municipality (Third Respondent) - Case Number A5472/2018		
Dispute over a payment certificate for the construction of Xikundu Ring Road.		
The municipality lawyers and management considers the likelihood of the success against the municipality being successful as indeterminable.		
3. Collins Chabane Local Municipality (Applicant) versus Chris Maluleke (1st Respondent) and Others - Case Number 1450/2020	3,000,000	-
Dispute over a piece of land at Malamulele D Extension 3.		
The municipality lawyers & management considers the likelihood of the success against the municipality to be indeterminable.		
4. MM INDUSTRIES (PTY) LTD & ANOTHER (Plaintiffs) // COLLINS CHABANE LOCAL MUNICIPALITY (Defendant) - Case Number: 45/2021	1,730,618	-
Dispute regarding retention funds claim for a road construction.		
The municipality lawyers & management considers the likelihood of the success against the municipality to be indeterminable.		
5. Midiro Civils and Construction JV Lebaka Constuction (Pty) Ltd (1st Plaintiff), Lebaka Construction (Pty) Ltd (2nd Plaintiff) & Midiro Civilis and Construction CC (3rd Plaintiff) Vs Collins Chabane Local Municipality (Defendant) - Case Number 2632/2021	4,716,691	4,716,691
Claims for retention funds plus interest for the upgrade of Xikundu Ring Road.		
The municipality lawyers & management considers the likelihood of the success against the municipality to be indeterminable.		
6. Khazamula Philemeon Mahange (Plaintiff) and Collins Chabane Local Municipality (Defendant) - Case Number D446/2/2021		
Claims for damages due to alleged collision between the claimants' vehicle and the municipality's grader.		
The municipality lawyers & management considers the likelihood of the success against the municipality to be indeterminable.		
7. Jackson Transport Pty (Ltd) (Plaintiff) versus Collins Chabane Local Municipality (Defendant) - Case Number D446/2/2021	190,974	190,974
Claim for collision damages suffered due to an unmarked speed hump on R81 road.		
The municipality lawyers & management considers the likelihood of the success to be in favour of the municipality.		

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Figures in Rand	2024	2023
40. Contingencies (continued)		
8. Rakgogo P [Applicant] // South African Local Government Bargaining Council (SALGBC) [1st Respondent] & Others		
Dispute over an alleged unfair labour practice against one of the employees of Collins Chabane Local Municipality (the Municipality)		
The municipality lawyers & management considers the likelihood of the success to be in favour of the municipality.		
9. Mafemani David Chabalala (Plaintiff) // Collins Chabane Local Municipality (Defendant)	78,862	-
Claims for damages due to alleged collision between the claimants' vehicle and the municipality's grader.		
The municipality lawyers & management considers the likelihood of the success are in favour of the municipality.		
10. Nesengani Traditional Community (Applicant) // Collins Chabane Local Municipality (1st Respondent) and 4 Others		
Dispute over the right of the title to the land ownership/possession for the remainder of Schuynshoogte 29 LT farm at the Vuwani area.		
The municipality lawyers & management considers the likelihood of the success are in favour of the municipality.		
11. Nkuna, Jan Wisani (Applicant) versus Collins Chabane Local Municipality (1st Respondent), Registrar of Deeds Polokwane (2nd Respondent), Divhani Mudau (3rd Respondent) and Tshindima Family Trust (4th Respondent)		
Dispute over the title deed transfer for a portion of land in Business Park Area.		
The municipality lawyers & management considers the likelihood of the success are in favour of the municipality.		
	<u>26,882,279</u>	<u>22,072,799</u>

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40. Contingencies (continued)

Contingent assets

Cases

Collins Chabane Local Municipality // VBS Liquidation (Creditors Claim)

R120 000 000 worth of the municipality's funds unlawfully invested with VBS to be claimed from liquidators. R8 568 736 have so far been recouped with R91 305 418 outstanding.

The municipality lawyers & management considers the likelihood of the successful claim from the liquidators to be in favour of the municipality.

State versus L & E Construction (Pty) Ltd in re: Collins Chabane Local Municipality (Plaintiff) versus L & E Construction and Projects (Pty) Ltd (First Defendant) & Lufuno Michael Musalafu (Second Defendant)

634,000

-

Criminal case opened against service provider for unpaid monies mistakenly paid to them.

The municipality lawyers & management considers the likelihood of the success to be indeterminable.

634,000

-

41. Related parties

Relationships

Remuneration of key management personnel

Refer to note 27

RR Shilenge (Municipal Manager)

NV Maluleke (Chief Financial Officer)

AC Radali (Senior Manager Spatial Planning and Development)

MP Baloyi (Senior Manager Technical Services)

GL Maluleke (Senior Manager Community Services)

TMD Maputla (Senior Manager Corporate Services)

Refer to the detail remuneration below:

Councillors

Related party transactions

Remuneration of management

Management class: Councillors

Collins Chabane Local Municipality

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41. Related parties (continued)

