Lepelle-Nkumpi Municipality

(Registration Number LIM 355)
Annual Financial Statements
for the year ended 30 June 2024

Lepelle-Nkumpi Municipality
(Registration Number LIM 355)
Annual Financial Statements for the year ended 30 June 2024

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General Information

Nature of Business and Principal Activities	Local Government and the provision of basic services to the local community.
Municipal grading	3
Members of the council	
Mayor	Molala MM
Speaker	Nkoabela NJ
Chief Whip	Sello SG
Members of the executive committee	Ledwaba PE
Members of the executive committee	Kekana L
Members of the executive committee	Matsimela MD
Members of the executive committee	Mazwi DP
Members of the executive committee	Molomo RO
Members of the executive committee	Mphahlele MTR (July 2023 to November 2023)
Members of the executive committee	Mphofela SM (July, August and December 2023 - Feb 2024)
Members of the executive committee	Nkoana RTF
Members of the executive committee	Makgahlele MB (September 2023 to November 2023, March 2024 - Current)
Members of the executive committee	Mphahlele MJ
Members of the executive committee	Molaba FR (November 2023 to Date)
MPAC	Makgahlele MB (July 2023 to August 2023)
MPAC	Mollo MI (September 2023 to Date 2023)
Ethics	Ramoshaba RS

General Information

Other Councillors

Councillor	Marema TG
Councillor	Tlabjane JB
Councillor	Mollo MI
Councillor	Mphofela SM
Councillor	Makgahlele MB
Councillor	Makgati MA
Councillor	Takalo ME
Councillor	Phele RS
Councillor	Mphahlele TJ
Councillor	Masebe BN
Councillor	Mphogo RJ
Councillor	Hlongoane HM
Councillor	Mahlobogwane MD
Councillor	Makhafola SJ
Councillor	Kgaphola LK
Councillor	Ramothole TR
Councillor	Thobejane CM
Councillor	Kekana MA
Councillor	Ntsoane NP
Councillor	Mathabatha RE
Councillor	Mogodi MM
Councillor	Matibidi MI
Councillor	Mokone SM
Councillor	Lekgoathi FP
Councillor	Kekana MS
Councillor	Maphoto ME
Councillor	Makhafola TH
Councillor	Mmako NS
Councillor	Maleka PI
Councillor	Moeti TL
Councillor	Phogole ML
Councillor	Mahlatji MA
Councillor	Mphahlele KP
Councillor	Ntlhane LJ
Councillor	Maphoso MW
Councillor	Ledwaba MW
Councillor	Muthwa LS
Councillor	Kekana MP
Councillor	Mngomezulu LJ
Councillor	Tsela FD
Councillor	Ramaremo MB
Councillor	Phaahla SS
Councillor	Mathabatha MD
Councillor	Lebese JM
Councillor	Modula MA
Councillor	Shogole MW
Councillor	Maja AD
Councillor	Motau ME
Councillor	Kobo MA
Councillor	Maluleka TL
Councillor	Mokalapa
Councillor	Maenetja T
Councillor	Nkuna W

General Information

Acting Municipal Manager	Diale DS (March 2024 to current)
Municipal Manager	Monyepao MA (October 2022 to current)
Chief Financial Officer	Diale DS (Nov 2023 to current)
Delegated Chief Financial Officer	Masemola M.N (March 2024 to Current)
Legal form	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Legislation governing the municipality's operations	Constitution of the Republic of south Africa (Act 108 of 1998) Local Government: Municipal Finance Management Act (Act no.56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Municipal Property Rates Act (act of 6 2004) Division of Revenue Act (Act 1 of 2007) Municipal Budget and Reporting Regulations Municipal Regulations on Standard Chart of Accounts Municipal Systems Amendment Act (Act no 7 of 2011) SALBC Leave Regulations

General Information

	Skills Development Levies Act (Act no 9 of 1999)
	Supply Chain Management Regulations, 2005
	The Income Tax Act
	Unemployment Insurance Act (Act no 30 of 1966)
	Value Added Tax Act
Registered Office	Lebowakgomo
Business Address	170 BA Civic Centre Lebowakgomo 0737
Postal Address	Private Bag X07 Chuenespoort 0745
Bankers	First National Bank (FNB) ABSA Standard bank Nedbank
Auditors	Auditor General of South Africa
Attorneys	SC Mdhuli attorneys INC Popela Maake Attorneys Modise Mabule INC Makhubela Attorneys Mahowa Inc Verveen Attorneys Bafana ka-Ncube
Tel:	015 633 4500
Website	www.lepelle-nkumpi.gov.za Polokwane 0699

General Information

Abbreviations

CDM	Capricon District Municipality
GRAP	Generally Accepted Accounting Practice
MFMA	Municipal Finance Management Act
MPAC	Municipal Public Accounts Committee
MIG	Municipal Infrastructure Grant
FMG	Finance Management Grant
IIASA	Institute of Internal Auditors South Africa
UIF	Unemployment Insurance Fund
PAYE	Pay as you earn
SALGBC	South African Local Government Bagaining Council
SALGA	South African Local Government Association
IGRAP	Interpretation of the Standards of Generally Recognised Accounting Practice (IGRAP)

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

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

I am responsible for the preparation of these annual financial statements, which are set out on pages 8 to 116 , in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 26 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act."

....	22/11/2024
Maphoru L.D	Date
Acting Municipal Manager	

Lepelle-Nkumpi Municipality
(Registration Number LIM 355)
Financial Statements for the year ended 30 June 2024

Statement of Financial Position

Figures in R	Notes	2024	2023 Restated
Assets			
Current assets			
Inventories	3	105 951 975	106 276 835
Receivables from exchange transactions	4	21 206 860	19 634 067
Receivables from non - exchange transactions (Statutory receivables)	5	8 974 239	17 344 336
Cash and cash equivalents	6	741 833 178	546 920 166
Total current assets		**877 966 252**	**690 175 404**
Non-current assets			
Property, plant and equipment	8	732 396 764	742 252 885
Investment property	7	116 969 773	112 361 815
Intangible assets	9	11 054	11 054
Heritage assets	10	183 684	183 684
Total non-current assets		**849 561 275**	**854 809 438**
Total assets		**1 727 527 528**	**1 544 984 843**
Liabilities			
Current liabilities			
Value Added Tax	16	12 414 007	1 377 169
Consumer deposits	12	2 174 561	2 134 561
Payables from exchange transactions	11	67 305 194	89 742 980
Employee benefit obligation	15	992 837	433 819
Unspent conditional grants and receipts	13	68 595 199	32 163 326
Total current liabilities		**151 481 799**	**125 851 856**
Non-current liabilities			
Provisions	14	3 012 267	1 280 502
Employee Benefits Obligation	15	5 443 631	5 164 144
Total non-current liabilities		**8 455 899**	**6 444 647**
Total liabilities		**159 937 697**	**132 296 502**
Net Assets			
Total net assets and liabilities		**1 567 589 831**	**1 412 688 340**
Accumulated surplus		**1 567 589 831**	**1 412 688 340**

Statement of Financial Performance

Figures in R	Notes	2024	2023 Restated
Revenue from exchange transactions			
Service charges	17	7 419 208	6 803 042
Rental of facilities and equipment	18	366 567	397 271
Water and sanitation : Commission Earned	19	34 924 139	35 240 491
Agency fees : Licences and permits	20	5 390 211	5 564 422
Finance income - Exchange	22	49 739 385	30 220 922
Other revenue	21	2 272 721	3 285 636
Total revenue from exchange transactions		**100 112 231**	**81 511 785**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	43 106 834	38 965 081
Finance income - Non exchange	23	17 139 139	16 946 132
Transfer Revenue			
Government grants and subsidies	25	349 063 126	344 354 614
Fines	26	708 918	686 759
Total revenue from non-exchange transactions		**410 018 018**	**400 952 587**
Total revenue		**510 130 248**	**482 464 372**
Expenditure			
Employee costs - salaries	28	(98 051 494)	(98 887 098)
Remuneration of councillors	29	(24 024 770)	(24 003 887)
Depreciation, amortisation and impairment	30	(35 237 250)	(31 983 928)
Finance cost	31	(723 641)	(769 248)
Provision for impairments adjustment	32	(89 239 115)	(78 622 373)
Contracted services	33	(54 926 920)	(66 040 460)
Donations	8	-	(2 504 528)
Loss on disposal of assets	36	(320 010)	(1 618 948)
Other materials	34	(1 699 477)	(1 892 656)
General expenses	35	(55 211 166)	(61 156 695)
Total other expenses		**(359 433 842)**	**(367 479 821)**
Fair value gain or (losses)	27	4 205 084	4 221 210
Surplus for the year		**154 901 490**	**119 205 760**

Lepelle-Nkumpi Municipality

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Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

Figures in R	Accumulated surplus	Total
Balance at 1 July 2022 as previously reported	1 297 447 475	1 297 447 475
Prior period adjustments - Note 39.	(3 964 895)	(3 964 895)
Balance at 1 July 2022 as restated	1 293 482 580	1 293 482 580
Changes in net assets		
Surplus for the year	119 205 760	119 205 760
Balance at 30 June 2023 as restated	**1 412 688 340**	**1 412 688 340**
Balance at 1 July 2023 as previously reported	1 408 953 377	1 408 953 377
Prior period adjustments - Note 39.	3 734 963	3 734 963
Balance at 1 July 2023 as restated	1 412 688 340	1 412 688 340
Changes in net assets		
Surplus for the year	154 901 490	154 901 490
Balance at 30 June 2024 as restated	**1 567 589 831**	**1 567 589 831**

Lepelle-Nkumpi Municipality

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Financial Statements for the year ended 30 June 2024

Statement of Cash Flows

Figures in R	Notes	2024	2023 Restated
Receipts			
Property rates		14 452 645	9 571 767
Service charges		2 798 171	3 267 218
Other Income		11 089 327	30 815 755
Transfers and subsidies - Operational		322 469 647	304 428 814
Transfers and subsidies - capital		63 025 353	53 284 186
Interest income		44 842 420	25 809 993
		458 677 563	**427 177 733**
Payments			
Payments to suppliers for goods and services		(116 593 208)	(109 492 821)
Payments to and on behalf of employees		(122 899 828)	(122 085 084)
Gross cash payments		**(239 493 036)**	**(231 577 905)**
Net cash flows from operations	37	**219 184 526**	**195 599 828**
Cash flows used in investing activities			
Proceeds from sales of property, plant and equipment		41 550	-
Purchase of property, plant and equipment		(24 353 066)	(52 880 673)
Cash flows used in investing activities		**(24 311 516)**	**(52 880 673)**
Cash flows from financing activities			
Movement in consumer deposits		40 000	40 400
Cash flows from financing activities		**40 000**	**40 400**
Net increase in cash and cash equivalents		**194 913 010**	**142 759 555**
Cash and cash equivalents at beginning of the year		546 920 166	404 185 832
Prior period adjustment			(25 221)
Cash and cash equivalents at end of the year	6	**741 833 177**	**546 920 166**

Lepelle-Nkumpi Municipality
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Financial Statements for the year ended 30 June 2024

Statement of Comparision of Budget and Actual Amounts

Figures in R	Notes	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of financial performance							
Revenue							
Exchange revenue							
Service charges - Waste Management	17	7 500 107	3 000	7 503 107	7 419 208	83 899	Note 52
Sale of Goods and Rendering of Services		199 931 548	(248 857)	199 682 691	-	199 682 691	
Agency services	19 & 20	47 097 552	-	47 097 552	40 310 738	6 786 814	Note 52
Interest earned from Receivables	22	4 072 138	1 998 512	6 070 650	4 896 965	1 173 685	
Interest earned from Current and Non Current Assets	22	27 556 714	15 716 983	43 273 697	44 842 420	(1 568 723)	
Rental from Fixed Assets	18	351 708	26 407	378 115	366 567	11 548	
Licence and permits		4 984	-	4 984	3 613	1 371	
Operational Revenue		20 007 982	(18 111 960)	1 896 022	2 272 721	(376 699)	
Non-Exchange Revenue							
Property rates	24	39 459 996	-	39 459 996	43 106 834	(3 646 838)	
Fines, penalties and forfeits		12 703 188	(11 950 756)	752 432	708 918	43 514	
Licences or permits		1 720	-	1 720	-	1 720	
Transfer and subsidies - Operational	25	339 638 763	(1 189 865)	338 448 898	321 887 130	16 561 768	Note 52
Interest		15 325 731	1 630 683	16 956 414	17 139 139	(182 725)	
Gains on disposal of Assets		73 710	400 000	473 710	-	473 710	
Other Gains		-	-	-		-	
Total Revenue (excluding capital transfers and contributions)		**713 725 841**	**(11 725 853)**	**701 999 988**	**482 954 252**	**219 045 736**	
Total revenue		**713 725 841**	**(11 725 853)**	**701 999 988**	**482 954 252**	**219 045 736**	

Statement of Comparision of Budget and Actual Amounts

Figures in R	Notes	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Expenditure							
Employee related cost	28	(137 924 018)	17 875 040	(120 048 978)	(98 051 494)	(21 997 484)	
Remuneration of councillors	29	(23 603 450)	(98 778)	(23 702 228)	(24 024 770)	322 542	
Irrecorverable debt w/o	32	(87 043 801)	-	(87 043 801)	(89 239 115)	2 195 314	
Depreciation, amortisation and impairment	30	(39 698 037)	-	(39 698 037)	(35 237 250)	(4 460 787)	
Finance cost	31	(52 650)	(800 000)	(852 650)	(723 641)	(129 009)	
Inventory consumed		(9 328 945)	-	(9 328 945)	(1 699 477)	(7 629 468)	
Contracted services		(110 885 238)	(14 869 000)	(125 754 238)	(54 926 920)	(70 827 318)	
Operational costs		(65 353 081)	(21 270 000)	(86 623 081)	(55 211 166)	(31 411 915)	
Loss on disposal		-	-	-	(320 010)	320 010	
Total expenditure		**(473 889 220)**	**(19 162 738)**	**(493 051 958)**	**(359 433 842)**	**(133 618 116)**	
Operating surplus/(Deficit)		**239 836 621**	**(30 888 591)**	**208 948 030**	**123 520 409**	**85 427 621**	
Transfers and subsidies - capital		64 332 000	19 500 000	83 832 000	27 175 997	56 656 003	Note 52
Gains on fair value adjustments		-	-	-	4 205 084	(4 205 084)	
Surplus / (deficit) for the year		**304 168 621**	**(11 388 591)**	**292 780 030**	**154 901 490**	**137 878 540**	

Statement of Comparision of Budget and Actual Amounts

Figures in R

Statement of Financial Position

	Notes	Approved budget	Adjustments	Final budget	Actual amount on comparative basis	Difference between final budget and actual	Reference
Assets							
Cash and cash equivalents	6	512 724 149	-	512 724 149	741 833 178	(229 109 029)	
Trade and other receivables from exchange transactions	6	29 000 000	-	29 000 000	21 206 860	7 793 140	
Receivables from non-exchange transactions	5	6 334 000	-	6 334 000	8 974 239	(2 640 239)	
Inventories	3	-	-	-	105 951 975	(105 951 975)	
VAT		9 933 330	-	9 933 330	-	9 933 330	
Total current assets		**557 991 479**	**-**	**557 991 479**	**877 966 252**	**(319 974 773)**	
Investment property	7	119 014 500	-	119 014 500	116 969 773	2 044 727	
Property, plant and equipment	8	1 002 691 989	4 500 000	1 007 191 989	732 396 764	274 795 225	
Intangible assets	9	5 654 754	-	5 654 754	11 054	5 643 700	
Heritage assets	10	183 684	-	183 684	183 684	-	
Total non-current assets		**1 127 544 927**	**4 500 000**	**1 132 044 927**	**849 561 275**	**282 483 652**	
Total assets		**1 685 536 406**	**4 500 000**	**1 690 036 406**	**1 727 527 527**	**(37 491 121)**	