2024

Name	Basic salary	Car allowance	Cellphone allowance	Total
Cllr Maluleke SG (Mayor)	956,409	-	46,570	1,002,979
Cllr Mbedzi TS (Speaker)	619,935	144,884	46,570	811,389
Cllr Baloyi ME (Chief Whip)	581,380	137,215	46,570	765,165
Cllr Maremane HR	247,069	57,898	46,570	351,537
Cllr J Bila ST	234,805	54,832	44,096	333,733
Cllr Lebea ME	325,684	76,549	46,570	448,803
Cllr Mashimbye FP	247,069	57,898	46,570	351,537
Cllr M Mutele ST	247,069	57,898	46,570	351,537
Cllr Chauke HG	320,408	75,230	46,570	442,208
Cllr Baloyi DL	309,469	72,496	44,096	426,061
Cllr Shivambu S	247,069	57,898	46,570	351,537
Cllr Mabasa SD	325,684	76,549	46,570	448,803
Cllr S Matamela SM	247,069	57,898	46,570	351,537
Cllr Masangu GD	247,069	57,898	46,570	351,537
Cllr R Chauke ST	247,069	57,898	46,570	351,537
Cllr Maluleke ET	247,069	57,898	46,570	351,537
Cllr Ndove TS	316,211	74,302	46,570	437,083
Cllr Mudau TS	569,760	134,458	46,570	750,788
Cllr Mabasa KK	247,069	57,898	46,570	351,537
Cllr Mabasa J	316,211	74,302	46,570	437,083
Cllr Baloyi HR	316,211	74,302	46,570	437,083
Cllr W Sunduza SZ	316,211	74,302	46,570	437,083
Cllr C Chabangu ST	247,069	57,898	46,570	351,537
Cllr Mabunda MC	247,069	57,898	46,570	351,537
Cllr N Munyai	247,069	57,898	46,570	351,537
Cllr W Sithole SM	247,069	57,898	46,570	351,537
Cllr J Shandukani SM	316,211	74,302	46,570	437,083
Cllr M Rekhoto SS	316,211	74,302	46,570	437,083
Cllr Q Miyambo SZ	247,069	57,898	46,570	351,537
Cllr Baloyi MJ	247,069	57,898	46,570	351,537

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41. Related parties (continued)

Cllr Hlabangwani TL	91,727	19,063	15,234	126,024
Cllr Masia TM	247,069	57,898	46,570	351,537
Cllr Rikhotso GM	247,069	57,898	46,570	351,537
Cllr Thovhakale MS	438,959	101,609	46,570	587,138
Cllr Mathavha HF	316,211	74,302	46,570	437,083
Cllr Baloyi HJ	316,211	74,302	46,570	437,083
Cllr Manganyi HL	247,069	57,898	46,570	351,537
Cllr Mabasa W	316,211	74,302	46,570	437,083
Cllr Mhangwani C	247,069	57,898	46,570	351,537
Cllr Khange G	247,069	57,898	46,570	351,537
Cllr Mashila D	146,332	31,621	19,151	197,104
Cllr Makhubela S	247,069	57,898	46,570	351,537
Cllr Bamuza E	247,069	57,898	46,570	351,537
Cllr Hlatswayo TG	247,069	57,898	46,570	351,537
Cllr Mafanela RM	247,069	57,898	46,570	351,537
Cllr Maluleka RM	247,069	57,898	46,570	351,537
Cllr Mathebula ML	247,069	57,898	46,570	351,537
Cllr Rasiuba NR	247,069	57,898	46,570	351,537
Cllr Mahlawule TP	325,684	76,549	46,570	448,803
Cllr Maluleke HM	316,211	74,302	46,570	437,083
Cllr Tshoteli LD	247,069	57,898	46,570	351,537
Cllr Maloleka SB	247,069	57,898	46,570	351,537
Cllr Chabalala KR	247,069	57,898	46,570	351,537
Cllr Chauke MC	247,069	57,898	46,570	351,537
Cllr Hlungwani S	247,069	57,898	46,570	351,537
Cllr Mathebula ME	247,069	57,898	46,570	351,537
Cllr Chauke GP	247,069	57,898	46,570	351,537
Cllr E Makhomisanani SS	316,211	74,302	46,570	437,083
Cllr Maringa RE	247,069	57,898	46,570	351,537
Cllr Manganye MJ	247,069	57,898	46,570	351,537
Cllr Manganyi MN	141,775	30,693	19,151	191,619
Cllr Mulaudzi MM	247,069	57,898	46,570	351,537
Cllr Chaoke TS	247,069	57,898	46,570	351,537
Cllr Chauke MG	247,069	57,898	46,570	351,537
Cllr Munarini TJ	247,069	57,898	46,570	351,537
Cllr Yingwani T	72,310	14,208	11,317	97,835

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41. Related parties (continued)

Cllr Maluleke LR	380,480	86,990	46,570	514,040
Cllr Chauke FT	494,844	121,775	46,570	663,189
Cllr Mavikane SX	580,163	137,214	46,570	763,947
Cllr Mudau RP	243,752	57,898	46,570	348,220
Cllr Makondo NS	239,330	57,898	46,570	343,798
Cllr Manganyi MN	322,134	80,532	27,419	430,085
Cllr Siweya SL	126,726	31,681	25,564	183,971
Cllr Shiburi SK	122,441	29,126	23,502	175,069
Cllr Muthubi KR	122,441	29,126	23,502	175,069
	21,453,713	4,811,438	3,280,082	29,545,233

2023

	Basic salary	Car allowance	Cellphone allowance	Total
Cllr Maluleke M (Mayor Retired)	100,016	3,400	-	103,416
Cllr Maluleke SG (Mayor)	871,594	14,610	42,900	929,104
Cllr Lebea ME	315,390	74,200	42,900	432,490
Cllr Mbedzi SE (Speaker)	585,581	133,003	42,900	456,865
CLlr Baloyi ME (Chief Whip)	400,028	101,452	44,400	545,880
Cllr Maremane HR	224,482	56,121	39,300	331,952
Cllr J Bila ST	237,155	56,121	42,900	336,176
Cllr Mashimbye FP	240,887	56,121	42,900	339,908
Cllr Mutele ST	238,033	56,120	42,900	337,053
Cllr Mavikane SX	30,912	4,677	3,400	38,989
Cllr Chauke HG	312,105	74,200	42,900	427,705
Cllr Baloyi DL	312,105	74,200	42,900	429,205
Cllr Shivambu S	237,155	56,121	42,900	336,176
Cllr Mabasa SD	311,999	74,200	42,900	429,099
Cllr Matamela SM	237,155	56,121	42,900	336,176
Cllr Masangu GD	237,155	56,121	42,900	336,176
Cllr Chauke ST	237,155	56,121	42,900	336,176
Cllr Maluleke ET	237,155	56,121	42,900	336,176
Cllr Ndove HD	303,074	72,021	42,900	417,995
Cllr Mudau TS	544,804	130,331	42,900	718,035

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41. Related parties (continued)

Cllr Mabasa KK	237,155	56,121	42,900	336,176
Cllr Mabasa J	303,074	72,021	42,900	417,995
Cllr Baloyi HR	302,302	72,021	42,900	417,223
Cllr Sunduza SZ	303,302	72,021	42,900	418,223
Cllr Chabangu ST	237,695	56,121	42,900	336,716
Cllr Mabunda MC	237,155	56,121	42,900	336,176
Cllr Munyai N	237,155	56,121	42,900	336,176
Cllr Sithole SM	237,155	56,121	42,900	336,176
Cllr Shandukani SM	303,074	72,021	42,900	417,995
Cllr Rekhoto SS	303,074	72,021	42,900	417,995
Cllr Miyambo SZ	237,927	56,121	42,900	336,948
Cllr Baloyi MJ	237,155	56,121	42,900	336,176
Cllr Hlabangwani TL	237,155	56,121	42,900	336,176
Cllr Masia TM	238,033	56,121	42,900	337,054
Cllr Rikhotso GM	237,155	56,121	42,900	336,176
Cllr Thovhakale MS	552,150	133,003	42,900	728,053
Cllr Mathavha HF	303,074	72,021	42,900	417,995
Cllr Baloyi HJ	299,578	72,021	42,900	414,499
Cllr Manganyi HL	234,431	56,121	42,900	333,452
Cllr Mabasa W	299,578	72,021	42,900	414,499
Cllr Mhangwani C	234,431	56,121	42,900	333,452
Cllr Khange G	234,431	56,121	42,900	333,452
Cllr Mashila D	308,503	74,200	42,900	425,603
Cllr Makhubela S	234,431	56,121	42,900	333,452
Cllr Bamuzi E	234,431	56,121	42,900	333,452
Cllr Hlatwayo TG	234,431	56,121	42,900	333,452
Cllr Mafanela RM	234,431	56,121	42,900	333,452
Cllr Maluleke RM	234,431	56,121	42,900	333,452
Cllr Mathebula ML	234,431	56,121	42,900	333,452
Cllr Rasiuba NR	234,431	56,121	42,900	333,452
Cllr Mahlawule TP	308,503	74,200	42,900	425,603
Cllr Maluleke HM	299,284	72,021	42,900	414,205
Cllr Tshoteli LD	234,431	56,121	42,900	333,452
Cllr Maloleka SB	234,431	56,121	42,900	333,452
Cllr Chabalala KR	234,431	56,121	42,900	333,452
Cllr Chauke MC	234,431	56,121	42,900	333,452

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41. Related parties (continued)

Cllr Hlungwani S	234,431	56,121	42,900	333,452
Cllr Mathebula ME	234,431	56,121	42,900	333,452
Cllr Chauke GP	234,431	56,121	42,900	333,452
Cllr Makhomisa SS	299,284	72,022	42,900	414,206
Cllr Maringa RE	234,431	56,121	42,900	333,452
Cllr Manganye MJ	234,431	56,121	42,900	333,452
Cllr Manganyi MN	299,284	72,021	42,900	414,205
Cllr Muthubi KR	140,897	32,737	24,400	198,034
Cllr Mulaudzi MM	234,431	56,121	42,900	333,452
Cllr Chaoke TS	234,431	56,121	42,900	333,452
Cllr Chauke MG	240,887	56,121	42,900	339,908
Cllr Munarini TJ	234,431	56,121	42,900	333,452
Cllr Yingwani T	234,431	56,121	42,900	333,452
Cllr Maluleke LR	553,027	133,003	42,900	728,930
Cllr Chauke FT	299,284	72,021	42,900	414,205
Cllr Mavikane SX	477,772	119,881	39,500	637,153
Cllr Mudau RP	169,580	41,645	32,376	243,601
Cllr Baloyi ME	552,150	133,003	42,900	728,053
Cllr Makondo N	93,534	23,384	18,500	135,418
	20,990,788	4,798,805	3,076,176	28,571,699

Collins Chabane Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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42. Prior period errors

Commitments were erroneously disclosed in the prior year.

Authorised expenditure

	Balance as previously reported	Correction of prior period error	Restated balance
Capital	421,197,105	54,681,116	475,878,221
Operational	63,223,823	1,033,069	64 256 892
	484,420,928	55,714,186	540,135,113

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

Statement of financial position

2022

	Note	As previously reported	Correction of error	Restated
Accumulated surplus		(1,553,290,167)	5,499,032	(1,547,791,135)
Trade payables		(25,000,714)	(5,499,032)	(30,499,746)
		(1,578,290,881)		- (1,578,290,881)

2023

	Note	As previously reported	Correction of error	Restated
Investment property	3	4,040,106	(320,089)	3,720,017
Land	4	26,213,442	2,500,000	28,713,442
Community assets - Cost	4	235,124,798	4,466,384	239,591,182
Community assets - Accumulated depreciation	4	(38,899,120)	129,896	(38,769,224)
Movable assets - Cost	4	142,769,767	(463,939)	142,305,828
Movable assets - Accumulated depreciation	4	(52,182,786)	463,875	(51,718,911)
Roads infrastructure - Cost	4	707,880,075	41,969,489	749,849,564
Roads infrastructure - Accumulated depreciation	4	(89,984,261)	(8,242,203)	(98,226,464)
WIP - Infrastructure	4	516,571,945	(53,844,915)	462,727,030
Land inventory	10	2,690,104	1,620,002	4,310,106
Refuse - write off	13	24,038,584	(35,167)	24,003,417
Consumer debtors - other	13	100,169,683	(247,336)	99,922,347
Trade payables	19	(26,723,745)	(1,353,519)	(28,077,264)
Payments received in advance from customers	19	(2,457,899)	247,336	(2,210,563)
Accumulated surplus		(1,740,069,814)	13,110,186	(1,726,959,628)
		(190,819,121)		- (190,819,121)