Statement of Comparision of Budget and Actual Amounts

Figures in R	Notes	Approved budget	Adjustments	Final budget	Actual amount on comparative basis	Difference between final budget and actual	
Liabilities							
Current liabilities							
Consumer deposits	12	2 307 738	-	2 307 738	2 174 561	133 177	
Trade and other payables from exchange transactions	11	76 059 825	-	76 059 825	67 305 194	8 754 631	
Trade and other payables from non-exchange transactions		24 469 498	-	24 469 498	68 595 199	(44 125 701)	
Provisions		500 000	-	500 000	992 837	(492 837)	Note 52
VAT			-	-	12 414 007	(12 414 007)	
Total current liabilities		**103 337 061**	**-**	**103 337 061**	**151 481 799**	**(48 144 738)**	
Non-current liabilities							
Provisions	14 & 15	7 771 737	-	7 771 737	8 455 898	(684 161)	Note 52
Total non-current liabilities		**7 771 737**	**-**	**7 771 737**	**8 455 898**	**(684 161)**	
Total liabilities		**111 108 798**	**-**	**111 108 798**	**159 937 697**	**(48 828 899)**	
Net assets		**1 574 427 608**	**4 500 000**	**1 578 927 608**	**1 567 589 831**	**11 337 778**	
Accumulated surplus		1 929 918 000	(11 389 000)	1 918 529 000	1 567 589 831	350 939 169	
Funds and reserves		(200 000 000)	-	(200 000 000)	-		
Total net assets		**1 729 918 000**	**(11 389 000)**	**1 718 529 000**	**1 567 589 831**	**150 939 169**	

Statement of Comparision of Budget and Actual Amounts

Figures in R **Notes**

Cashflow statement

	Approved budget	Adjustments	Final budget	Actual amount on comparative basis	Difference between final budget and actual
Cashflow statement					
Receipts					
Property rates	13 560 677	-	13 560 677	14 452 645	(891 968)
Service charges	3 057 017	-	3 057 017	2 798 171	258 846
Other revenue	206 676 834	-	206 676 834	11 089 327	195 587 507
Government Grants - Operating	324 045 000	-	324 045 000	322 469 647	1 575 353
Government Grants - Capital	79 232 000	-	79 232 000	63 025 353	16 206 647
Interest Income	27 556 714	-	27 556 714	44 842 420	(17 285 706)
	654 128 242	-	**654 128 242**	**458 677 563**	**195 450 679**
Payments					
Suppliers and employees	(111 730 515)	-	(111 730 515)	(239 493 036)	127 762 521
Finance cost	-	-	-	-	-
	(111 730 515)	-	**(111 730 515)**	**(239 493 036)**	**127 762 521**
Net cashflow from operations	**542 397 727**	-	**542 397 727**	**219 184 527**	**323 213 200**

Statement of Comparision of Budget and Actual Amounts

Figures in R	Notes					
Cash flows used in investing activities						
Proceeds on disposal of PPE		73 710	-	73 710	41 550	32 160
Capital assets		(299 562 774)	-	(299 562 774)	(24 353 066)	(275 209 708)
Purchase of intangible assets						
Cash flows used in investing activities		**(299 489 064)**	**-**	**(299 489 064)**	**(24 311 516)**	**(275 177 548)**
Cash flows from financing activities						
Increase (decrease) in consumer deposit		60 970	-	60 970	40 000	20 970
Cash flows from financing activities		**60 970**	**-**	**60 970**	**40 000**	**20 970**
Net increase in cash and cash equivalents		**242 969 633**	**-**	**242 969 633**	**194 913 011**	**48 056 622**
Cash and cash equivalents at beginning of the year		350 641 100	-	350 641 100	546 920 166	(196 279 066)
Cash and cash equivalents at end of the year		**593 610 733**	**-**	**593 610 733**	**741 833 177**	**(148 222 444)**

Accounting Policies

1. General information

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005. These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

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

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its loans and receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items.

The write down is included in the impairment of assets note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the municipality is the current bid price. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments

General information continued...

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply and demand, together with economic factors such as exchange rates, inflation and interest rates.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note 14 - Provisions.

Useful lives

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and intangible assets. This estimate is based on industry norms. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives. In the event that assets are fair valued, the useful lives of these assets is the estimated remaining useful life on takeon date.

Effective interest rate

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

Allowance for doubtful debts

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

Other long term employee benefits

The present value of the other long term employee benefits depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of other long term employee benefits.

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

General information continued...

Classification Difficulties

The municipality was faced with difficulties in classifying land properties in various locations within the municipal jurisdiction wherein there was no council resolutions granting the disposal, no service level agreements with the land developers nor the properties are owner-occupied. These properties were tested to determine whether these properties are held for undetermined use and meeting investment properties classification. Management judgement was applied and these properties were deemed as inventories. These properties were treated as such due to their proxmity and similarities to the majority of the stands and land properties already treated as inventory and/or as supported by previous sales in same localities. These land properties are located in Lebowakgomo Unit F and Unit S residential areas.

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

In terms of the accounting standard GRAP 1 paragraphs 27 to 30 the annual financial statements are prepared on a going concern basis. The assumption is based on the fact that the municipality may invoke its power to levy additional rates or taxes to enable the municipality to be considered as a going concern even though the municipality will be operational for extended periods with negative net assets.

1.4 Investment property

Investment property is property (land or a building, or part of a building, or both) held to earn rentals or capital appreciation or both, rather that for:
- use in the production or supply of goods or services, or
- administrative purposes, or
- sale in the ordinary course of operations.

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

Initial Measurement:

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

Subsequent Measurement:

Investment property is measured at fair value. After initial recognition all investment property is measured at fair value at each Statement of financial position date. No depreciation is calculated on these properties.

Item	Useful life
Property - land	Indefinite

General information continued...

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

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

1.5 Property, plant and equipment

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

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

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

Where an asset is acquired at no cost, or for a nominal cost, 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.

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.

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

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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

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

General information continued...

Subsequent Measurement:
Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset

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

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

Item	Useful life
land	Indefinite
Buildings	8 - 60 years
Community assets	10 - 50 years
Infrastructure:	
Roads	10 - 100 years
Electricity	5 - 80 years
Solid waste	10 - 90 years
Other assets:	
Machniery and equipment	3 - 20 years
Furniture and equipment	5 - 15 years
Computer equipment	5 - 10 years
Vehicles	7 - 15 years

In the event that assets are fair valued, the useful lives of those assets is the estimated remaining useful life on takeon date.

The asset management policy contains the details of the components and their specific useful life estimates.

The residual value, the useful life and the depreciation method are reviewed at least at every reporting date

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

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising from the derecognition of an item of Intangible assets is included in surplus or deficit when the items derecognised. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in the Statement of Financial Performance.

General information continued...

1.6 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance and recognised when:
• it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
• the cost of the asset can be measured reliably.

An asset is identified as an intangible asset when it:
• 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, assets or liability; or
• arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

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.
• there are available technical, financial and other resources to complete the development and to use or sell the asset.
• the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. 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 definite 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.

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

Item	Useful life
Computer software	Indefinite

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

General information continued...

1.7 Inventories

Inventories are measured at the lower of cost and net realisable value

The cost at reporting date 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 is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value 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, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

Unsold properties are at the lower of cost and net realisable value. Direct cost are accumulated for each separately identifiable development. Cost also includes a portion of the overhead costs.

1.8 Financial Instruments

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

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

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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

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

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

General information continued...

There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

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

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

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

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

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

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

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

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

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

General information continued...

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

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
• the entity designates at fair value at initial recognition; or
• are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:
• derivatives;
• combined instruments that are designated at fair value;
• instruments held for trading. A financial instrument is held for trading if:
• it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
• on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
• non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
• financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The municipality has the following types of financial assets as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
• Cash and cash equivalents	Financial assets measured at amortised cost
• Trade and other receivables from non-exchange transactions	Financial assets measured at amortised cost
• Trade and other receivables from exchange transactions	Financial assets measured at amortised cost

The municipality has the following types of financial liabilities as reflected on the face of the statement of financial position or in the notes thereto:

• Long term liabilities	Financial liability measured at amortised cost
• Trade and other payables	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

General information continued...

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value]. The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately.

The entity accounts for that part of a concessionary loan that is:
• a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
• non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non exchange Transactions(Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
• Financial instruments at fair value.
• Financial instruments at amortised cost
• Financial instruments at cost.
All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

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.

General information continued...

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

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

This requires a reclassification of the instrument from amortised cost or cost to fair value.

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

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

Gains and losses

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

Impairment and un-collectability of financial assets

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

Financial assets measured at amortised cost:

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

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

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

De-recognition

Financial assets

General information continued...

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

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

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

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

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

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

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

Financial liabilities

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

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

General information continued...

1.9 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

Rendering of services

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by.

Interest, royalties and dividends

General information continued...

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

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

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

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

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

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

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

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

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

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential are 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.

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

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

Recognition

General information continued...

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

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

Measurement

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

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

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

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

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

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.

1.11 Expenditure

This policy applies to all types of expenditures incurred by the municipality, including but not limited to operating expenses, capital expenditures, and other related costs.

Classification of Expenditures:

Expenditures shall be classified as either operating or capital in accordance with GRAP standards. Operating expenditures are those related to the day-to-day activities of the municipality, while capital expenditures are associated with the acquisition or improvement of long-term assets.

Recognition and Measurement:

Accounting Policies

General information continued...

Expenditures shall be recognized in the financial statements when:
a. The goods or services are received,
b. The municipality has an obligation to pay for the goods or services,
c. It is probable that the municipality will settle the obligation, and
d. The amount of the expenditure can be reliably measured.

Capitalization of Expenditures:

Capital expenditures, including those related to the acquisition or improvement of tangible assets, shall be capitalized in accordance with GRAP standards. Depreciation or amortization shall be applied as appropriate.

Grant Expenditures:

Expenditures related to grants received shall be accounted for in accordance with the conditions stipulated in the grant agreements and relevant accounting standards. Any unspent grant funds shall be appropriately disclosed.

1.12 Conditional Grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.13 Provisions and contingencies

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

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

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

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

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

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

General information continued...

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

A provision is used only for expenditure for which the provision was originally recognised.
Provisions are not recognised for future operating deficits.

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.

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 agreement.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38 to the financial statements.

1.14 Unauthorised expenditure

Unauthorised expenditure means:
• overspending of a vote or a main division within a vote;
• expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.
All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.15 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), The Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.16 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.

1.17 Comparative figures

Current year comparatives

Budgeted amounts have been included in the statement of comparison of budget and actual amounts for the current financial year only.

General information continued...

Prior year comparatives

When presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.18 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

Operating leases – lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.
Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.
Income for leases is disclosed under revenue in the statement of financial performance.

1.19 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

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

A cash-generating unit is the smallest identifiable group of assets held with the primary 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 of 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

Identification

Accounting Policies

General information continued...

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:
• base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
• base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
• estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
• projections of cash inflows from the continuing use of the asset;
• projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
• net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.
Estimates of future cash flows exclude:
• cash inflows or outflows from financing activities; and
• income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Cash-generating units

General information continued...

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

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

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

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

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit.

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

Reversal of impairment loss

General information continued...

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

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss.

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

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a re-valued cash-generating asset is treated as a revaluation increase.

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

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

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

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

Re-designation

The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cashgenerating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation is appropriate.

General information continued...

1.20 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
• the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
• the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
• an entity's decision to terminate an employee's employment before the normal retirement date; or
• an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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

Short-term employee benefits

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

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

General information continued...

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.

Other long-term employee benefits

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

For other long-service awards, the Municipality recognises the net total of the following amounts as expense
(a) current service cost;
(b) interest cost;
(c) the expected return on any plan assets and on any reimbursement right recognised as an asset;
(d) actuarial gains and losses, which shall all be recognised immediately;
(e) past service cost, which shall all be recognised immediately; and
(f) the effect of any curtailments or settlements.

1.21 Investment income

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

1.22 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.23 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

General information continued...

1.24 Grants in aid

The Lepelle-Nkumpi Municipality transfers money to individuals, institutions and organisations. When making these transfers, The Municipality does not:
-Receive any goods or services directly in return, as would be expected in a purchase or sale transaction
-Expect to be repaid in future; or
-Expect a financial return, as would be expected from an investment.
These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.25 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

Identification

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

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.
The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach

General information continued...

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

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

Restoration cost approach

Restoration cost is the cost of restoring the service potential of a cash-generating asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a re-valued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

Reversal of an impairment loss

General information continued...

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

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

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase. After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non- cashgenerating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Re-designation

The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cashgenerating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation is appropriate.

1.26 Presentation of Budget information in the finanacial statements

The Municipality shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:
• the approved and final budget amounts;
• the actual amounts on a comparable basis; and
• by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

The Municipality considers a significant varianceto be anything exceeding 10%

A comparable basis means that the budget and annual financial statements:
• are prepared using the same basis of accounting i.e. either cash or accrual;
• include the same activities and entities;
• use the same classification system; and
• are prepared for the same period.

1.27 Heritage assets

Recognition of Assets

General information continued...

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

Heritage assets is recognised when it has a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset is further recognised as an asset only if:
• it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
• the cost of fair value of the asset can be measured reliably.

Subsequent Measurement

Heritage asset is measured at its cost value and should it be acquired through a non-exchange transaction will it be measured at its fair value as at the date of acquisition and 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 and 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 and 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.

Although a heritage asset is not depreciated it is the heritage asset assess at each reporting date to disclose whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

The municipality will treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. Should any item of property, plant and equipment or an intangible asset carried at a re-valued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a re-valued amount, the entity applies the applicable Standard to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard relating to that asset. Transfer of investment property carried at fair value, or inventories to heritage assets at a re-valued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

Item use	**Full life**
Property and building	Indefinite
Other Assets	5 to 50 years

De-recognition of Asset

The carrying amount of a heritage is de-recognised:
• on disposal, or
• when no future economic benefits or service potential are expected from its use or disposal.

General information continued...

The gain or loss arising from the de-recognition, of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.28 Value Added Tax (VAT)

The municipality accounts for Value Added Tax on the cash basis.

1.29 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.

Statutory receivables arise from the following legislation:

Municipal Property Rates Act (Act no 6 of 2004)
Criminal Procedure Act (Act no 51 of 1977)
Value Added Tax Act 89 (Act 89 of 1991)
National Road Traffic Act 93 of 1996
Local Government: Municipal Property Rates Act 6 of 2004

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

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

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

General information continued...

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

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

General information continued...

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
• Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
• It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
• A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
• Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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.

General information continued...

1.30 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.31 Segment information

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

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

1.32 Related parties

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

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

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

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

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

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

General information continued...

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

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

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

2. New standards and interpretations

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 2023 or later periods:

Standard/ Interpretation:	Effective date	Expected impact:
GRAP 103 (as revised): Heritage Assets	Not yet set	Unable to reliably estimate the impact
Guideline: Guideline on the Application of Materiality to Financial Statements	Not yet set	Unable to reliably estimate the impact
GRAP 104 (as revised): Financial Instruments	01 April 2025	Unable to reliably estimate the impact

Notes to the Financial Statements

Figures in R	2024	2023 Restated

3. Inventories

Inventories comprise:

Consumable stores	2 332 354	1 966 715
Land inventory	103 619 621	104 310 120
	105 951 975	**106 276 835**

Carrying value of inventories carried at lower of cost or net realisable value:

Land Inventory		
Opening balance	104 310 120	105 835 633
Impairment loss for the year(writedown)	(616 999)	(850 380)
Disposal	(73 499)	(675 133)
	103 619 621	**104 310 120**

Consumables		
Opening balance	1 966 715	1 824 422
Additions	1 627 032	1 624 463
Issues	(1 001 241)	(1 499 169)
Impairment loss for the year(writedown)	(260 152)	17 000
	2 332 354	**1 966 715**

Included in Land Inventory is land that is in the process of being sold or transferred to buyers but the land has not been registered in the name(s) of the buyer(s) at year-end. The carrying amount of such land is R379 992.