Collins Chabane Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand	2024	2023
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42. Prior period errors (continued)

Statement of financial performance

2023

	Note	As previously reported	Correction of error	Restated
Gain on assets / Fair value adjustments	20	11,154,499	(486,870)	10,667,629
Public contributions and donations	26	36,883,987	4,120,000	41,003,987
Property, plant and equipment - Depreciation	29	(58,193,625)	(8,383,970)	(66,577,595)
Debt impairment	32	(31,194,066)	(35,167)	(31,229,233)
General expenses - WCA	34	-	(1,353,519)	(1,353,519)
Transfers expenditure	34	(34,501,586)	(6,650,574)	(41,152,160)
Fair value adjustments	35	1,980,086	(320,089)	1,659,997
Surplus for the year		(73,870,705)	(13,110,189)	(86,980,894)

Cash flow statement

2023

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Suppliers and other payments		(286,052,213)	(7,137,380)	(293,189,593)
Cash flow from investing activities				
Purchase of property, plant and equipment		(366,898,246)	7,137,380	(359,760,866)

Errors

The following prior period errors adjustments occurred:

Investment property

The stands amounting to R 320 089 sold in the prior years were double accounted for under land inventory and investment property which resulted in an overstatement of investment property. The error was corrected in the current year through reclassification to accumulated surplus by restating the opening balance

Land

The land donated (ERF 234 PTN 36) amounting to R 2 500 000 in the previous year was incorrectly classified as land inventory. The error was corrected in the current year through reclassification to Land PPE by restating the opening balance.

Community assets

The rehabilitation of Malamulele Taxi Rank amounting to R 2 486 592.84 with a depreciation of R14 603.26 was completed in the prior year but not capitalized. The error was corrected in the current year through capitalization to community assets by restating the opening balance.

The Beautification of Malamulele Park amounting to R 2 738 260.26 with a depreciation of R127 750 was completed in the prior year but not capitalized. The error was corrected in the current year through capitalization to community assets by restating the opening balance.

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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42. Prior period errors (continued)

Malamulele Taxi Rank building shop amounting to –R 758 469.39 with a depreciation of -R271 663.60 was demolition in the prior year during the construction of rehabilitation of Malamulele taxi rank. The error was corrected in the current year through disposal under community assets by restating the opening balance

Movable Assets

Equipment amounting to R 460 949 with a depreciation of R 460 885 were stolen in the prior year, but not disposed from the machinery and equipment. The error was corrected in the current year by restating the opening balance through disposal.

Furniture amounting to R 2 990.24 with a depreciation of R 2 990.04 were auctioned in the prior year, but not disposed from the furniture and office equipment. The error was corrected in the current year by restating the opening balance through disposal.

Roads Infrastructure – accumulated depreciation

Malamulele D phase 1 with an amount of R 41 969 488.43 and depreciation of R 8 242 203.33 was completed in the prior year but not capitalized. The error was corrected in the current year by restating the opening balance through capitalization of the project.

WIP - Infrastructure

Electrical Infrastructure WIP - The error of transfer out of electrification of household which were completed in the prior year amounting to R 6 650 574 was corrected in the current year, through restating the electrical infrastructure category under WIP through restating the opening balance.

Community assets WIP - The error of capitalization of projects under WIP community assets category amounting to R 5 224 853 which were completed in the prior year was corrected in the current year, through restating the WIP opening balance.

Roads infrastructure WIP - The error of capitalization of projects under WIP roads infrastructure category amounting to R 41 969 488 which was completed in the prior year was corrected in the current year, through restating the WIP opening balance.

Land Inventory

There was an omission of previously donated land amounting to R 4 120 000. The omission was corrected in the current year by restating the opening balance.

The land donated (ERF 234 PTN 36) amounting to R 2 500 000 in the previous year was incorrectly classified under land inventory. The error was corrected in the current year through reclassification to Land PPE by restating the opening balance.

PPE Depreciation

Depreciation was misstated by R 8 383 970 as at 30 June 2023, due to omitted completed projects not capitalized and assets not disposed in the prior year. The error was corrected in current year by restating the opening figure.

Trade Payables

Payable due to the Department of Labour for Compensation for Injury on Duty cover which accumulated over a number of financial years since the municipality's inception, previously unaccounted for.

R5 499 302 was adjusted in the opening balance of accumulated surplus for the 2022/2023 financial year to account for the impact of the correction in the years preceding 2022/2023 financial year.

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Notes to the Annual Financial Statements

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42. Prior period errors (continued)

Refuse Write-off

Refuse write-off was misstated by R35 167 as at 30 June 2023. Write-off for two accounts, (No. 200007 & 200009) was previously not accounted for. The error was corrected in the current year by restating the opening balance figure.

Consumer Debtors - Other & Payment received in advance from consumers

Consumer debtors were misstated by R247 336 as at 30 June 2023. The payment received in advance was incorrectly misstated resulting in an overstatement on debtors with credit balances. The error was corrected in the current year by restating the opening balance figure.

Capital Commitments

Capital commitments were misstated by R51 166 636.61 for the year ended 30 June 2023. The closing balance for the contractor (Mkhacani construction) was incorrectly excluded on the audited adjusted commitment register in 2022/2023. The error was corrected in the current year by restating the opening balance figure.

Operational Commitments

Operational commitments were misstated by R2 456 194.28 in 2022/23 financial year, due to the following:

A completed project for Feasibility on Light Industries was incorrectly included on the commitment register in 2022/23 financial year at R978 205.72 resulting in an overstatement of commitments. The error is corrected by restating the opening balance.

Two other projects Formalization and Proclamation of Settlement: Mavandla, Malamulele and Establishment of a Townships were incorrectly recorded on the commitment register VAT exclusive while payments are deducted VAT Inclusive resulting in the understatement of commitments by R3 434 400. The error is corrected by restating the opening balance.

General Expenses- WCA

Expenditure due to the Department of Labour for Compensation for Injury on Duty cover which accumulated over a number of financial years since the municipality's inception, previously unaccounted for.

R1 353 519 was adjusted in the opening balance of accumulated surplus for the 2022/2023 financial year to account for the impact of the correction in the years preceding 2022/2023 financial year. The error was corrected in the current year by restating the opening balance figure.

43. Comparative figures

Items in the annual financial statements are presented with their corresponding comparative figures for the previous financial year period.

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44. Risk management

Financial risk management

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

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

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.

Future commitment will be covered with through cash reserves and approved MTEF budget.

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	120,356,945	-	-	-
Finance lease obligation	2,076,344	-	-	-
At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	96,660,439	-	-	-
Finance lease obligation	5,403,537	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. In assessing and managing credit risks management have assessed receivables for impairment.

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

	2024	2023
Maximum credit exposure		
Receivables from exchange transactions	2,802,708	2,563,745
Receivables from non-exchange transactions	14,055,348	9,561,669
Consumer receivables from exchange transactions	7,655,120	5,399,564
Cash and cash equivalents	96,354,092	194,254,732
Other financial assets	2	2

Market risk

Interest rate risk

As the municipality has interest-bearing assets which include short-term deposits and main account. The municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Interest rate exposure

Short-term deposits	71,672,950	72,331,089
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Collins Chabane Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand	2024	2023
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45. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R 1,858,399,544 and that the municipality's total assets exceed its liabilities by R 1,858,399,544.

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 municipality will continue to receive its equitable shares for the financial year 2024/25.

46. Events after the reporting date

The following events occurred since the end of the financial year.

Collins Chabane Local Municipality//VBS Liquidation (Creditor's Claim).

A dividend amounting to R20,125,845.79 was successfully collected/approved for payment from the VBS liquidators on 24 November 2024. The financial statements have been adjusted to reflect this information.

There were no material subsequent events, apart from those mentioned above, that occurred from the end of the financial year to the date of these audited annual financial statements.

47. Unauthorised expenditure

Opening balance as previously reported	209,368,622	144,801,997
Add: Unauthorised expenditure - current	86,344,991	85,664,874
Less: Written off	(85,664,874)	(21,098,249)
Closing balance	210,048,739	209,368,622

Unauthorised expenditure for the financial year ended 30 June 2024: R86,344,991 and 30 June 2023: R85,664,874. This was mainly caused by non-cash items which include depreciation and impairment of property, plant and equipment, debt impairments and fair value adjustments for investment properties, general expenses and loss on disposal of assets.

An unauthorised expenditure of R85,664,874 incurred in the previous financial year was investigated by MPAC and approved for write-off by Council during June 2024.

The Written-off unauthorised expenditure was not as a result of budget overrides and the expenditure was not incurred as a result of moving funds from one department to service a different department.

48. Fruitless and wasteful expenditure

Opening balance as previously reported	1,377,361	674,812
Add: Fruitless and wasteful expenditure identified - current	1,125,568	981,118
Less: Written off	(21,269)	(278,569)
Closing balance	2,481,660	1,377,361

During the current year fruitless and wasteful expenditure incurred were investigated by MPAC and Council approved the write off of R21,269 during June 2024: 2023: 278,569.

The fruitless and wasteful expenditure written-off was due to Telkom, Eskom and SARS interest and penalties charged to the municipality. The council approved the write-off as there was no intent for the municipality to incur fruitless expenditure and this was not caused by negligence, so there was no need to open a case.

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49. Irregular expenditure		
Opening balance as previously reported	4,090,350	6,897,409
Add: Irregular expenditure - current	32,795,752	5,706,484
Less: Amount written off - current	(33,735,900)	(8,513,543)
Closing balance	3,150,202	4,090,350

During the current year irregular expenditure was investigated by MPAC and Council approved the write-off of R33,735,900 2022/23 R8,513,543

The Irregular expenditure written-off was incurred due to not following proper SCM processes, however, the Municipality did receive the services required from the service providers and these were aligned to the specifications. The irregular expenditure was not due to ill intent to cause the irregular expenditure, there was no political bearer in the transaction. Furthermore, the municipality did not suffer any financial loss due to the irregular expenditure.

50. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year subscription / fee	5,414,795	5,047,641
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Pension and Medical Aid Deductions

Current year subscription / fee	6,298,403	5,599,657
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VAT

VAT receivable	25,037,315	48,055,407
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50. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

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

30 June 2024	Outstanding more than 90 days R	Total R
Cllr Baloyi HR	1,870	1,870
Cllr Baloyi MJ	3,563	3,563
Cllr Baloyi ME	157	157
Cllr Chabalala KR	2,476	2,476
Cllr Chauke FT	5,518	5,518
Cllr Mabasa D	114	114
Cllr Mabasa KK	9,265	9,265
Cllr Mabasa J	347	347
Cllr Maluleke SG	211	211
Cllr Manganyi MN	727	727
Cllr Matamela MS	7,532	7,532
Cllr Mathebula ME	1,894	1,894
Cllr Mbedzi SM	159	159
Cllr Munarini TJ	17,883	17,883
Cllr Munyai N	62	62
Cllr Shuvambu S	3,677	3,677
Cllr Mizamani W	648	648
	56,103	56,103

30 June 2023	Outstanding more than 90 days R	Total R
Cllr Chauke FT	7,631	7,631
Cllr Mabasa J	347	347
Cllr Mashila D	3,806	3,806
Cllr Matamela MS	5,663	5,663
Cllr Mudau TJ	21,986	21,986
Cllr Shivambu S	3,677	3,677
Cllr Sithole MW	648	648
	43,758	43,758

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51. 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.