The amount of inventories recognised as an expense during the period were as follows:

Consumable stores	1 001 241	1 499 169
Land inventory	73 499	675 133
	1 074 741	2 174 302

The Municipality sold residential and business landsites at net realisable value during the year.
No inventory has been pledged as collateral

Notes to the Financial Statements

Figures in R	2024	2023 Restated

4. Receivables from exchange transactions

CDM advance commission	244 192 026	212 354 813
Less provision for impairment	(228 059 336)	(196 151 248)
Grants Debtors	40 000	40 000
Consumer debtors - Refuse	89 611 286	79 813 500
Less provision for impairment	(87 081 044)	(77 357 716)
Sundry debtors	2 503 927	934 718
	21 206 860	**19 634 067**

Included in sundry debtors is an amount of R1 299 650 (2023: R403 583) relating to advances on Wesbank account for fuel and maintenance of Municipality's fleet.

Ageing

CDM advance commission - Ageing

Current (0-30 days)	6 836 520	7 034 140
31 - 60 days	3 468 241	3 413 419
61 - 90 days	3 340 584	3 131 636
91 - 120 days	3 283 857	3 253 543
> 120 days	227 262 843	195 522 075
	244 192 045	**212 354 813**

Summary of debtors by customer classification - CDM debtor

Business

Current (0-30days)	380 183	370 442
31 days - 60 days	113 989	150 680
61 days - 90 days	113 361	132 322
91 days - 120 days	86 009	140 288
> 120 days	6 917 354	6 118 295
	7 610 896	**6 912 027**

Domestic

Current(0-30days)	6 190 674	6 345 013
31 days - 60 days	3 307 876	3 186 287
61 days - 90 days	3 183 642	2 944 633
91 days - 120 days	3 143 083	3 066 008
> 120 days	218 029 639	187 428 940
	233 854 914	**202 970 881**

Government

Current(0-30days)	234 600	273 518
31 days - 60 days	28 649	59 767
61 days - 90 days	28 212	31 031
91 days - 120 days	30 950	27 038
> 120 days	868 607	705 689
	1 191 019	**1 097 042**

Notes to the Financial Statements

Figures in R	2024	2023 Restated
Receivables from exchange transactions continued...		
Church		
Current(0-30days)	31 063	45 167
31 days - 60 days	17 726	16 685
61 days - 90 days	15 370	23 650
91 days - 120days	23 814	20 209
> 120 days	1 447 243	1 269 151
	1 535 216	**1 374 862**
Total		
Current(0-30days)	6 836 520	7 034 140
31 days - 60 days	3 468 241	3 413 419
61 days - 90 days	3 340 584	3 131 636
91 days - 120 days	3 283 857	3 253 543
> 120 days	227 262 843	195 522 075
	244 192 045	**212 354 813**
Less: Allowance for impairment	(228 059 336)	(196 151 248)
	16 132 710	**16 203 565**
Reconciliation of allowance for impairment		
Balance at the beginning of the year	(196 151 248)	(161 691 778)
Contribution to allowance for impairment	(31 908 088)	(34 459 470)
	(228 059 336)	**(196 151 248)**
Refuse		
Current (0 -30 days)	2 161 660	2 022 087
31 - 60 days	987 557	905 272
61 - 90 days	980 173	910 001
91 - 120 days	985 984	903 777
121 days - 390 days	8 313 218	7 764 150
> 390 days	76 185 353	67 308 213
	89 613 944	**79 813 500**

Figures in R	2024	2023 Restated
Receivables from exchange transactions continued...		
Summary of debtors by customer classification - Refuse		
Business		
Current (0-30days)	544 391	492 964
31 days - 60 days	233 049	199 648
61 days - 90 days	230 244	207 062
91 days - 120 days	239 556	187 882
121 days - 390 days	1 783 760	1 624 767
> 390 days	14 960 949	13 443 889
	17 991 950	**16 156 211**
Domestic		
	1 484 399	1 417 670
31	732 747	680 718
61	728 273	678 499
91	724 901	696 964
121 days - 390 days	6 345 107	5 982 376
> 390 days	60 027 238	52 863 229
	70 042 665	**62 319 456**
Government		
Current(0-30days)	107 462	88 176
31 days - 60 days	9 213	13 604
61 days - 91 days	9 157	13 172
91 days - 120 days	9 102	7 706
121 days - 390 days	78 672	59 096
> 390 days	179 261	102 838
	392 867	**284 591**
Church		
Current(0-30days)	25 408	23 277
31 days - 60 days	12 548	11 303
61 days - 90 days	12 498	11 270
91 days - 120days	12 425	11 225
121 days - 390 days	105 678	97 910
> 390 days	1 017 905	898 256
	1 186 462	**1 053 241**
Total		
Current(0-30days)	2 161 660	2 022 087
31 days - 60 days	987 557	905 272
61 days - 90 days	980 173	910 001
91 days - 120 days	985 984	903 777
121 days - 390 days	8 313 218	7 764 150
> 390 days	76 185 353	67 308 213
	89 613 944	**79 813 500**

Notes to the Financial Statements

Figures in R	2024	2023 Restated
Receivables from exchange transactions continued...		
Less: Allowance for impairment	(87 081 044)	(77 357 716)
	2 532 901	2 455 784

Reconciliation of allowance for impairment		
Balance at the beginning of the year	(77 357 716)	(68 371 795)
Contribution to allowance for impairment	(9 723 328)	(8 985 921)
	(87 081 044)	(77 357 716)

Consumer debtors pledged as security

No consumer debtors were pledged as security for any liabilities.

Fair value of consumer debtors

The fair value of consumer debtors approximates the carrying amount thereof.

Notes to the Financial Statements

Figures in R	2024	2023 Restated

5. Receivables from non-exchange transactions

	2024	2023 Restated
Fines	1 198 021	2 407 940
Less: Provision for impairment - Fines	(1 013 548)	(2 243 477)
Consumer Debtors -Rates	306 693 594	268 004 990
Less: Provision for impairment - Rates	(297 903 828)	(250 825 117)
	8 974 239	**17 344 336**

Rates - Ageing	2024	2023 Restated
Current (0-30 days)	9 258 642	8 961 734
31 - 60 days	4 400 363	4 199 722
61 - 90 days	4 364 874	4 056 946
91 - 120 days	4 347 852	3 978 634
121 days - 390 days	37 422 216	33 672 668
> 390 days	246 912 760	213 135 285
	306 706 708	**268 004 990**

Summary of debtors by customer classification - Rates

Business	2024	2023 Restated
Current (0-30days)	987 405	1 008 080
31 days - 60 days	371 102	357 130
61 days - 90 days	367 902	343 602
91 days - 120 days	364 349	309 044
121 days - 390 days	2 984 945	2 700 688
> 390 days	15 661 988	12 914 850
	20 737 690	**17 633 394**

Domestic	2024	2023 Restated
Current(0-30days)	5 671 836	4 930 164
31 days - 60 days	2 783 543	2 385 365
61 days - 91 days	2 760 297	2 362 590
91 days - 121 days	2 752 217	2 336 380
121 days - 390 days	23 348 937	19 893 821
> 390 days	162 494 907	139 174 130
	199 811 737	**171 082 450**

Government	2024	2023 Restated
Current(0-30days)	2 464 398	2 892 722
31 days - 60 days	1 180 809	1 394 436
61 days - 91 days	1 172 074	1 288 272
91 days - 120 days	1 166 994	1 271 028
121 days - 390 days	10 533 112	10 530 437
> 390 days	63 920 408	56 532 520
	80 437 796	**73 909 416**

Notes to the Financial Statements

Figures in R	2024	2023 Restated
Receivables from non-exchange transactions continued...		
Agriculture		
Current(0-30days)	135 003	130 767
31 days - 60 days	64 909	62 791
61 days - 90 days	64 602	62 483
91 days - 120 days	64 292	62 182
121 days - 390 days	555 222	547 722
> 390 days	4 835 457	4 513 785
	5 719 485	**5 379 730**
Total		
Current(0-30days)	9 258 642	8 961 734
31 days - 60 days	4 400 363	4 199 722
61 days - 90 days	4 364 874	4 056 946
91 days - 120 days	4 347 852	3 978 634
121 days - 390 days	37 422 216	33 672 668
> 390 days	246 912 760	213 135 285
	306 706 708	**268 004 990**
Less: Allowance for impairment	(297 903 828)	(250 825 117)
	8 802 880	**17 179 873**
Reconciliation of provision for impairment - Rates		
Opening balance	(250 825 117)	(217 314 540)
Contribution to allowance	(47 078 711)	(33 510 577)
	(297 903 828)	**(250 825 117)**
Traffic Fines		
Traffic fines	1 198 021	2 407 940
Less: Provision for impairment	(1 013 548)	(2 243 477)
	184 472	**164 463**
Reconciliation of provision for impairment - Traffic fines		
Opening balance	(2 243 477)	(11 295 370)
Contribution to allowance	1 229 929	9 051 893
	(1 013 548)	**(2 243 477)**

No consumer debtors were pledged as security for any liabilities.

Credit quality of receivables from non-exchange transactions (statutory receivables)

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

Fair value of receivables from non-exchange transactions (statutory receivables)

The fair value of consumer debtors approximates the carrying amount thereof.

Figures in R	2024	2023 Restated

Receivables from non-exchange transactions continued...

Receivables from non-exchange transactions (Statutory receivables) impaired

The amount of the provision for impairment was:

Traffic fines	1 013 548	2 243 477
Consumer debtors - Rates	297 903 828	250 825 117

Interest raised for the period

During the 2023/2024 financial year, interest on outstanding receivables were calculated at a rate of 10% (2023: 10%) as per tarriff structure

Statutory receivables: GRAP 108

The Municipality assess impairment on a yearly basis.

Refer to Note 53 for the approach on impairment for statutory receivables.

Notes to the Financial Statements

Figures in R

6. Cash and cash equivalents

Cash and cash equivalents comprise:

Cash on hand	1 000	1 000
FNB Paymaster account	11 130 723	26 524 260
FNB Money market account	633 240 851	453 093 785
FNB revenue account	1 564 305	7 432 761
FNB salaries account	300 286	1 646 633
Standard Bank - 60 Days	-	58 221 728
Nedbank Investments	95 596 012	-
VBS Mutual bank (3 Months notice)	39 500 000	39 500 000
VBS Mutual bank (12 Months notice)	100 000 000	100 000 000
	881 333 178	686 420 166
Provision for impairment	(139 500 000)	(139 500 000)
	741 833 178	**546 920 166**

The municipality has made provision for the impairment of VBS Mutual bank because of the uncertainty regarding the recovery of the investment of R139 500 000 (2023: R 139 500 000).

No cash and cash equivalents are held as collateral

Notes to the Financial Statements

Figures in R

Cash and cash equivalents continued...

The Municipality had the following bank accounts

Account number / Description	Bank statement balances			Cash book balances		
	June 30 2024	June 30 2023	June 30 2022	June 30 2024	June 30 2023	June 30 2022
Primary bank accounts						
Paymaster General Account - FNB - 6206-334-5790	10 915 118	26 385 797	2 878 903	11 130 723	26 524 260	3 095 197
Revenue Account - FNB - 6206-334-2720	1 622 426	7 424 748	530 764	1 564 305	7 432 761	398 322
Salaries Account - FNB - 6206-334-5980	300 286	1 646 633	304 145	300 286	1 646 633	304 146
	12 837 829	35 457 178	3 713 812	12 995 314	35 603 653	3 797 665
Investments						
Standard Bank - 60 Days	-	58 221 728	54 804 163	-	58 221 728	54 804 163
ABSA Bank - 90 Days	-	-	54 467 242	-	-	54 467 242
Nedbank Investment	95 596 012	-	55 340 098	95 596 012	-	55 340 098
Money Market Account - FNB - 6206-335-6888	633 240 851	453 093 785	235 707 132	633 240 851	453 093 785	235 707 133
Nedbank call account	-	-	50 531	-	(0)	50 531
	728 836 863	511 315 513	400 369 166	728 836 863	511 315 513	400 369 167
	741 674 693	546 772 691	404 082 978	741 832 178	546 919 166	404 166 832

Figures in R	2024	2023 Restated

7. Investment property

Balances at year end and movements for the year

Balance at start of year		
At Fair value	112 361 815	108 452 669
Net book value	**112 361 815**	**108 452 669**
Movements for the year		
Gains (losses) on fair value adjustment	4 607 958	3 909 146
Investment property at end of year	**116 969 773**	**112 361 815**
Closing balance at end of year		
At Fair value	116 969 773	112 361 815
Net book value	**116 969 773**	**112 361 815**

Pledged as security

No investment properties was pledged as security for liabilities.

Details of properties

The fair values are determined by independed property valuer using comperable sales valuation method and adjusted infalation rate (CPI). The fair values of Investment properties was determined as at 30 June 2024.
The valuaer has completed National Diploma in Property valuation with UNISA and is registered with the following:
- Registered with the South African Council for the property Valuers Profession for 8 years
- Registered as a Professional AssociatedValuer(No restrictions) with SACPVP Reg no 6429
- Registered with South African Institute of Valuers since 2011 Reg no mod004

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.

Classification difficulties

The municipality was faced with difficulties in classifying land properties in various locations within the municipal jurisdiction wherein there was no council resolutions granting the disposal, no service level agreements with the land developers nor the properties are owner-occupied. These properties were tested to determine whether these properties are held for undetermined use and meeting investment properties classification. Management judgement was applied and these properties were deemed as inventories. These properties were treated as such due to their proxmity and similarities to the majority of the stands and land properties already treated as inventory and/or as supported by previous sales in same localities.

The fair values are determined by independent property valuer using comperable sales valuation method.

8. 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	40 180 290	(5 242 650)	34 937 640	40 180 290	(5 242 650)	34 937 640
Buildings	88 983 627	(46 759 024)	42 224 603	88 983 627	(44 279 711)	44 703 916
Community Assets	271 865 072	(129 854 879)	142 010 193	262 961 798	(118 217 073)	144 744 725
Infrastructure - Electricity	20 457 196	(12 649 213)	7 807 983	20 457 196	(11 722 742)	8 734 454
Infrastructure - Roads	545 201 290	(129 497 013)	415 704 277	499 760 118	(113 762 849)	385 997 269
Infrastructure - Solid waste	21 098 056	(6 530 118)	14 567 938	19 512 545	(5 962 783)	13 549 762
Furniture and fixures	9 313 435	(8 437 277)	876 158	9 265 081	(8 131 855)	1 133 226
Computer equipment	6 269 591	(4 408 528)	1 861 063	6 336 545	(3 732 014)	2 604 531
Capital work in progress	59 865 653	(2 357 425)	57 508 228	91 779 728	(2 357 425)	89 422 303
Plant and Machinery	3 690 340	(2 489 354)	1 200 986	3 661 340	(2 368 959)	1 292 381
Other movable assets (Motor vehicles)	48 602 367	(34 904 673)	13 697 694	47 534 165	(32 401 488)	15 132 677
	1 115 526 917	(383 130 153)	732 396 764	1 090 432 433	(348 179 548)	742 252 885

Notes to the Financial Statements

Figures in R

Property, plant and equipment continued...

8.1 Balances at year end and movements for the year

	Land	Buildings	Landfill site asset	Community Assets	Infrastructure - Electricity	Infrastructure- Roads	Capital work in progress	Computr equipment	Other Movable assets	Furniture and Fittings	Plant and machinery	Total
Reconciliation for the year ended 30 June 2024												
Balance at 1 July 2023												
At cost	40 180 290	88 983 627	19 512 545	262 961 798	20 457 196	499 760 118	91 779 728	6 336 545	47 534 165	9 265 081	3 661 340	1 090 432 433
Accumulated depreciation and impairment	(5 242 650)	(44 279 711)	(5 962 783)	(118 217 073)	(11 722 742)	(113 762 849)	(2 357 425)	(3 732 014)	(32 401 488)	(8 131 855)	(2 368 959)	(348 179 548)
Net book value	34 937 640	44 703 916	13 549 762	144 744 725	8 734 454	385 997 269	89 422 303	2 604 531	15 132 677	1 133 226	1 292 381	742 252 885
Movements for the year ended 30 June 2024												
Additions from acquisitions	-	-	-	-	-	-	23 157 510	-	1 068 202	48 354	79 000	24 353 066
Transfers	-	-	-	8 903 277	-	46 168 308	(55 071 585)	-	-	-	-	-
Depreciation	-	(2 479 313)	(567 335)	(8 410 924)	(926 471)	(15 266 896)	-	(697 249)	(2 503 185)	(290 978)	(164 137)	(31 306 488)
Impairment loss recognised in surplus or deficit	-	-	-	(3 226 882)	-	(665 012)	-	(18 166)	-	(14 444)	(6 257)	(3 930 761)
Disposals	-	-	-	-	-	(529 396)	-	(28 053)	-	-	-	(557 449)
Other movements	-	-	1 585 511	-	-	-	-	-	-	-	-	1 585 511
Property, plant and equipment at end of year	34 937 640	42 224 603	14 567 938	142 010 196	7 807 983	415 704 274	57 508 228	1 861 063	13 697 694	876 158	1 200 987	732 396 764
Closing balance at 30 June 2024												
At cost	40 180 290	88 983 627	21 098 056	271 865 072	20 457 196	545 201 290	59 865 653	6 269 591	48 602 367	9 313 435	3 690 340	1 115 526 917
Accumulated depreciation and impairment	(5 242 650)	(46 759 024)	(6 530 118)	(129 854 879)	(12 649 213)	(129 497 013)	(2 357 425)	(4 408 528)	(34 904 673)	(8 437 277)	(2 489 354)	(383 130 153)
Net book value	34 937 640	42 224 603	14 567 938	142 010 193	7 807 983	415 704 277	57 508 228	1 861 063	13 697 694	876 158	1 200 986	732 396 764

Notes to the Financial Statements

Figures in R

Property, plant and equipment continued...

Reconciliation for the year ended 30 June 2023	Land	Buildings	Landfill site asset	Community Assets	Infrastructure - Electricity	Infrastructure- Roads	Capital work in progress	Computer Equipment	Other Movable assets	Furniture and Fittings	Plant and machinery	Total
Balance at 1 July 2022												
At cost	40 180 290	89 037 802	20 517 743	263 988 860	20 457 190	469 919 032	81 330 399	4 575 617	47 534 165	8 782 479	2 741 440	1 049 065 017
Accumulated depreciation and impairment	(5 242 650)	(41 780 006)	(5 374 409)	(110 326 971)	(10 643 898)	(100 396 895)	(2 357 425)	(3 111 337)	(29 602 052)	(8 059 977)	(2 215 842)	(319 111 462)
Net book value	34 937 640	47 257 796	15 143 335	153 661 889	9 813 292	369 522 138	78 972 974	1 464 280	17 932 114	722 501	525 599	729 953 556
Movements for the year ended 30 June 2023												
Additions	-	-	-	-	-	-	50 429 071	1 774 587	-	677 015	919 900	53 800 573
Transfers	-	-	-	1 501 007	-	31 369 927	(32 870 934)	-	-	-	-	-
Depreciation	-	(2 486 331)	(580 976)	(8 292 982)	(945 217)	(14 457 203)	-	(613 551)	(2 799 061)	(255 134)	(145 082)	(30 575 537)
Impairment loss recognised in surplus or deficit	-	(67 825)	(7 399)	(915 385)	(133 627)	(255 102)	-	(12 173)	(375)	(8 468)	(8 036)	(1 408 390)
Disposals	-	-	-	(1 209 803)	-	(182 491)	-	(8 612)	-	(2 686)	-	(1 403 594)
Other movements	-	-	(1 005 198)	-	-	-	(7 108 808)	-	-	-	-	(8 114 006)
Property, plant and equipment at end of year	34 937 640	44 703 639	13 549 762	144 744 726	8 734 448	385 997 269	89 422 303	2 604 531	15 132 678	1 133 226	1 292 381	742 252 602
Closing balance at 30 June 2023												
At cost	40 180 290	88 983 627	19 512 545	262 961 798	20 457 196	499 760 118	91 779 728	6 336 545	47 534 165	9 265 081	3 661 340	1 090 432 433
Accumulated depreciation and impairment	(5 242 650)	(44 279 711)	(5 962 783)	(118 217 073)	(11 722 742)	(113 762 849)	(2 357 425)	(3 732 014)	(32 401 488)	(8 131 855)	(2 368 959)	(348 179 548)
Net book value	34 937 640	44 703 916	13 549 762	144 744 725	8 734 454	385 997 269	89 422 303	2 604 531	15 132 677	1 133 226	1 292 381	742 252 885

Notes to the Financial Statements

Figures in R	2024	2023 Restated

Property, plant and equipment continued...

8.2 Additional disclosures

Assets whose title is restricted and pledged as security

No property, plant and equipment were pledged as security for any financial liability.

Details of properties

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 financial year, the municipality has received amounts for reimbursement due to loss of assets from the insurer. The amounts received are detailed below:

An amount of R22 319 has been received from Guard Risk Holdings Limited for stolen laptop and tablets.

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

	2024	2023 Restated
Buildings	24 484	328 797
Community assets	-	2 791 421
Infrastructure	205 220	2 185 007
Other Assets	7 545 987	8 110 089
	7 775 691	13 415 314

Work in progress

Reconciliation of Work in progress 2024	Included within buildings	Included within Community assets	Included within Infrastructure	Total
Opening balance	31 280 261	14 403 530	43 738 433	89 422 224
Additions/capital expenditure	-	-	23 157 510	23 157 510
Transfers to completed projects	-	(8 903 274)	(46 168 309)	(55 071 583)
Other movements	-	-	-	-
	31 280 261	5 500 256	20 727 634	57 508 151

Reconciliation of Work in progress 2023	Included within buildings	Included within Community assets	Included within Infrastructure	Total
Opening balance	24 392 677	16 710 109	37 870 109	78 972 895
Additions/capital expenditure	6 887 584	1 985 849	41 555 638	50 429 071
Transfers to completed projects	-	(1 501 007)	(31 369 927)	(32 870 934)
Other movements	-	(2 791 421)	(4 317 387)	(7 108 808)
	31 280 261	14 403 530	43 738 433	89 422 224

Included in the WIP is R13 250 387 relating to electrical projects (electrification of households) that the municipality is undertaking on behalf of Eskom. These projects will be handed over to Eskom upon completion.

The following projects are identified as slow moving:

Property, plant and equipment continued...

Project description	Reason for slow moving	2024 Amount
Upgrading of Malakabaneng Road To Tar	Budgetary constraints	775 229.50
Rakgoatha Stormwater Management	Budget constraints & budgeted for 2024/25	932 529.51
Mathibela Stormwater Management	Project advertised in the current year but SCM processes not yet finalised	1 336 725.77
Stormwater Drainange at Sehlabeng/Hlakano 5Km	Budget constraints	1 129 559.26
Stormmwater Drainage at Mogotlane Village	Budget constraints & budgeted for 2024/25	1 101 903.36
Construction of Grade A VTS Lebowakgomo	Budget constraints & budgeted for 2024/25	609 113.79
Construction of Madisha Ditiro Community Hall	Project advertised in the current year but SCM processes not yet finalised	3 822 565.15
Construction of Magatle Thusong Center	Budgeted for 2023/24 and service provider appointed in June 2024	1 496 454.60
Development of Recreational Facility at Maijane	Budget Constraints	1 387 090.65
Upgrading of Parks at Lebowakgomo Unit A, B, F, S & R	Budget constraints & budgeted for 2024/25	290 600.82
Revitalisation Mun Building (Civic)	Under investigation.	1 416 859.08
Extension Of Municipal Offices: Civic Centre	Budget Constraints & budgeted for 2024/25	29 122 817.41
Highmast Light: Marulaleng	Practical CC. Contractor abandoned site.	207 441.67
Highmast Light: Makgothane	Practical CC. Contractor abandoned site.	207 441.67
Highmast Light: Landfill Site	Practical CC. Contractor abandoned site.	207 441.67
Highmast Light: Makaepea	Practical CC. Contractor abandoned site.	207 441.67
		44 251 216

9. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	938 145	(927 091)	11 054	938 145	(927 091)	11 054

Figures in R	2024	2023 Restated

Intangible assets continued...

Reconciliation of changes in intangible assets

	Intangible assets	Total
Reconciliation for the year ended 30 June 2024		
Balance at 1 July 2023		
At cost	938 145	938 145
Accumulated amortisation and impairment	(927 091)	(927 091)
Net book value	11 054	11 054
Closing balance at 30 June 2024		
At cost	938 145	938 145
Accumulated amortisation and impairment	(927 091)	(927 091)
Net book value	11 054	11 054
Reconciliation for the year ended 30 June 2023		
Balance at 1 July 2022		
At cost	938 145	938 145
Accumulated amortisation and impairment	(783 391)	(783 391)
Net book value	154 754	154 754
Movements for the year ended 30 June 2023		
Impairment loss recognised in surplus or deficit	(143 700)	(143 700)
Intangible assets at end of period	11 054	11 054
Closing balance at 30 June 2023		
At cost	938 145	938 145
Accumulated amortisation and impairment	(927 091)	(927 091)
Net book value	11 054	11 054

Other information

Intangible assets with indefinite lives:

Intangible assets comprise of computer software with indefinite useful life. These assets are not amortised. The intangible assets with indefinite life are assessed annually for impairment. Whenever there is an indication of impairment, the intangible assets are impaired.

The intangible asset has indefinite use live as the software continues to be widely used and remains relevant in the municipality's operations, with no foreseeable obsolescence due to technological advancements or changes in operations. Furthermore, the software is not subject to legal, contractual, or regulatory constraints that would limit its useful life, such as expiration of licenses or support agreements.

Figures in R	2024	2023 Restated

10. Heritage assets

Balances at year end and movements for the year

	2024	2023 Restated
Reconciliation for the year ended 30 June 2024		
Balance at 1 July 2023		
Gross carrying amount	183 684	183 684
Net carrying amount	**183 684**	**183 684**
Closing balance at 30 June 2024		
Gross carrying amount	183 684	183 684
Net carrying amount	**183 684**	**183 684**
Reconciliation for the year ended 30 June 2023		
Balance at 1 July 2022		
Gross carrying amount	183 684	183 684
Net carrying amount	**183 684**	**183 684**
Closing balance at 30 June 2023		
Gross carrying amount	183 684	183 684
Net carrying amount	**183 684**	**183 684**

Heritage assets comprise of the Mayoral chain and there was no additions, repairs, trafers and refurbishments.

The fair value of the heritage asset could not be used due to the following reasons:
• There is no active market for the heritage assets, making it difficult or impossible to reliably determine fair value.
• The cost of obtaining reliable fair value estimates, such as through independent valuations/appraisals, are prohibitively high.

Figures in R	2024	2023 Restated

11. Payables from exchange transactions

Payables from exchange transactions comprise:		
Trade payables	2 594 407	9 748 604
Retentions	23 068 082	24 059 230
Leave provision	7 545 715	8 236 172
Bonus provision	2 748 395	2 669 909
Traffic department creditor	48 714	48 714
Debtors with credit balances	2 525 564	1 940 309
CDM Advance Account: R&M	68 169	68 169
Accruals	4 248 275	12 734 971
Bank suspense	6 435	5 020
CDM Creditor	18 195 710	24 850 158
Deposits Various	135 229	116 529
Unallocated deposits	2 136 736	2 250 955
Monies witheld - Land sales	676 507	570 088
Traffic department - 80:20 Split	890 012	1 271 523
SABS	161	161
Prodiba	50 323	59 013
Road transport management	56 808	66 816
Eskom Creditor	2 309 951	1 046 641
Total payables from exchange transactions	**67 305 194**	**89 742 980**

The fair value of trade and other payables approximates their carying amounts

12. Consumer deposits

Consumer deposits comprise:		
Rental properties	49 925	49 925
Service charges	2 124 636	2 084 636
	2 174 561	**2 134 561**

No interest is paid on consumer deposits

Figures in R	2024	2023 Restated

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprise the following balances

MIG	51 121 765	21 051 076
Finance management grant	961 870	370 217
CDM : Halls	6 135	6 135
CDM : Stadiums	300 000	300 000
CDM : Eradication of Alien Plants	16 455	16 455
CDM : Integrated Transport plan	377 308	377 308
INEP	3 473 000	5 533 000
Municipal disaster relief	12 338 668	4 500 000
EPWP	-	9 136
	68 595 199	**32 163 326**

Conditional Grants

The amounts will be recognised as revenue when conditions have been met.

The extent of government grants recognised in the Statement of financial performance relates to the portion of the grant where the conditions have been met.

Unfulfilled conditions and other contingencies attaching to government assistance has been recognised as a liability in the Statement of financial position.

See note 25 for reconciliation of grants from National/Provincial Government.

Figures in R	2024	2023 Restated

14. Provisions

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

	2024	2023 Restated
Environmental rehabilitation	3 012 267	1 280 502
	3 012 267	**1 280 502**

Reconciliation of provisions - 2024	Opening balance	Additions	Reductions	Closing balance
Environmental rehabilitation	1 280 502	1 731 765	-	3 012 267
	1 280 502	**1 731 765**	**-**	**3 012 267**

Reconciliation of provisions - 2023	Opening balance	Additions	Reductions	Total
Environmental rehabilitation	2 066 478	219 222	(1 005 198)	1 280 502
	2 066 478	**219 222**	**(1 005 198)**	**1 280 502**

Environmental rehabilitation provision

The provision is made in terms of the licensing stipulations. The Provision has been determined on the basis of the recent independent study by taking into account a number of factors to the design, manner of operations and rehabilitation measures proposed which was assessed, investigated and tested. There is no anticipated environmental harm, groundwater pollution, leachate leakage that could be found. The municipality did not alter any structure and infrustructure to the existing landfill.

The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date. The average of the CPI for the last three months amounted to 5.1704%.

The amount of the discounted landfill closure provision of R3,012,267 represents an increase of R1,731,765 over the provision of R1,280,502 in the previous financial statements.

The current expected remaining life of the landfill is estimated at 51 years, after which the resulting outflows of economic benefits or service potential is expected.

Rehabilitation and closure report was compiled by Environmental and Sustainability Solutions CC appointed by the Council.

Changes in the present value of provision for landfill rehabilitation are as follows:

	2024	2023 Restated
Opening balance	1 280 502	2 066 478
Additions (Reduction)	1 731 765	(785 976)
	3 012 267	**1 280 502**

Notes to the Financial Statements

Figures in R	2024	2023 Restated

15. Employee benefit obligation

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

	2024	2023 Restated
Long service awards	6 436 468	5 597 963
	6 436 468	**5 597 963**

Reconciliation of provisions - 2024	Opening balance	Additions	Reductions	Closing balance
Long service awards	5 597 963	1 403 131	(564 626)	6 436 468
	5 597 963	**1 403 131**	**(564 626)**	**6 436 468**

Reconciliation of provisions - 2023	Opening balance	Additions	Reductions	Total
Long service awards	5 408 489	988 966	(799 492)	5 597 963
	5 408 489	**988 966**	**(799 492)**	**5 597 963**

Notes to the Financial Statements

Figures in R	2024	2023 Restated

Employee benefit obligation continued...