In terms of Section 36 of the Municipal Supply Chain Management Regulations, any deviation from the supply chain management policy needs to be approved by the Municipal Manager. The total deviations for the period amounted to R8 114 758 (2023: R7 355 868) which has been tabled to council for noting in terms of Section 36(2).

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that deviations must be included as a note to the financial statements. The amount for deviations consists of the following categories that make up the disclosed balance:

Category:

(i) In an emergency	1 253 642	1 811 568
(ii) Goods or services available from a single provider	5 379 500	4 283 062
(iii) for the acquisition of special works of art or historic objects where specifications are difficult to compile.	65 000	157 753
(v) Exceptional case where it is impractical or impossible to follow the official procurement process	<u>1 416 617</u>	<u>1 103 485</u>
	<u>8 114 759</u>	<u>7 355 868</u>

Goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

52. Accounting by principals and agents

The municipality is a party to a principal-agent arrangement(s).

The municipality is an agent in the Principal-Agent arrangement with the Provincial Department of Transport, and collects licencing fees on behalf of the Provincial Department of Transport. The municipality can retain a portion of the fees collected and the net amount is due to the Provincial Department. The amount retained is recorded as income from agency services in the Statement of Financial Performance as licences and permits and agency fees. The amounts due to the Provincial Department at year end is included in the balances reported as Payables from Exchange Transactions in the Statement of Financial Position.

The agreement commenced on the 1st day of April 2024, and shall be in force and valid for a period of three (3) years terminating on the 31st day of March 2027, notwithstanding the date of signature by both parties.

Municipality as an agent - Department of Transport

Revenue recognised

Revenue recognised as compensation for transactions carried out on behalf of the DoT	4,148,166	3,949,163
Revenue earned on behalf of the principal	22,019,183	18,166,152

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52. Accounting by principals and agents (continued)

Liabilities recognised

Reconciliation of the Department of Transport payable

Opening balances	2,899,116	1,466,329
Revenue collected on behalf of the principal	22,019,184	18,166,152
Amount received and paid to principal	(23,242,790)	(16,733,365)
Amount due to the Department of Transport	<u>1,675,510</u>	<u>2,899,116</u>

Municipality as principal - Tirhani Auctioneers

Resources (including assets and liabilities) of the entity under the custodianship of the agent

Collins Chabane Local Municipality entered into an agreement with Tirhani Auctioneers Gauteng CC to auction business stands on behalf of the municipality.

The agreement between municipality and Tirhani Auctioneers is for a period of three years effective 11 November 2021 as and when required.

Fee paid

Fee paid as compensation to the agent	-	3,842,150
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53. Segment information

General information

Identification of segments

The municipality is organised and reports to council on the basis of five (5) major functional areas or segments. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Revenue and expenditure relating to these segments are allocated at a transactional level. Cost relating to governance and administration of municipality are not allocated to these business units.

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.

Types of services by segment

These reportable segments as well as the services for each segment are set out below:

Reportable segment	Services
Spatial Planning and Development	Town planning, economic development, and spatial services
Community Services	Traffic services, waste management services, and property taxes
Technical Services	Roads construction and maintenance, electrical and buildings services
Budget and Treasury	Operational and support services
Office of the Municipal Manager	Operational and support services
Segment 6	Goods and/or services 3
Segment 7	Goods and/or services 4
Segment 8	Goods and/or services 5
Segment 9	Goods and/or services 6
Segment 10	Goods and/or services 7

The grouping of these segments is consistent with the functional classification of municipal activities, which considers the nature of the services, the beneficiaries of such services, and the fees charged for the services rendered.

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53. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Spatial Planning and Development	Community Services	Technical Services	Budget & Treasury	Unallocated	Total
Revenue						
Sale of stands	732,167	-	-	-	-	732,167
Service charges	-	5,672,816	-	-	-	5,672,816
Rendering of services	1,250,253	122,181	-	1,070,789	-	2,443,223
Interest on arrear receivables	14,765,291	1,812,568	-	-	-	16,577,859
Agency services	-	4,148,166	-	-	-	4,148,166
Licences and permits	-	4,979,837	-	-	-	4,979,837
Rental income	-	343,707	-	-	-	343,707
Investment revenue	-	-	-	16,910,819	-	16,910,819
Other income - VBS investment	-	-	-	-	20,125,846	20,125,846
Property rates	35,824,726	-	-	-	-	35,824,726
Government grants & subsidies	-	11,566,257	117,905,000	488,992,000	1,419,619	619,882,876
Gain on assets/Fair value adjustments	-	-	-	-	69,145	69,145
Traffic fines	-	1,188,100	-	-	-	1,188,100
Public contributions and donations	2,740,000	-	-	-	19,595	2,759,595
Total segment revenue	55,312,437	29,833,632	117,905,000	506,973,608	21,634,205	731,658,882
Entity's revenue						731,658,882
Expenditure						
Employee related costs	20,644,952	44,139,851	17,863,988	58,796,159	5,056,355	146,501,305
Remuneration of councillors	448,803	728,053	763,947	430,085	27,174,345	29,545,233
Depreciation and amortisation	-	12,255,365	36,308,932	-	22,815,216	71,379,513
Impairment loss/Reversal of impairments	-	321,562	4,623,853	-	(19,492)	4,925,923
Finance costs	-	-	-	-	164,854	164,854
Debt impairment	17,948,533	3,642,381	-	-	13,933,456	35,524,370
Repairs and maintenance	2,670,508	-	24,659,586	1,366,711	1,709,022	30,405,827