Long Service Award

Employees qualify for the long service awards in terms of the SALGA collective agreement: The employees will qualifies for long service award for every five years of service completed , from ten years of service to 45 years of services in the following manner:

Completed service (Years)	Long Service Bonus Awards (Number of Days)	Determination of cash bonus
- 10 year	10	10/250x Annual Salary
- 15 years	20	20/250x Annual Salary
- 20-45 years	30	30/250x Annual Salary

In the month that each "Completed Service" milestone is reached, the employee is granted a long service award. Working days awarded are value at 1/250 of annual salary per day.

An actuarial valuation of the obligation has been performed by One Pangea Expertise and Solutions on all 184 employees that are entitled to long service awards as at 30 June 2024.

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

	2024	2023 Restated
Carrying value		
Long service awards - Non current portion	5 443 631	5 164 144
Long service awards - Current portion	992 837	433 819
	6 436 468	**5 597 963**

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

	2024	2023 Restated
Long service awards		
Opening balance	5 597 963	5 408 489
Net expense or (gain) recognised in the statement of financial performance	838 505	189 474
	6 436 468	**5 597 963**

Net expense or (gain) recognised in the statement of financial performance in Employee cost.

	2024	2023 Restated
Current service cost	422 870	438 940
Interest cost	577 387	550 026
Benefit vesting	(564 626)	(487 428)
Acturial (gains) or losses	402 874	(312 064)
	838 505	**189 474**

Key assumptions used at the reporting date:

	2024	2023 Restated
Average retirement age	63 years	63 years
Discount rates used	10.15%	10.73%
Expected increase in salaries	5.68%	6.38%

Figures in R	2024	2023 Restated

16. Value Added Tax

VAT Payable	12 414 007	1 377 169
	12 414 007	**1 377 169**

The municipality accounts for Value Added Tax on accrual basis for financial reporting purposes and on the cash basis for submissions of VAT 201 reports to SARS.

17. Service charges

Refuse removal (Lebowakomo)	7 413 747	6 793 829
Landfill proceeds	1 614	7 565
Sewerage charges	-	1 304
Connection fee	3 848	344
	7 419 208	**6 803 042**

18. Rental of facilities and equipment

Rental of Communication Network	283 524	327 098
Rental of facilities	83 043	70 174
	366 567	**397 271**

Operating leases - as lessor (income)

Certain of the municipality's properties are held to generate rental income. At the reporting date the Municipality has operating lease agreements with various ternants. The minimum lease receivable under operating leases will fall due as follows:

2024

	Not later than one year	in second to fifth year inclusive	later than five years
Minimum lease receivable	99 993	381 927	6 896 447

2023

	Not later than one year	in second to fifth year inclusive	later than five years
Minimum lease receivable	91 646	378 254	7 000 112

Notes to the Financial Statements

Figures in R	2024	2023 Restated
19. Water and Sanitation : Commission earned		
Commission received from sale of water	34 924 139	35 240 491
	34 924 139	**35 240 491**

Lepelle-Nkumpi Muncicipality entered into a principal agent relationship with the Capricon District Municipality (CDM) whereby the Municipality performs collection of revenue relating to water and sanitation on behalf of the District Municipality.

Lepelle-Nkumpi Muncicipality is the agent as defined in GRAP 109 as it has been directed by Capricon District Municipality (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

The current signed SLA allows Lepele-Nkumpi to receive 30% of the revenue collected during the current year (2023: 30%). There were no changes to significant terms and conditions during the reporting period.

There are no significant risks attached to the arrangement.

Refer to Note11 for details of the liability resulting from the arrangement,

	2024	2023 Restated
20. Agency fees: Licences and permits		
Licences and permits: Department of transport	5 390 211	5 564 422
	5 390 211	**5 564 422**

Lepelle-Nkumpi Muncicipality entered into a principal agent relationship with the Department of Transport (DOT) whereby the Municipality performs vehicle registration and licencing functions on behalf of the Department of transport.

Lepelle-Nkumpi Muncicipality is the agent as defined in GRAP 109 as it has been directed by Department of Transport (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

Lepelle-Nkumpi Muncicipality receives a fixed fee of 20% of all monthly revenue collected in respect of licencing and registration of motor vehicles and shall deposit 80% of the said revenue collected on a monthly basis to Department of Transport Account on or before the 15th day of each month. There were no changes to significant terms and conditions during the reporting period.

There are no significant risks attached to the arrangement.

Refer to Note11 for details of the liability resulting from the arrangement,

Notes to the Financial Statements

Figures in R	2024	2023 Restated
21. Other Revenue		
Application fees: pto - residential	1 461	750
Transfer of property	93 157	83 489
Advertising boards	10 435	-
Burial fees	90 661	90 539
Building plans: bussiness and residential	552 475	223 065
Building plans : Rural	-	2 829
Connection fees	42 320	50 155
Skills development program	190 653	189 824
Application fees: pto - bussiness	7 986	17 047
Consolidation fees	5 043	7 088
Drain blockage	925	505
Rezoning application	6 435	2 776
Gain on inventory write down reversal	191 322	3 595
Instructor certificate	498	592
Clearance certificate	52 591	45 844
Proof of residence	126 667	114 473
Special consent	16 957	17 377
Stop Clock	108	281
Mortgage Bonds	9 165	14 366
Sundry Income	285 785	1 228 019
Relocations of Beacons	2 348	-
Reconnection fees	167	1 432
Trading	3 115	-
Sale of Sites	303 131	1 191 589
Leave provision charge	279 317	-
	2 272 721	**3 285 636**

22. Finance Income - Exchange

	2024	2023 Restated
Interest receivable - Exchange receivables	4 896 965	4 410 929
Interest receivable - External Investments	44 842 023	25 803 273
Interest receivable - Current accounts	397	6 720
	49 739 385	**30 220 922**

23. Finance Income - Non-exchange

	2024	2023 Restated
Interest receivable - Non-Exchange receivables	17 139 139	16 946 132
	17 139 139	**16 946 132**

Figures in R	2024	2023 Restated

24. Property rates

Rates received		
Residential	21 264 179	18 038 205
Commercial	6 554 241	6 215 605
State	10 958 087	10 407 704
Agriculture	4 330 327	4 303 567
	43 106 834	**38 965 081**

Valuations		
Residential	3 624 013 150	3 281 762 200
Commercial	821 450 000	850 790 000
State	2 305 542 610	2 299 345 560
Agriculture	3 719 525 000	3 698 680 000
	10 470 530 760	**10 130 577 760**

Valuations on land and buildings are performed every five years. The last valuation came into effect on 1 July 2022. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Figures in R	2024	2023 Restated

25. Government grants and subsidies

Operating grants

Equitable share	319 605 000	301 329 053
Finance management grant	1 038 130	1 629 784
EPWP	1 244 000	1 370 864
	321 887 130	**304 329 701**

Capital grants

Municipal Infrastructural Grant	20 014 664	39 683 924
Department of Minerals & Energy - INEP	-	340 990
Municipal disaster grant	7 161 332	-
	27 175 997	**40 024 914**
	349 063 126	**344 354 614**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Equitable Share

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

Finance Management Grant (FMG)

Balance unspent at beginning of year	370 217	280 239
Current-year receipts	2 000 000	2 000 000
Conditions met - transferred to revenue	(1 038 130)	(1 629 784)
Withheld	(370 217)	(280 239)
Unspent amount transferred to liabilities	**961 870**	**370 217**

Conditions still to be met - remain liabilities (see note 13).

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	21 051 076	16 827 215
Current year receipts	60 029 000	60 735 000
Conditions met - transferred to revenue	(20 014 664)	(39 683 924)
Withheld	(9 943 647)	(16 827 215)
Unspent amount transferred to liabilities	**51 121 765**	**21 051 076**

Conditions still to be met - remain liabilities (see note 13).

Figures in R	2024	2023 Restated

Government grants and subsidies continued...

This grant were used to construct municipal infrastructure to provide basic services for the benefit of poor households.

Intergrated National Electrification Programme (INEP)		
Balance unspent at beginning of year	5 533 000	989 990
Current-year receipts	2 940 000	5 000 000
Conditions met - transferred to revenue	-	(340 990)
Withheld	(5 000 000)	(116 000)
Unspent amount transferred to liabilities	**3 473 000**	**5 533 000**

Conditions still to be met - remain liabilities (see note 13).

This grant were used to construct municipal infrastructure to provide basic services for the benefit of poor households.

EPWP		
Balance unspent at beginning of year	9 136	-
Current year receipts	1 244 000	1 380 000
Conditions met - transferred to revenue	(1 244 000)	(1 370 864)
Withheld	(9 136)	-
Unspent amount transferred to liabilities	-	9 136

Conditions still to be met - remain liabilities (see note 13).

CDM:Refurbishment of Mamaolo Hall		
Balance unspent at beginning of year	6 135	6 135
Unspent amount transferred to liabilities	**6 135**	**6 135**

Conditions still to be met - remain liabilities (see note 13).

CDM:Seleteng Diamond Softball		
Balance unspent at beginning of year	300 000	300 000
Unspent amount transferred to liabilities	**300 000**	**300 000**

Conditions still to be met - remain liabilities (see note 13).

CDM Eradication of Alien Plants		
Balance unspent at beginning of year	16 455	16 455
Unspent amount transferred to liabilities	**16 455**	**16 455**

Conditions still to be met - remain liabilities (see note 13).

Notes to the Financial Statements

Figures in R	2024	2023 Restated

Government grants and subsidies continued...

CDM Integrated Transport plan

Balance unspent at beginning of year	377 308	377 308
Unspent amount transferred to liabilities	**377 308**	**377 308**

Conditions still to be met - remain liabilities (see note 13).

CDM Waste management Cleaning

Balance unspent at beginning of year	(40 000)	(40 000)
Transfered to Receivables	**(40 000)**	**(40 000)**

Conditions were met and the grant was overspent by R40 000 during the 2019 financial year. This amount is disclosed under debtors. (see note 4).

Disaster management grant

Balance unspent at beginning of year	4 500 000	7 599
Current year receipts	15 000 000	4 500 000
Conditions met - transferred to revenue	(7 161 332)	-
Witheld	-	(7 599)
Unspent amount transferred to liabilities	**12 338 668**	**4 500 000**

Conditions still to be met - remain liabilities (see note 13).

26. Fines

Fines - Traffic Municipal	708 144	649 950
Fines - Pound fees	774	36 809
	708 918	**686 759**

27. Fair value gains or (losses)

Fair value on land	4 607 958	3 909 146
Actuarial gain/ (loss) on remeasurement of Long service award.	(402 874)	312 064
	4 205 084	4 221 210

In 2023/2024 financial year, a revaluation was performed on Investment properties which consists of vacant land (encroached land, residential stands, business stands and shopping malls).

Figures in R	2024	2023 Restated
28. Employee related Cost		
Basic	62 422 002	62 159 756
Bonus	4 966 294	4 910 451
Medical aid - company contribution	3 955 011	3 779 829
UIF	413 199	427 234
SALGBC	24 638	24 430
Leave pay provision charge	0	618 138
Pension Funds - Company contribution	11 997 841	11 915 306
Other allowances	10 159 211	10 539 701
Overtime payments	1 718 710	1 765 049
Long-service awards	422 870	438 940
Acting allowances	1 406 183	1 685 454
Housing benefits and allowances	265 536	279 249
FMG Intern allowance	300 000	343 560
	98 051 494	**98 887 098**

Other allowances include Travel, motor car, accommodation, subsistence, standby, data, cellphone, uniforms and scarcicity allowances.

Remuneration of Acting Municipal Manager - Diale D.s (Mar 2024 - Current)		
Acting allowance	87 066	-
	87 066	**-**

Remuneration of Municipal Manager - Monyepao M.A (From 1 October 2022 to current)		
Annual Remuneration	982 646	465 278
Car Allowance	413 117	278 401
Contributions to UIF, Medical and Pension Funds	267 618	190 461
Other allowances	36 000	27 000
	1 699 381	**961 140**

The Municipal Manager is currently on precautionery leave.

Remuneration of Acting Municipal Manager - Mankga K.G (Upto 30 Sept 2022)		
Acting allowance	-	5 177
	-	**5 177**

Remuneration of Chief Financial Officer - Diale D.S (Nov 2023 - Current)		
Annual Remuneration	629 986	-
Car Allowance	160 000	-
Contributions to UIF, Medical and Pension Funds	2 834	-
Other allowances	24 000	-
	816 820	**-**

Notes to the Financial Statements

Figures in R	2024	2023 Restated
Employee related Cost continued...		
Remuneration of Chief Financial Officer - Mankga K.G (Upto 31 Jan 2023)		
Annual Remuneration	-	337 358
Car Allowance	-	178 890
Contributions to UIF, Medical and Pension Funds	-	106 832
Other allowances	-	21 000
	-	712 773
Remuneration of Executive Managers		
Acting Executive Manager: Technical Services - Ramuseteli M.B (Dec 2023 - Current)		
Acting allowance	8 386	-
Severence package	-	-
	8 386	-
Acting Executive Manager: Community Services - Mametja M.Z. (July 2023 - Current)		
Acting allowance	39 724	-
	39 724	-
Acting Executive Manager: Corporate Services - Maphoru L.D (April 2024 - Current)		
Acting allowance	2 929	-
	2 929	-
Executive Manager: Corporate Services - Nogilana Raphela P.F (Up to Dec 2022)		
Annual Remuneration	-	307 076
Car Allowance	-	133 182
Bonuses	-	42 505
Contributions to UIF, Medical and Pension Funds	-	143 980
Leave pay out	-	97 251
Other allowances	-	18 000
	-	741 994
Executive Manager: Planning & LED - Chosi S.		
Annual Remuneration	-	54 564
Car Allowance	-	25 556
Contributions to UIF, Medical and Pension Funds	-	15 262
Leave pay out	-	22 898
Other allowances	-	4 000
	-	122 279

Figures in R	2024	2023 Restated
Employee related Cost continued...		
Acting Executive Manager: Planning & LED - Mphahlele T (April 2024 -Current)		
Acting allowance	2 929	-
	2 929	**-**

29. Remuneration of councillors

	2024	2023 Restated
Mayor	967 383	967 383
Chief Whip	737 290	737 290
Speaker	783 308	783 308
Executive Committee Members	4 804 646	4 772 008
Councillors	15 586 089	15 599 683
MPAC and Ethics oversite members	1 146 053	1 144 216
	24 024 770	**24 003 887**

The Mayor, Speaker and Chief Whip are employed on a full-time. Each is provided with an office and secretarial support. The Mayor and the Speaker have use of a Council owned vehicle.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding at 30 June 2024:

30-Jun-24	Outstanding less than 90 days	Outstanding more than 90 days	Total
Mollo M.I	799	526	1 325
	799	526	**1 325**

30-Jun-23	Outstanding less than 90 days R	Outstanding more than 90 days R	Total
Mollo M.I	735	-	735
	735	-	735

30. Depreciation, Amortisation and Impairment

	2024	2023 Restated
Depreciation - Property, plant and equipment	31 306 488	30 575 537
Impairment of assets - Property, plant and equipment	3 930 761	1 408 391
	35 237 249	**31 983 928**

31. Finance cost

	2024	2023 Restated
Interest on long service award	577 387	550 026
Interest on provision for landfil rehabilitation	146 254	219 222
	723 641	769 248

Notes to the Financial Statements

Figures in R	2024	2023 Restated
32. Provision for impairment adjustment		
Provision for impairment - CDM water	31 908 088	35 579 928
Provision for impairment - Refuse	9 723 328	8 985 921
Provision for impairment - Traffic fines	528 989	545 947
Provision for impairment - Rates	47 078 711	33 510 577
	89 239 115	**78 622 373**