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	Spatial Planning and Development	Community Services	Technical Services	Budget & Treasury	Unallocated	Total
53. Segment information (continued)						
Bad debts written off	-	-	-	2,612,456	-	2,612,456
Contracted services	32,708,167	18,190,918	-	22,891,982	90,873,869	164,664,936
General expenses	3,089,119	5,002,975	29,134,338	59,028,235	14,370,575	110,625,242
Loss on disposal of assets	-	-	135,822	-	2,787,885	2,923,707
Fair value adjustments	5,029,974	-	-	-	(144,198)	4,885,776
Total segment expenditure	82,540,056	84,281,105	113,490,466	145,125,628	178,721,887	604,159,142
Total segmental surplus/(deficit)	(27,227,619)	(54,447,473)	4,414,534	361,847,980	(157,087,682)	127,499,740
Assets						
Current						
Inventories	-	-	-	-	5,055,869	5,055,869
Receivables from exchange transactions	-	-	-	-	2,802,708	2,802,708
Receivables from non-exchange transactions	9,596,922	518,249	-	-	-	10,115,171
Consumer receivables from exchange transactions	-	1,473,353	-	-	6,181,767	7,655,120
Other receivable - VBS investment	-	-	-	-	20,125,846	20,125,846
VAT receivable	-	-	-	25,037,315	-	25,037,315
Cash and cash equivalents	-	-	-	96,354,092	-	96,354,092
Non-current						
Investment property	-	-	-	-	3,000,014	3,000,014
Property, plant and equipment	28,713,442	208,200,515	1,482,870,892	-	114,668,537	1,834,453,386
Intangible assets	-	-	-	-	1,960,350	1,960,350
Heritage assets	-	-	-	-	1,126,500	1,126,500
Other financial assets	-	-	-	-	2	2
Total segment assets	38,310,364	210,192,117	1,482,870,892	121,391,407	154,921,593	2,007,686,373
Total assets as per Statement of financial Position						2,007,686,373
Liabilities						
Current						
Finance lease obligation	-	-	-	-	2,076,344	2,076,344

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53. Segment information (continued)

	Spatial Planning and Development	Community Services	Technical Services	Budget & Treasury	Unallocated	Total
Payables from exchange transactions	13,717,242	1,675,510	70,781,213	-	34,182,980	120,356,945
Employee benefit obligation	-	-	-	-	7,274,399	7,274,399
Unspent conditional grants and receipts	-	1,933,743	-	-	-	1,933,743
Provisions	-	-	-	-	1,037,020	1,037,020
Non-current						
Finance lease obligation	-	-	-	-	1,517,434	1,517,434
Employee benefit obligation	-	-	-	-	19,031,121	19,031,121
Total segment liabilities	13,717,242	3,609,253	70,781,213	-	65,119,298	153,227,006
Total liabilities as per Statement of financial Position						153,227,006

2023

Revenue

	Spatial Planning and Development	Community Services	Technical Services	Budget & Treasury	Unallocated	Total
Sale of stands	7,514,159	-	-	-	-	7,514,159
Service charges	-	5,559,694	-	-	-	5,559,694
Rendering of services	2,894,937	-	-	-	-	2,894,937
Interest on arrear receivables	-	-	-	-	9,481,534	9,481,534
Agency services	-	3,949,163	-	-	-	3,949,163
Licences and permits	-	4,619,359	-	-	-	4,619,359
Rental income	-	319,942	-	-	-	319,942
Investment income	-	-	-	18,002,852	-	18,002,852
Fair value adjustments	-	-	-	-	1,659,997	1,659,997
Property rates	33,887,616	-	-	-	-	33,887,616
Government grants and subsidies	-	-	146,738,980	456,593,000	1,759,000	605,090,980
Public contributions and donations	24,360,000	-	16,643,987	-	-	41,003,987
Gain on assets/Fair value adjustments	-	-	-	-	10,667,629	10,667,629
Traffic fines	-	382,250	-	-	-	382,250

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53. Segment information (continued)

Total segment revenue	68,656,712	14,830,408	163,382,967	474,595,852	23,568,160	745,034,099
Total revenue						745,034,099
Expenditure						
Employee related costs	8,794,995	19,931,350	12,839,022	55,723,546	35,607,161	132,896,074
Remuneration of councillors	339,908	427,705	728,053	637,153	26,132,405	28,265,224
Depreciation and amortisation	-	10,622,929	36,380,101	-	20,837,599	67,840,629
Impairment loss/Reversal of impairments	-	942,483	3,943,034	-	2,523,001	7,408,518
Finance costs	-	-	-	-	76,732	76,732
Debt impairment	8,629,018	4,715,582	-	-	17,849,466	31,194,066
Repairs and maintenance	2,532,860	3,047,242	7,618,106	-	3,730,916	16,929,124
Contracted services	66,181,251	22,286,257	21,636,889	-	39,155,503	149,259,900
General expenses	5,942,268	16,562,547	48,181,722	-	59,647,145	130,333,682
Loss on disposal of assets	-	-	-	-	1,308,094	1,308,094
Total segment expenditure	92,420,300	78,536,095	131,326,927	56,360,699	206,868,022	565,512,043
Total segmental surplus/(deficit)	(23,763,588)	(63,705,687)	32,056,040	418,235,153	(183,299,862)	179,522,056
Assets						
Current						
Inventories	-	-	-	-	6,771,260	6,771,260
Receivables from exchange transactions	-	-	-	-	2,563,745	2,563,745
Receivables from non-exchange transactions	9,352,537	209,132	-	-	-	9,561,669
Consumer receivables from exchange transactions	-	1,423,553	-	-	3,976,011	5,399,564
Vat receivable	-	-	-	48,055,407	-	48,055,407
Non-current						
Cash and cash equivalents	-	-	-	194,254,732	-	194,254,732
Investment property	-	-	-	-	3,720,015	3,720,015
Property, plant and equipment	28,713,442	200,821,958	1,225,599,096	-	132,656,889	1,587,791,385
Intangible assets	-	-	-	-	3,494,819	3,494,819
Heritage assets	-	-	-	-	1,126,500	1,126,500
Other financial assets	-	-	-	-	2	2
Total segment assets	38,065,979	202,454,643	1,225,599,096	242,310,139	154,309,241	1,862,739,098