The provision for impairment adjustment movement for the year has been calculated as follows:

Provision per Statement of Financial Position	30-Jun-24	30-Jun-23	Movement charged to Statement of Financial Performance
CDM advance commission	228 059 336	196 151 248	31 908 088
Refuse	87 081 044	77 357 716	9 723 328
Traffic fines	1 013 548	2 243 477	(1 229 929)
Rates	297 903 828	250 825 117	47 078 711
	614 057 755	**526 577 558**	**87 480 197**
Adjustment due to write off			
Traffic fines			1 758 918
			89 239 115

Figures in R	2024	2023 Restated
33. Contracted services		
Security services	16 477 660	17 084 300
Landfill site	2 176 949	3 303 639
Forensic services	438 487	394 925
Legal fees	7 448 367	9 694 575
Consulting and professional fees	8 268 365	14 686 803
Repairs and maintenance	11 985 514	15 524 684
Expenditure on third party projects	2 560 666	1 255 563
Other	5 570 913	4 095 971
	54 926 920	**66 040 460**
34. Other materials		
Inventories and stores - Materials and supplies	1 143 427	1 044 792
Cleaning materials	278 824	269 654
Environmental waste management	45 201	1 739
R&M materials	232 025	576 470
	1 699 477	**1 892 656**

Figures in R	2024	2023 Restated
35. General Expenses		
Accommodation and meals	662 278	1 254 479
Advertising	62 270	825 708
Audit fees	6 236 937	5 639 538
Bank charges	52 813	77 200
Commission on SAPO/easy pay deposits	465 821	442 259
Bursaries - staff	31 937	81 392
Refreshments: Mayor's office	27 318	67 117
Bad debts writen off	6 990 487	9 116 403
Insurance	2 283 697	2 231 317
Council: Function	567 774	1 790 210
Inventory write down	877 151	850 380
Assessment rates and Municipal charges	2 799	104 380
Council: skills development levy	12 801	4 855
Council: travel & subsistance	784 409	895 518
IT support services	873 878	384 126
Municipal vehicles - fuel	2 627 512	3 002 509
Municipal fleet - licensing	339 710	489 554
Postage	882 115	664 465
Printing & stationary	55 551	63 108
Internal audit services	17 793	8 875
Protective clothing	2 713 461	1 076 520
Membership fees	1 694 097	1 680 014
Subscriptions and system licencing	2 638 427	5 706 699
Telephone and fax	673 121	716 375
Subsistance and travelling allowance	2 187 386	2 053 769
Skills development levy	951 413	947 689
Free basic Electricity	2 644 109	2 632 221
Ward committees	5 368 500	5 311 500
Workmen's compensation	500 503	494 090
Recruitment expenses	141 812	276 416
Municipal services	11 291 434	10 599 412
Hire charges	468 087	744 725
Signage	-	29 900
Deeds	73 499	675 133
Registration fees	8 325	217 275
	55 211 166	**61 156 695**

36. Loss (Gain) on disposal		
Disposal of assets	515 899	1 618 948
Disposal of liabilities	(195 889)	-
	320 010	**1 618 948**

Notes to the Financial Statements

Figures in R	2024	2023 Restated

37. Cash flows from operating activities

Surplus for the year	**154 901 490**	**119 205 760**
Adjustments for:		
Depreciation and amortisation	35 237 250	31 983 928
Employee benefit obligation adjustment	838 505	189 474
Leave and bonus provision	(611 970)	(94 543)
Fair value adjustments	(4 205 084)	(4 221 210)
Impairment adjustment	89 239 115	78 622 373
Gain on sale of sites	(303 131)	(1 191 589)
Gain on inventory write down reversal	(191 322)	(850 380)
Loss/ (profit) on disposal of assets	320 010	1 618 948
Bad debts written off	6 990 487	9 116 403
Non cash finance cost	723 641	769 248
Other PPE movements - non cash item	-	(919 900)
Non cash other revenue (Lease straightlining)	97 409	136 572
Efferects of prior period errors	-	758 191
Other non-cash items	289 829	400 938
Change in operating assets and liabilities:		
Inventories	(552 291)	549 839
Receivables from non-exchange transactions	(45 367 362)	(37 267 693)
Other receivables from exchange transactions	(43 081 381)	(28 420 289)
Payables from exchange transactions	(22 649 380)	11 951 491
VAT Payable	11 036 837	(136 519)
Unspent conditional grants and receipts	36 431 874	13 358 386
Consumer deposits	40 000	40 400
Net cash flows from operations	**219 184 526**	**195 599 828**

38. Commitments

Authorised Capital commitments

Already contracted for but not provided for		
Property, plant and equipment	51 844 631	27 102 682
Prior period error. Refer to Note 39	-	(405 646)
	51 844 631	**26 697 036**
Total capital commitments		
Already contracted for but not provided for	51 844 631	26 697 036
Total Commitments		
Authorised capital expenditure	51 844 631	26 697 036
	51 844 631	**26 697 036**

39. Prior year adjustments and reclassifications

The following prior period errors were identified and the corrections have now been made to amounts previously reported in the annual financial statements of the Municipality.

Inventories

Inventories were understated by R17 000 due to items of inventory that were incorrectly expensed twice. The error occured during the 2020 financial year

Property, plant and equipment

Property, plant and equipment was overstated by R11 005 905 due to the following:
- Invoices amounting to R1 681 167 which were incorrectly accrued. The error occured during 2020/21 financial year.
- Expenditure relating to INEP projects incorrectly capitalised as WIP amounting to R9 324 738. R1 255 563 was incorrectly capitalised in 2023 financial year while R8 069 175 relates to periods prior to 2023 financial year.

Receivables from exchange transactions

Receivables from exchange transactions were understated by R150 829 due to the following:
- Recoveries amounting to R12 425 from councillors not raised as debtors. The error occured during the 2022/23 financial year.
- Incorrect calculation of impairment based on incorrect policy resulting in understatement of impairment resulting in overstatement by (R265 179).
- Understatement of sundry debtors by R403 583 due to debit orders for fuel and repairs and maintenance incorrectly expensed.

Receivables from non-exchange transactions

Receivables from non-exchange transactions were understated by R4 521 443 due to the following:
- Overstatement by R438 321 due to VAT incorrectly accounted for on fuel and cash incorrectly accounted for as income.
- Understatement due to incorrect calculation of impairment based on incorrect policy resulting in overstatement of impairment by R6 916 746.
- Overstatement by R3 365 691 due to incorrect treatment of VAT on payment of previously accrued invoices.
- Overstatement by R104 979 being VAT accounted on duplicate invoices and incorrectly accrued invoices.
- Understatement by R136 518 being VAT on electricity services not accounted for correctly.
- Understatement by R1 377 169 being Net VAT payable incorrecly classified as receivables.

Cash and cash equivalents

Cash and cash equivalents was overstated by R25 221 due to petty cash transactions not expensed in the previous periods.

Prior year adjustments and reclassifications continued...

Payables from exchange transactions

Payables from exchange transactions were overstated by R7 489 088 due to the following:
- Understatement by (R912 871) due to accrual relating to councillors' back pay not raised during the 2022/23 financial year.
- Understatement by (R440 500) relating to invoice not raised as accruals during 2021/22 financial year.
- Overstatemet by R3 365 691 due to incorrect treatment of VAT on payment of previously accrued invoices. The error occured during 2020/21 and 2021/22 financial years.
- Overstatement due to invoices amounting to R61 675 and R144 567 incorrectly accrued twice during the 2022/23 financial year.
- Overstatement due to invoice amounting to R1 771 546 incorrectly accrued and capitalised. The error occured during 2020/21 financial year.
- Overstatement of Unallocated deposits by R4 340 350 due to inclusion of insurance claims on loss of assets.
- Understatement by R1 046 640 due to Eskom Municipal services and free basic electricity incorrectly accounted for on cash basis.
- Overstatement of Unallocated deposits by R205 270 due to failure to recognise revenue on properties transferred.

There was a reclassification of R570 088 from Unallocated deposits to Monies witheld for land sales. The reclassification did not have a financial impact as both items fall within the same financial statements line item.

VAT Payable

VAT Payable was understated by R1 377 169 due to incorrect classification of the Net VAT payable as a receivable.

Councillors' remuneration

Councillors remuneration was understated by R900 445 due to backpay amounting to R912 870 which was not accounted for in the 2022/23 financial year and an overpayment of councillors' allowances amounting to (R12 425)

Contracted services

Contracted services were overstated by R115 416 due to invoices incorrecly accrued twice amounting to R53 631 and R125 710 respectively, and an amount of (R63 925) on repairs and maintenance of fleet incorrectly accounted for during the 2022/23 financial year.

General expenses

General expenses was understated by R883 284 due to understatement by R910 123 as a result of incorrect accounting of electricity and overstatement by R26 839 due to fuel for the fleet incorrectly accounted for during the 2022/23 financial year..

Provision for impairment adjustments

Provision for impairment adjustments was overstated by R6 651 567 due to incorrect calculation based on incorrect accounting policy.

The municipality's bad debts and write off policy was not in line with the provisions of GRAP 104 para 61 in that it did not provide for the discounting of expected future cash flows. The policy was revised and approved by council.

Depreciation

Depreciation was overstated by R10 112 due to the effect of invoive incorrectly accrued. The error occured during 2022/23 financial year.

Cashflow statement

The cashflow statement for the 2022/23 financial year was restated for the effects of the errors above.

Prior year adjustments and reclassifications continued...

The impact of the error(s) results in adjustment as follows:
Statement of financial position

	Previously reported	Correction of prior period error	Reclassification	Restated balance
Inventories	106 259 835	17 000	-	106 276 835
Reveivables from exchange transactions	19 483 238	150 829	-	19 634 067
Receivables from non-exchange transactions	12 822 894	3 144 273	1 377 169	17 344 336
Property, plant and equipment	753 258 790	(11 005 905)	-	742 252 885
Cash and cash equivalents	546 945 387	(25 221)		546 920 166
Payables from exchange transactions	(97 232 068)	7 489 089	-	(89 742 979)
VAT Payable	-	-	(1 377 169)	(1 377 169)
Accumulated surplus	(1 412 918 277)	229 935		(1 412 688 342)
	(71 380 201)	**(0)**	**-**	**(71 380 201)**

Notes to the Financial Statements

Figures in R	2024	2023 Restated

Prior year adjustments and reclassifications continued...

Statement of Financial Performance

	Previously reported	Correction of prior period error	Reclassification	Restated Amount
Remuneration of councillors	(23 103 442)	(900 445)	-	(24 003 887)
General expenses	(60 273 412)	(883 284)	-	(61 156 696)
Contracted services	(64 900 313)	115 416	-	(64 784 897)
Provision for impairment adjustment	(85 273 940)	6 651 567		(78 622 373)
Depreciation, impairment and amortisation	(31 994 040)	10 112	-	(31 983 928)
Surplus for the year	(115 467 958)	(5 903 489)	-	(121 371 447)
	(381 013 105)	**(910 123)**	-	**(381 923 228)**

Disclosures

Commitments

Capital commitments were overstated by R405 646 due to payment not accounted for in the previous financial year.
Operational commitments were overstated by R6 702 037 due to inclusion of operational commitments.

Figures in R	2024	2023 Restated

40. Contingencies

		2024	2023
1	DAVID MAKGADI - The municipality is sued for an amount of R72 435.17 for vehicle collision.	72 435	72 435
2	PETER MAKWELA - The municipality is sued for an amount of R812 818.10 for non- allocation a developed land for business despite been requested to do so.	812 818	812 818
3	ZACHARIAS JACOBUS PRINSLOO DU TOIT - the municipality is sued an amount of R405 050.00 for negligence conduct.	405 050	405 050
4	MODIBA GOLOLO - The municipality is sued for an amount of R13 229.87 for negligence conduct.	13 300	13 230
5	DITSIO HUDSON MOLABA - The municipality is sued for an amount of R220 000.00 for unlawful arrest, assault and detention without a warrant of arrest.	220 000	220 000
6	PHILLIP MADIMETJA - The municipality is sued for an amount of R60 000.00 for loss of income.	60 000 000	60 000 000
7	MAHLOLO CHARLES RATHANGA - The municipality is sued for an amount R335 000.00 for breach of contract.	335 000	335 000
8	Lerato Faith Kekana//Eva Prankie Ledwaba, the applicant instituted a claim against the respondent for damages as a result of her alleged unlawful arrest	155 000	155 000
9	CV CHABANE & ASSOCIATES (PTY) LTD - The municipality is been sued an amount R2 882 190.28 for services rendered.	2 882 190	2 882 190
10	MPHAHLELE RAESETJE DIKELEDI - The municipality is sued for an amount of R40 000 for negligence conduct.	-	45 000
11	LEGODI FRANCINAH - The municipality is sued for an amount of R27 947.10 for damages.	-	27 947
12	SELLO SILAS SETHOSA - The municipality is sued for an amount of R80 610.52 for vehicle collision.	80 611	80 611
13	Mashabane Jacob Ndhlozi - it is alleged that the Municipality has unlawfully and wrongly demolished the plaintiff's building structure and as a result the plaintiff suffered financial loss	17 500 000	17 500 000
14	Mokoni Elmon Mabu - suing the Municipality for unlawful arrest and detention	350 000	350 000
15	Wanthla Architects lodged a copyright claim against the Municipality	4 474 963	4 474 963
16	Ledwaba Ndlovu Traditional and 71 others - it is alleged the Municipality wrongfully turned the arable field of GaLedwaba into a cemetery yard since 1976	-	50 000
17	Inzalo Enterprise Management (formerly Sebata Municipal Solutions) - Municiplality cancelled their contract due to non performance	4 943 578	4 945 572
18	Mmolawa kootsohle //LNM Polokwane circuit court Case no: 366/2014 - On the 12/03/2014, The plaintiff issued summons at High Court whereby he alleged that he was unlawfully arrested by the municipal traffic officers and detained in the police cells. And as a result he suffered general and specific damages in the amount of R366 719-40. The municipality instructed an attorney to oppose the matter.	357 510	366 719
19	Koth Property Consultants (Pty) Ltd // LNM - The Municipality received a request for settlement from Koth Property Consultants wherein Koth alleges that that the Municipality appointed Koth as a service provider for the revaluation of properties for purposes of the compilation of the Municipal Valuation roll of the Municipality and as a result owes Koth a balance of R 2,221,200,00 for the work done	2 221 200	2 221 200

Notes to the Financial Statements

Figures in R		2024	2023 Restated
Contingencies continued...			
20	Choshi Abel Mathobela// Lepelle Nkumpi Local Municipality - We received instruction to defend an action brought against the municipality wherein the plaintiff alleges that his motor vehicle was damaged as a result of hitting a pothole on the road belonging to the Municipality and as a result is claiming R12 325, 09 for damages.	12 325	12 325
21	Municipal rates debt collection. Summons sent to the sheriff.	-	-
22	Dux Auto Electrical services/LNM - The Plaintif issued summons against the Municipality for services rendered which the Municipality did not pay on the Municipality's plant vehicles.	723 200	-
23	Virginia Mapurutsa/ LNM -Damages suffered by the Claimaint following dismissal from the Municipality	1 414 914	-
		96 974 094	94 970 061

Should the action be successful the municipality does have insurance cover to cover litigation costs and claims.

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

41. Risk Management

Liquidity risk

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

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

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

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	57 011 084	-	-	-

At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	78 836 900	-	-	-

Credit risk

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

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

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

Figures in R	2024	2023 Restated

Risk Management continued...

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

Financial instrument	2024	2023
Receivables from exchange transactions	21 206 860	19 634 067
Cash and cash equivalent	741 833 178	546 920 166

No receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 5 & 4 of the financial statements is an approximation of its fair value. Interest on overdue balances (rates) are included at 10% where applicable.

For financial assets wich are past due and imapired refer to note 5 & 4. None of the financial assets terms have been renegotiated. None of the financial assets were used as security or collateral

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed above.

The entity only enters into non-current investment transactions with major banks with high quality credit standing. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed above.

Interest rate risk

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

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

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

Foreign exchange risk

The municipality does not engage in foreign currency transactions.

Price risk

The municipality is not exposed to price risk.

The municipality does not hedge foreign exchange fluctuations.

Figures in R		2024	2023 Restated

42. Financial Instruments disclosure

Categories of financial instruments

Financial Assets	**Classification**		
Investments			
Short term deposits	Held to maturity	95 596 012	58 221 728
FNB Money market account	Financial instruments at amortised cost	633 240 851	453 093 785
Consumer Debtors			
Receivables from exchange transactions	Financial instruments at amortised cost	21 206 860	19 634 067
Bank Balances and Cash			
FNB Paymaster account	Financial instruments at amortised cost	11 130 723	26 524 260
FNB revenue account	Financial instruments at amortised cost	1 564 305	7 432 761
FNB salaries account	Financial instruments at amortised cost	300 286	1 646 633
Cash Floats and Advances	Financial instruments at amortised cost	1 000	1 000
Summary of Financial Assets		**763 040 037**	**566 554 233**

Financial Liability	**Classification**		
Trade Payables			
Payables from exchange transactions	Financial instruments at amortised cost	57 011 084	78 836 900
Consumer deposits		2 174 561	2 134 561
Summary of Financial Liability		**59 185 645**	**80 971 461**

43. Events after the reporting date

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

Figures in R	2024	2023 Restated

44. Going concern

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

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R1 567 589 830 and that the municipality's total assets exceed its liabilities by R1 567 589 830.

The Council is not aware of any new material changes that may adversely impact the Municipality. The Council is also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Municipality.

45. Fruitless and wasteful expenditure

	2024	2023
Opening balance as previously reported	9 181 517	9 141 420
Restated opening balance	9 181 517	9 141 420
Add: Fruitless and wasteful Expenditure - current year	-	40 097
Less: Amount recovered - current	(56 688)	-
Closing balance	**9 124 829**	**9 181 517**

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	2024	2023
Arrears & Penalties Charged on Licensing of Municipal Vehicles	Under investigation.	-	5 197
Employee related cost	Under investigation	-	11 250
Unused card handling fees	Under investigation	-	9 418
Tracker service not cancelled	Under investigation	-	7 042
Service paid twice	Under investigation	-	7 190
		-	**40 097**

46. Unauthorised expenditure

	2024	2023
Opening balance as previously reported	294 269 974	290 759 244
Add: Unauthorised expenditure for the year	-	3 510 730
Less: Amounts Authorised	(294 269 974)	-
Closing balance	-	**294 269 974**

Unauthorised expenditure for the current year

	2024	2023
Overspending on Vote	-	3 510 730

Notes to the Financial Statements

Figures in R	2024	2023 Restated

47. Irregular expenditure

	2024	2023 Restated
Opening balance as previously reported	79 862 340	426 026 818
Prior period error. Refer to Note 39	-	1 545 359
Opening balance as restated	**79 862 340**	**427 572 177**
Add: Irregular Expenditure - current	4 245 108	40 189 679
Add: Irregular Expenditure relating to expenditure identified in prior year	51 955 418	30 912 478
Less: Irregular expenditure written off - incurred before 1 July 2021	-	(391 805 754)
Less: Irregular expenditure written off - incurred after 1 July 2021	(135 985 337)	(27 006 240)
Irregular expenditure	**77 529**	**79 862 340**

Incidents	Disciplinary steps taken/criminal proceedings	Amount
Bidders for Competitive Bidding who partially completed or whom did not fully complete the bid documents were awarded the bid	Written off	327 421
Bidders for Competitive Bidding whom did not submit the pre-determined documents required were awarded the bid.	Written off	1 093 785
award was made to a service provider who is non –tax compliant	Written off	18 775 889
bidders were awarded bids after the validity period has lapsed	Written off	1 842 203
No deviation approval	Written off	262 960
No deviation approval since the expiry of the 2019 extension	Written off	515 226
Non-submission of Information	Written off	126 551
Request for quotation not sent out at least 14 days before the closing date	Written off	3 606 396
Senior SCM practitioner was not part of the bid adjudication committee during the adjudication and award of the bid	Written off	22 284 506
Winning bidder did not attach municipal rates for director.	Written off	3 120 480
Awarded bidder did not furnish particulars of the service of the state contrary to MBD4.	Written off	3 306 900
One director in the service of the state	Written off	860 679
Overpayment of salaries	Under investigation	77 529
		56 122 996

Figures in R	2024	2023 Restated

48. Additional disclosure in terms of Section 125 Municipal Finance Management Act Section 2003

Contribution to SALGA

Current year subscription / fee	1 679 489	1 542 943
Amount paid - current year	(1 679 489)	(1 542 943)
	-	-

Audit fees

Opening balance	9 436	9 436
Current year fee	6 178 780	5 639 538
Amount paid - current year	(6 082 533)	(5 639 538)
Closing balance	**105 683**	**9 436**

The outstanding audit fees is part of the creditors accruals for the year.

PAYE and UIF

Current year subscription / fee	17 934 086	17 783 333
Amount paid - current year	(17 934 086)	(17 783 333)
Closing balance	-	-

Pension and medical aid deductions

Current year subscription / fee	15 952 852	15 695 136
Amount paid - current year	(15 952 852)	(15 695 136)
Closing balance	-	-

VAT

VAT receivable/(payable)	12 414 007	1 377 169
	12 414 007	**1 377 169**

VAT is payable on the cash basis.

VAT output payables and VAT input receivables are shown in note 16.

Figures in R	2024	2023 Restated

49. Related parties

Key management information

Class	Name	Number
Executive management		
Acting Municipal Managers	Diale DS (March 2024 to current)	1
Municipal Managers	Monyepao MA (October 2022 to current)	1
Chief Financial Officer	Diale DS (Nov 2023 to current)	1
Delegated Chief Financial Officer	Masemola M.N (March 2024 to Current)	1
Acting Director: Community Services	Mametja MZ (July 2023 - Current)	1
Acting Director: Corporate Services	Maphoru L.D (April 2024 - Current)	1
Acting Director: Planning & LED	Mphahlele T (April 2024 -Current)	1
Acting Director: Technical Services	Ramuseteli M.B (Dec 2023 - Current)	1
Council		
Mayor	Molala MM	1
Executive Committee members	Refer under General information for Executive Committee members	11
Councillors	Refer to General Information under Councillors	48

Remuneration of management

2024	Basic salary	Other short term employee benefits	Post employment benefits	Other long term benefits	Other benefits received	Total
Municipal Manager	982 646	767 801	-	-	36 000	1 786 448
Chief Financial Officer	629 986	162 834	-	-	24 000	816 820
	1 612 632	930 635	-	-	60 000	2 603 268

2023	Basic salary	Other short term employee benefits	Post employment benefits	Other long term benefits	Other benefits received	Total
Acting Municipal Manager	465 278	474 039	-	-	27 000	966 317
Chief Financial Officer	337 358	354 415	-	-	21 000	712 773
	802 636	828 454	-	-	48 000	1 679 090

Figures in R	2024	2023 Restated

Related parties continued...

Executive management

2024	Technical Services	Community Services	Corporate Services	Strategic Planning (LED)	Total
Categories					
Annual remuneration	-	-	-	-	-
Acting allowances	8 386	39 724	2 929	2 929	53 968
	8 386	**39 724**	**2 929**	**2 929**	**53 968**

2023	Technical Services	Community Services	Corporate Services	Strategic Planning (LED)	Total
Categories					
Annual remuneration	-	-	307 076	54 564	361 640
Travel, Motor Car, Accomodation and other allowances	-	-	133 182	25 556	158 738
Contribution to UIF, Medical Aid and Pension Funds	-	-	143 980	15 262	159 242
Leave payout	-	-	97 251	22 898	120 149
Bonus	-	-	42 505	-	42 505
Other allowances	-	-	18 000	4 000	22 000
	-	**-**	**741 994**	**122 279**	**864 273**

For more details on remuneration of executive management, please refer to note 28.

Related parties continued...

Councillors

2024

Surname and initials	Basic salary	Allowances	Total
Ledwaba PE	519 294	217 996	737 290
Makgahlele MB	459 566	177 067	636 633
Ramoshaba RS	281 199	139 596	420 795
Matsimela MD	519 294	217 996	737 290
Marema TG	291 266	47 004	338 270
Tlabjane JB	219 116	119 154	338 270
Mollo MI	476 007	187 408	663 416
Makgati MA	291 266	47 004	338 270
Mphofela SM	555 024	47 004	602 028
Takalo ME	219 116	119 154	338 270
Phele RS	219 116	119 154	338 270
Mphahlele TJ	219 116	119 154	338 270
Masebe BN	122 027	47 108	169 135
Molala MM	747 808	219 575	967 383
Mphogo RJ	219 116	119 154	338 270
Hlongoane HM	219 116	119 154	338 270
Mhlobogane MD	249 456	88 814	338 270
Makhafola SJ	219 116	119 154	338 270
Kgaphola LK	153 234	83 018	236 252
Ramothole TR	219 116	119 154	338 270
Thobejane CM	185 082	100 486	285 569
Kekane MA	219 116	119 154	338 270
Ntsoane NP	219 116	119 154	338 270
Mphahlele MJ	285 651	138 631	424 282
Mathabatha RE	219 116	119 154	338 270
Mogodi MM	231 252	107 018	338 270
Sello SG	648 723	88 567	737 290
Molomo RO	289 704	142 397	432 101
Matibidi MI	219 116	119 154	338 270
Mokone SM	219 116	119 154	338 270
Lekgoathi FP	219 116	119 154	338 270
Kekana MS	219 116	119 154	338 270
Maphoto ME	291 266	47 004	338 270
Makhafola TH	219 116	119 154	338 270
Mmako NS	219 116	119 154	338 270
Maleka PI	219 116	119 154	338 270
Moeti TL	219 116	119 154	338 270
Mazwi DP	289 704	142 397	432 101
Phogole ML	219 116	119 145	338 261
Mahlatji MA	219 116	119 154	338 270
Mphahlele KP	236 654	101 616	338 270
Nthlane LJ	219 116	119 154	338 270
Mphoso MW	236 654	101 616	338 270
Ledwaba MW	219 116	119 154	338 270
Muthwa LS	219 116	119 154	338 270
Kekana MP	243 388	94 882	338 270
Nkoabela NJ	736 304	47 004	783 308

Figures in R		2024	2023 Restated

Related parties continued...

Mgomezulu LJ	219 116	119 154	338 270
Tsela FD	73 483	39 274	112 757
Nkoana RTF	289 704	142 397	432 101
Ramaremo MB	219 116	119 154	338 270
Phaahla SS	219 116	119 154	338 270
Mathabatha MD	219 116	119 154	338 270
Lebese JM	236 654	101 616	338 270
Mphahlele MTR	121 224	58 818	180 042
Modula MA	273 728	64 542	338 270
Shogole MW	219 116	119 154	338 270
Maja AD	219 116	119 154	338 270
Kekana L	294 988	129 293	424 282
Motau ME	234 299	103 971	338 270
Molaba FR	188 339	86 784	275 123
Kobo MA	82 746	13 353	96 099
Maluleka TL	159 503	25 740	185 243
Mokalapa MS	97 089	15 668	112 757
Maenetja T	45 378	7 323	52 701
Nkuna W	16 991	2 742	19 732
			24 024 770

Related parties continued...

2023

Surname and Initials	Basic salary	Allowances	Total
Ledwaba PE	550 607	182 541	733 148
Makgahlele MB	530 079	193 342	723 421
Ramoshaba RS	295 697	125 098	420 795
Matsimela MD	550 607	182 541	733 148
Marema TG	293 870	44 400	338 270
Rababale SM	293 933	121 466	415 399
Tlabjane JB	235 581	102 689	338 270
Mollo MI	288 194	52 464	340 658
Makgati MA	293 870	44 400	338 270
Mphofela SM	702 109	44 400	746 509
Takalo ME	235 581	102 689	338 270
Phele RS	235 581	102 689	338 270
Mphahlele TJ	258 965	79 305	338 270
Masebe BN	223 890	114 380	338 270
Molala MM	922 983	44 400	967 383
Mphogo RJ	235 581	102 689	338 270
Hlongoane HM	229 735	108 535	338 270
Mahlobogane MD	241 257	97 013	338 270
Makhafola SJ	229 735	108 535	338 270
Kgaphola LK	241 257	97 013	338 270
Ramothole TR	235 581	102 689	338 270
Thobejane CM	235 581	102 689	338 270
Kekane MA	235 582	102 689	338 270
Ntsoane NP	235 581	102 689	338 270
Mphahlele MJ	235 581	102 689	338 270
Mathabatha RE	235 581	102 689	338 270
Lekgoathi S	293 933	121 466	415 399
Mogodi MM	235 581	102 689	338 270
Sello SG	554 749	182 541	737 290
Molomo RO	310 635	121 466	432 101
Matibidi MI	235 581	102 689	338 270
Mokone SM	235 585	102 689	338 274
Lekgoathi FP	235 581	102 689	338 270
Kekana MS	235 581	102 689	338 270
Maphoto ME	293 870	44 400	338 270
Makhafola TH	235 581	102 689	338 270
Mmako NS	235 581	102 689	338 270
Maleka PI	235 581	102 689	338 270
Moeti TL	235 581	102 689	338 270
Mazwi DP	310 635	121 466	432 101
Phogole ML	235 585	102 662	338 247
Mahlatji MA	282 348	55 922	338 270
Mphahlele KP	293 870	44 400	338 270
Nthlane LJ	235 581	102 689	338 270
Maphoso MW	293 870	44 400	338 270
Ledwaba MW	235 411	102 859	338 270
Muthwa LS	229 735	108 535	338 270

Notes to the Financial Statements

Figures in R		2024	2023 Restated
Related parties continued...			
Kekana MP	235 411	102 859	338 270
Nkoabela NJ	738 908	44 400	783 308
Mngomezulu LJ	235 581	102 689	338 270
Tsela FD	229 735	108 535	338 270
Nkoana RTF	310 635	121 466	432 101
Ramaremo MB	235 581	102 689	338 270
Phaahla SS	235 581	102 689	338 270
Mathabatha MD	229 735	108 535	338 270
Lebese JM	288 194	50 076	338 270
Mphahlele MTR	310 635	121 466	432 101
Modula MA	235 581	102 689	338 270
Shogole MW	229 735	108 535	338 270
Kekana KJ	97 957	13 900	111 857
Maja AD	190 067	35 746	225 813
Motau ME	15 584	2 355	17 939
Kekana L	15 584	2 355	17 939
	18 027 568	**5 974 702**	**24 002 270**

Councillors' arrear consumer accounts owing

For more information on councillors's arrear consumer accounts, please refer to note 29.

Figures in R	2024	2023 Restated

50. 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 and includes a note to the annual/interim 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/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned

Supplier Name	Services provided	Reason for deviation	2024 Amount
Government Printing Works	Publishing of public notice on government gazette	Sole provider, impractical to get 3 quotes	1 009
Gijima Holdings	Assessments for 15 people for the recruitment of Executive manager positions	The Municipality has interviewed section 57 managers. As per regulation for appointment of section 56/7 managers, the competency assessment process should be done within 21 days after the interviews. Based on the urgency and pressure from shortage of staff.	108 000
Leon Swart Forensic	Leon Swart Forensic	Sec 3(a) of the displinary regulations for senior managers request thatcouncil should apoint an investigator within 7 days.	498 560
Pay-day Software Systems	Technical Support for preparation of annual SARS reconcilliation submission	The municipality is currently using Pay day- Software system for HR and Payroll operations, Pay day is the system owner therefore it is impractical to get at least three quotations	28 382
The Institute of Internal Auditors South Africa	Annual registration of 03 Officials in the Audit section	Sole provider, impractical to get 3 quotes	8 875
The Institute of Internal Auditors South Africa	Conference registration fee for Internal Audit on the 8th May 2024	IIASA is a sole provider, therefore it is impractical to get at least three quotations	3 824
The Institute of Internal Auditors South Africa	Conference registration fee for Internal audit from 09-10 May 2024	IIASA is a sole provider, therefore it is impractical to get at least three quotations	5 750

Notes to the Financial Statements

Figures in R			2024	2023 Restated

Deviation from supply chain management regulations continued...