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	Spatial Planning and Development	Community Services	Technical Services	Budget & Treasury	Unallocated	Total
53. Segment information (continued)						
Total assets as per Statement of financial position						1,862,739,098
Liabilities						
Current						
Finance lease obligation	-	-	-	-	1,809,759	1,809,759
Payables from exchange transactions	-	2,899,116	56,634,455	-	37,126,869	96,660,440
Employees benefit obligation	-	-	-	-	7,402,441	7,402,441
Unspent conditional grants and receipts	-	4,500,000	4,734,000	-	-	9,234,000
Non-current						
Finance lease obligation	-	-	-	-	3,593,778	3,593,778
Employee benefit obligation	-	-	-	-	16,525,308	16,525,308
Provisions	-	-	-	-	553,749	553,749
Total segment liabilities	-	7,399,116	61,368,455	-	67,011,904	135,779,475
Total liabilities as per Statement of financial position						135,779,475

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54. Budget differences

Material differences between budget and actual amounts

The municipality explains excess of actual expenditure over the final budget of 10% over approved budget.

Differences between budget and actual amounts basis of preparation and presentation

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54. Budget differences (continued)

A. Explanation of variances on the statement of financial performance

Sale of stands: The variance is due to legal litigation involving claims against the municipality over the land. These legal disputes have resulted in interdicts that have affected the full value of the properties.

Rendering of services: The variance is attributable to lower capital expenditure and a reduction in the number of projects. Issues with tender documents and errata, also contributed to the variance.

Interest on arrear receivables: The variance noted is due the increase in the customer balances as interest is charged on outstanding balances. (It should be noted that the budgeted interest under revenue from exchange transactions included interest on arrears disclosed under transfer revenue.)

Agency services: The variance is due the limited capacity in the testing station, the shortage of face value documents caused by delays from Department of Transport, resignation of one official in Vuwani resulted in the reduction of number of tests, and community strikes in Vuwani resulted in irregular functioning of the station.

Licences and permits: The variance is due the limited capacity in the testing station, the shortage of face value documents caused by delays from Department of Transport, resignation of one official in Vuwani resulted in the reduction of number of tests, and community strikes in Vuwani resulted in irregular functioning of the station.

Interest income - Variance is due to the decrease in the bank balance and inability to pay by consumers.

Traffic fines: The variance is due to the execution of warrants of arrest for unpaid traffic summonses.

Gain on assets/ Fair values adjustments: The variance is due to an asset (Microphone) that was found on the floor that was not on the fixed asset register.

Repairs and maintenance: Savings were realized as a result of the municipality's plant being new and in good condition, requiring less maintenance than budgeted.

Depreciation and amortisation: Increased depreciation and amortization are due to the addition of new assets and the completion of capital projects during the year.

Impairment loss/ Reversal of impairments: The variance is because this line item was not budgeted for.

Finance costs: The variance relates to finance lease liability and it was not budgeted for.

Debt impairment: The variance is due to the inability to services debt by consumers hence impairment to reflect recoverable amount.

General expenses: The variance is linked to the municipality's growth, including new staff appointments and the implementation of new projects

Loss on disposal of assets: The variance is because this line item was not budgeted for.

Fair value adjustments: The variance is because this line item was not budgeted for.

B. Explanations of variances on the statement of financial position

Receivables from exchange transactions: There is a variance because the budget incorrectly consolidated the receivables from both exchange and non-exchange transactions. Higher-than-expected write-offs and impairments also contributed to the variance.

Receivables from non-exchange transactions: Receivables from exchange transactions: There is a variance because the budget incorrectly consolidated the receivables from both exchange and non-exchange transactions. Higher-than-expected write-offs and impairments also contributed to the variance.

Consumer receivables from non-exchange transactions: The variance is because the budget was based on gross figures

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54. Budget differences (continued)

without considering impairments and write-offs, leading to discrepancies.

VAT receivables: The budget did not account for reconciling items such as unclaimed VAT, retention amounts, and accruals. It was based solely on expected cash refunds from the receiver.

Cash and cash equivalents: The variance is due to municipal growth, increased spending, and the implementation of capital projects

Investment property: Variances are due to fair value adjustments made to investment properties at year-end, which were not fully anticipated in the budget.

Property, plant and equipment: The variance is due to increase in estimation for capital projects and the additional allocation received during the year. There was an acceleration in completion of other projects.

Intangible assets: Fewer intangible assets were acquired than originally budgeted.

Other financial assets: The variance is because this line item was not budgeted for.

Payables from exchange transactions: The variance is due to fewer accrued invoices at year-end and planned quicker settlements to suppliers.

Finance lease obligation: The variance is because this line item was not budgeted for.

Unspent conditional grants and receipts: The variance is because this line item was not budgeted for.

C. Explanations of variances on the statement of cash flows

Property rates: More cash was received than budgeted due to the successful implementation of a debt relief initiative, which improved revenue collection.

Interest income: Variance is due to the decrease in the bank balance and inability to pay by consumers.

Other receipts: Variance is attributed to legal litigation affecting property sales, which influenced the expected cash receipts from other sources.

Finance lease obligation: The variance is because this line item was not budgeted for.