The Institute of Internal Auditors South Africa	Renewal of Annual Membership registration of 03 Officials in the Internal Audit section	IIASA is a sole provider, therefore it is impractical to get at least three quotations.		10 255
State Information Technology Agency	Registration fee for Mayor to attend annual Govtech Conference hosted by SITA on 12-14 September 2023	Sole provider		16 800
Opto Africa Holdings	Repairs and maintance of landfill computer	Landfill site has a weighbridge which is used for recording of waste that is brought to the site on daily basis.		46 544
The Public Relations Institute of South Africa	Registration fee for two officials attending PRISA training on advanced public relations writing on 9 to 13 October 2023	PRISA is hosting a training session about advanced public relations writing; it is impratical to receive three quotes.		36 216
				764 215

Figures in R	2024	2023 Restated

51. Budget information and explanation of differences

Presentation of budget information
The budget is approved on an accrual basis by functional classification.

The approved budget covers the period from 1 July 2023 to 30 June 2026.

The Statement of Comparison of Budget and Actual Amounts has been included in the annual financial statements as a separate additional financial statement.

Material changes from the approved budget to the final budget
Statement of financial performance

Figures in R	2024	2023 Restated

Budget information and explanation of differences continued...

Interest earned from Receivables	The adjustment was due to anticipation of new occupations in Unit H and Q.
Interest earned from Current and Non Current Assets	The Municipality earned more interest than anticipated on investments and call accounts which was then adjusted upwards to curb under budgeting.
Operational Revenue	The reduction of R18M budget for the sale of sites is as a result of finalising the correct processes in terms of land disposals.
Fines, penalties and forfeits	The reduction was due to low collection rate and non-payment of traffic fines by offenders which was overbudgeted.
Interest	The adjustment was due to anticipation of new occupations in Unit H and Q.
Gains on disposal of Assets	The adjustment was due to anticipation of disposal of assets through auction.
Employee related cost	The adjustment was due to a percentage increase being less than the initially anticipated CPI. The Municipality anticipated the appointment of all vacant positions which was then determined to be impractical during adjustment budget.
Finance cost	Inadequately budgeted for as compared to the audited outcomes hence upward adjustment.
Contracted services	The budget was not in line with PSIRA rates.
Operational costs	The adjustment was due to electricity accounts for Municipal buildings and fuel inadequately budgeted for as compared to actual spending. Acquisition of additional software for MSCOA modules to be implemented
Transfers and subsidies - capital	The Municipality received an additional amount for disaster relief grant in addition to the one that was received in 2023 financial year.

Explanation of variances between budget and actual figures.

Statement of financial performance

Sale of Goods and Rendering of Services	The amount was incorrectly budgeted for and not revised during adjustment budget.
Agency services	The variance is due to commission from CDM which reduced as a result of installation of prepaid meters.
Interest earned from Receivables	The adjustment was due to lack of responsiveness by consumers to the incentive scheme than anticipated.
Rental from Fixed Assets	The variance is due to straightlining of operating lease that was not condidered during the budgeting process.
Operational Revenue	The variance was due to unavailability of sites to sell.
Gains on disposal of Assets	The variance is due to anticipation of disposal of assets through auction which did not materialise.
Employee related cost	The variance is due to vacant positions not filled.
Depreciation, amortisation and impairment	The variance is due to uncompleted projects.
Finance cost	The variance is due to interest on landfill rehabilitation provision which is less than anticipated.
Inventory consumed	The variance was due to over budgeting.
Contracted services	The variance is due to non-appointment of security service provider.
Operational costs	The variance is due to non-appointment of MSCOA service provider.
Transfers and subsidies - capital	The variance is due non-appointment of service providers for capital projects.

Budget information and explanation of differences continued...

Statement of financial position

Cash and cash equivalents	The variance is due non-appointment of service providers for capital projects.
Trade and other receivables from exchange transactions	The variance is due to change of impairment methodology which was not anticipated.
Receivables from non-exchange transactions	The variance is due to change of impairment methodology which was not anticipated.
Inventories	The variance is due to ommission during the budgeting process.
VAT	This was due to VAT correction that was not anticipated.
Property, plant and equipment	The variance was due to non-appointment of service providers for capital projects.
Intangible assets	The variance was due to over budgeting
Trade and other payables from exchange transactions	The variance is due to corrections on Trade payables and Accruals which was not anticipated during the budgeting process.
Trade and other payables from non-exchange transactions	The variance was due to non-appointment of service providers for capital projects.

Figures in R	2024	2023 Restated

52. **Reconciliation of actual amounts on a comparable basis**

Statement of financial performance	Actual	Actual on comparable basis
Finance Income- Exchange		
Finance income - Exchange	49 739 385	-
Interest earned from Receivables	-	4 896 965
Interest earned from Current and Non Current Assets	-	44 842 420
	49 739 385	49 739 385
Agency services		
Water and sanitation : Commission Earned	34 924 139	-
Agency fees : Licences and permits	5 390 211	-
Licence and permits		3 613
Agency services	-	40 310 738
	40 314 351	40 314 351
Government grants and subsidies		
Government grants and subsidies	349 063 126	-
Transfers and subsidies	-	321 887 130
Transfers and subsidies - Capital	-	27 175 997
	349 063 126	349 063 126

Statement of financial position	Actual	Actual on comparable basis
Current liabilities		
Employee Benefits Obligation	992 837	-
Provisions	-	992 837
	992 837	992 837
Non current liabilities		
Provisions	3 012 267	-
Employee Benefits Obligation	5 443 631	-
Provisions	-	8 455 898
	8 455 898	8 455 898

Figures in R	2024	2023 Restated

53. Approach used to determine doubtful debts

1. Ageing of each debtor
Tenant/owner account
Debtor category: residential, business, indigent, government etc
Handover Accounts: if account was handed over for collection
Cut of: Number of times debtor was cut off
A scoring system consisting of the following fields was used and the basis of scoring

1. Ageing of debtor

	Score	Cumulative score
Current(0-30days)	1	1
31 days - 60 days	2	3
61 days - 90 days	3	6
91 days - 120 days	4	10
121 +	5	15
	15	

2. Type of ownership

Owner	1	1
Tenant	2	3
	3	4

Basis for Impairment: Score out of max 17	Residential %	Business and Church %	Government %	Agriculture %
1 - 3 points	Not impaired	Not impaired	Not impaired	Not impaired
4 - 5 points	Impared at 20%	Impared at 20%	Impared at 20%	Impared at 20%
6 - 9 points	Impared at 40%	Impared at 40%	Impared at 40%	Impared at 40%
10 - 12 points	Impared at 60%	Impared at 60%	Impared at 60%	Impared at 60%
13 - 16 points	Impared at 96%	Impared at 96%	Impared at 96%	Impared at 96%
17 points	Impared at 100%	Impared at 100%	Impared at 100%	Impared at 100%

Assumptions
1. Impairment is based on cumulative points per scoring table above
2. Government-disputed debts are impaired at 100%.
3. The expected future cash flows are determined as the difference between the carying value and the expected percentage impairment per table above.
4. The future cash flows will be discounted at the prime interest rate at the end of the financial year over the expected payment term.
5. Payment term shall be assessed per group using the total debt for the group divided by the expected collection for the group.
6. Impairment is calculated as the difference between the carying amounts of the debtor and the present value of the expected future cash flows.
7. Municipal employees and councillors are not impaired.

54. **Awards to Close family members in the service of state.**
There were no awards to close family members in the service of state.

55. **Change in Accounting Estimate**

<u>Change in Useful Lives of Property, Plant, and Equipment</u>

During the year ended June 30, 2024, the management of Lepelle-Nkumpi conducted a comprehensive review of the useful lives of its property, plant, and equipment. Based on this review, it was determined that certain assets, particularly roads infranstructu

As a result, the estimated useful lives of these assets have been extended as follows:

Movables: by two years
Community assets : by two years
Roads infrustructure by: by two years

This change in accounting estimate has been applied prospectively from June 1, 2023. The effect of this change on the financial statements for the year ended June 30, 2024, is as follows:

Depreciation expense for the year ended June 30, 2024, decreased by R791 577.08
Net income for the year ended June 30, 2024, increased by R791 577.08

Management believes that the revised useful lives more accurately reflect the period during which these assets will contribute to the company's operations.

The impact on future periods will be a reduction in annual depreciation expense, leading to higher net income and earnings per share, assuming all other factors remain constant.

55. Segment Information

General information

Identification of segments
The municipality is organised and reports to management on the basis of six major functional segments. The segments are organised around the functions and these are Executive and Council, Planning and Development, Corporate Services, Budget and Treasury,

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 appropri

Notes to the Financial Statements

Figures in R

Awards to Close family members in the service of state. continued...

Description of Segments and Principal activites

Executive and Council	This segment is responsible for all aspects of governance of municipality.
Planning Developmnent	This segment consists of various departments with aligned objectives. It is responsible for urban planning and development.
Corporate Services	This segment deals with administration and human resources.
Budget and Treasury	This segment is responsible for all aspects fo financial administration of the municipality. Various transactions are managed and administered centrally.
Community Services	This segment consists of various departments with aligned objectives. It is responsible for community and social service, sport and recreation facilitie, crime prevention and traffic enforcement.
Technical Services	This segment consists of various departments with aligned objectives. It is responsible development and maintenance of infrastructure.

Figures in R

Awards to Close family members in the service of state. continued...

2 024

Revenue	Executive and Council	Planning and Development	Corporate Services	Finance	Community Services	Tchnical services Services	Total
Revenue from non-exchange transactions							
Services charges	-	-		3 848	7 415 360	-	7 419 208
Rental of facilities and equipment	-	-	283 524	-	83 043	-	366 567
Water and sanitation - commission earned	-	-	-	34 924 139	-	-	34 924 139
Agency fees - Licences and permits	-	-	-	-	5 390 211	-	5 390 211
Other revenue	-	1 190 966	891 564	519 973	91 812	-	2 694 314
Finance Income - exchange	-	-	-	49 739 385	-	-	49 739 385
Gain on disposal of assets	-	-	-	19 230	-	195 889	215 119
Total revenue from exchanges	**-**	**1 190 966**	**1 175 088**	**85 206 575**	**12 980 427**	**195 889**	**100 748 944**
Revenue from exchange transactions							
Property rates	-	43 106 834	-	-	-	-	43 106 834
Finance income- non exchange	-	-	-	17 139 139	-	-	17 139 139
Government grants and subsidies - Operating	-	-	-	320 643 130	1 244 000	-	321 887 130
Government grants and subsidies - Capital	-	-	-	-	7 161 332	20 014 664	27 175 997
Fines	-	-	-	-	708 918		708 918
Total Revenue from non-exchanges	**-**	**43 106 834**	**-**	**337 782 269**	**9 114 250**	**20 014 664**	**410 018 018**
Total Segment Revenue	-	44 297 800	1 175 088	422 988 843	22 094 677	20 210 553	510 766 961

Notes to the Financial Statements

Figures in R

Awards to Close family members in the service of state. continued...

Expenditure							
Employee cost	14 609 922	11 263 478	16 311 392	16 941 178	30 266 798	8 658 725	98 051 494
Remuneration of councillors	24 024 770						24 024 770
Operational costs	18 375 978	2 294 502	47 154 830	16 361 125	10 351 994	12 194 227	106 732 656
Finance cost	-	577 387	146 254	-	-	-	723 641
Provision for impairment and bad debts	-	-	-	89 239 115	-	-	89 239 115
Loss on Disposal of assets	-	529 396	5 733	-	-	-	535 129
Depreciation and Armotisation	-	2 479 313	3 509 578	-	8 874 950	20 249 398	35 113 239
Total segment expenditure	**57 010 671**	**17 144 076**	**67 127 788**	**122 541 418**	**49 493 742**	**41 102 351**	**354 420 044**
Total Municipality Segmental surplus (Deficit)	**(57 010 671)**	**27 153 725**	**(65 952 700)**	**300 447 426**	**(27 399 065)**	**(20 891 797)**	**156 346 917**
Fair value gains	-	-	(402 874)	-	-	4 607 958	4 205 084
Surplus for the year	**(57 010 671)**	**27 153 725**	**(66 355 574)**	**300 447 426**	**(27 399 065)**	**(16 283 839)**	**160 552 002**

2 023

Revenue	Executive and Council	Planning and Development	Corporate Services	Finance	Community Services	Tchnical services Services	Total
Revenue from non-exchange transactions							
Services charges	-	-	-	-	6 802 699	344	6 803 042
Rental of facilities and equipment	-	-	327 098	-	70 174	-	397 271
Water and sanitation - commission earned	-	-		35 240 491	-	-	35 240 491
Agency fees - Licences and permits	-	-			5 564 422	-	5 564 422
Other revenue	-	2 640 593	189 824	364 088	91 131	-	3 285 636
Finance Income - exchange	-	-	-	30 220 922	-	-	30 220 922
Gain on disposal of assets	-	-	-	-	-	-	-
Total revenue from exchanges	-	**2 640 593**	**516 922**	**65 825 502**	**12 528 426**	**344**	**81 511 785**

Notes to the Financial Statements

Figures in R

Awards to Close family members in the service of state. continued...

Revenue from exchange transactions							
Property rates	-	38 965 081	-	-	-	-	38 965 081
Finance income- non exchange	-	-	-	16 946 132	-	-	16 946 132
Government grants and subsidies - Operating	-	-	-	302 958 837	1 370 864	-	304 329 701
Government grants and subsidies - Capital	-	-	-	-	-	40 024 914	40 024 914
Fines	-	-	-	-	686 759		686 759
Total Revenue from non-exchanges	**-**	**38 965 081**	**-**	**319 904 969**	**2 057 623**	**40 024 914**	**400 952 587**
Total Segment Revenue	**-**	**41 605 674**	**516 922**	**385 730 470**	**14 586 049**	**40 025 257**	**482 464 372**
Expenditure							
Employee cost	13 678 622	10 732 596	17 770 709	16 920 411	30 049 472	9 735 288	98 887 098
Remuneration of councillors	24 003 887	-					24 003 887
Operational costs	16 641 781	4 299 078	49 339 985	22 606 266	18 957 502	17 584 041	129 428 653
Finance cost	-	550 026	219 222		-	-	769 248
Provision for impairment and bad debts	-	-	-	78 622 373	-	-	78 622 373
Loss on Disposal of assets	-	-	1 618 948	-	-	-	1 618 948
Depreciation and Armotisation	-	2 486 331	3 679 920	-	9 099 688	16 717 988	31 983 928
Total segment expenditure	**54 324 290**	**18 068 031**	**72 628 784**	**118 149 050**	**58 106 663**	**44 037 317**	**365 314 136**
Total Municipality Segmental surplus (Deficit)	**(54 324 290)**	**23 537 642**	**(72 111 862)**	**267 581 420**	**(43 520 614)**	**(4 012 060)**	**117 150 236**
Fair value gains	-	-	312 064	-	-	3 909 146	4 221 210
Surplus for the year	(54 324 290)	23 537 642	(71 799 798)	267 581 420	(43 520 614)	(102 914)	121 371 446