Lephalale Local Municipality
Annual Financial Statements
for the year ended 30 June 2024

General Information and Abbrevations

Legal form of entity	Municipality (MSA)
Nature of business and principal activities	Local Municipality
The following is included in the scope of operation	The provision of electricity, water, sanitation and refuse to communities in a sustainable manner to promote social economic development, safe and healthy environment, encourage the involvement of communities and community organizations in matters of Local Government.The entity’s operations are governed by the Constitution of theRepublic of South Africa (Act 108 of 1996), Municipal FinanceManagement Act (MFMA) Act 56 of 2003, Municipal Structures Act(Act 117 of 1998), Municipal Systems Act 32 of 2000), Municipal Property Rates Act 2004, Intergovermental Relations Framework Act 2005, Division of Revenue Act 2024.
Mayoral committee	
Mayor	Clr RA Mokgetlhe
Councillors	Clr GG Marakalala (Speaker)
	Clr SJ Machaba (Chief Whip)
	Clr MM Semenya (Chairperson of Development Planning)
	Clr MR Modiba (Chairperson of Infrastructure)
	Clr ML Shongwe (Chairperson of Social Services)
	Clr RT Modise (MPAC Chairperson)
	Clr MJ Madibana (Chairperson of Radical Economic Transformation)
	Clr Magoai (Chairperson of Geographical Name Change)
	Clr PKJ Selolo (Chairperson of Ethics Committee)
	Clr KL Mosupye (Chairperson of Women in Caucus)
	Clr LG Moloantoa
	Clr E Setho
	Clr MM Makgae
	Clr SJ Moselane
	Clr KC Bopape
	Clr HW Venter
	Clr A Thulare
	Clr DA Mongalo
	Clr MJ Sebetha
	Clr SM Nieuwoudt
	Clr S Mpedi
	Clr DA Mothoni
	Clr L Monare
	Clr MW Langa
	Clr WM Motlokwa
	Clr E Seepe
	Clr NH Pienaar
	Clr B Kgageng Moloantoa
Tradittional Councils	Kgosi Langa Kgosi Seleka Kgosi Shongoane
Grading of local authority	Grade 3
Accounting Officer	M Mmope (Acting)
Chief Finance Officer (CFO)	LM Matlwa

General Information and Abbrevations

Registered office	Corner Joe Slovo and Dou Water Avenue Onverwacht Lephalale 0557
Business address	Corner Joe Slovo and Dou Water Avenue Onverwacht Lephalale 0557
Postal address	Private Bag X136 Onverwacht Lephalale 0557
Bankers	ABSA Bank Limited
Auditors	Auditor General of South Africa
Level of rounding	Nearest rand
Website	www.lephalale.gov.za
Email address	Munic@lephalale.gov.za

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

Abbreviations used:

ASB	Accounting Standards Board
DBSA	Development Bank of Southern Africa
SARS	South African Revenue Services
GRAP	Generally Recognised Accounting Practice
SALGA	South African Local Government Association
CPI	Consumer Price Index
IAS	International Accounting Standards
WSIG	Water Services Infrastructure Grant
IPSAS	International Public Sector Accounting Standards
EXCO	Executive Committee
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
ABSA	Amalgamated Bank of Southern Africa
VAT	Value Added Tax
mSCOA	Municipal Standard Chart of Accounts
INEP	Intergrated National Electrification Programme
NGO	Non-Governmental Organisation
SETA	Sector Education and Training Authority
PFMA	Public Finance Management Act
PPE	Property Plant and Equipment
UIF	Unemployment Insurance Fund
PAYE	Pay As You Earn
SCM	Supply Chain Management
FMG	Financial Management Grant
DoRA	Division of Revenue Act
FY:	Financial Year
BAC	Bid Adjudication Committee
COIDA	Compensation for Occupational Injuries and Diseases Act
MSA	Municipal System Act
MSA	Municipal Structure Act

Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledges that 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 endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

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

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

M Mmope
Acting Accounting Officer

Accounting Officer's Report

1. Going concern

Net surplus of the Municipality was R79 572 843 (2023 :R47 148 007)

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus (deficit) of R 1 427 931 651 and that the municipality's total assets exceed its liabilities by R 1 427 931 651.

. Going concern (continued)

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 realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The municipality is a going concern because of the following :
It is an organ of state which is governed by the Constitution of Republic of South Africa to provide basic services to the community and is also funded by the State for that purpose. Failure to provide services will prompt national government intervention to ensure it stays functional and able to deliver basic services and consequently comply with the constitution.

There is no indication of a possibility of default by the government in paying grants under the act. This is also corroborated by experience where national treasury has met its obligation every year and has therefore a constructive obligation. The council has also adopted integrated development plan which is a five - year plan. Municipality has tabled a funded budget for the financial year 2024/25. This is an indication for the Municiplaity's intention to operate beyond the next 12 months period. The gearing ratios are above the norm as per National Treasury MFMA Circular 71.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

2. Subsequent events

Matter or circumstance arising since the end of the financial year were disclosed in note to the annual financial statement. The impact of those event was also disclosed under the note. The accounting officer is not aware of any matter or circumstance arising since the end of financial year that may need to be adjusted for or disclosed in the financial statement.

3. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognized Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

4. Bankers

Municipality has its primary bank account with ABSA Bank Limited

5. Auditors

Auditor General of South Africa

M Mmope
Acting Accounting Officer

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	11	5 482 420	9 149 920
Sundry receivables	7	2 034 626	100 825
Accrual Input VAT	12	22 450 847	23 010 940
Receivables from non-exchange transactions	17	104 306 144	76 925 806
Other receivables from non-exchange transactions	13	8 356 057	4 854 761
Statutory VAT receivable	15	2 815 423	4 670 168
Receivables from exchange transactions	16	173 077 238	140 989 940
Cash and cash equivalents	18	60 652 863	91 260 172
		379 175 618	**350 962 532**
Non-Current Assets			
Investment property	3	17 870 867	16 720 000
Property, plant and equipment	4	1 437 913 780	1 400 183 784
Intangible assets	5	1 780 177	1 816 053
Heritage assets	6	77 000	77 000
		1 457 641 824	**1 418 796 837**
Total Assets		**1 836 817 442**	**1 769 759 369**
Liabilities			
Current Liabilities			
Other financial liabilities	21	20 524 373	20 524 373
Finance lease obligation	19	10 862 792	9 442 397
Payables from exchange transactions	8	140 516 976	112 236 688
Consumer deposits	9	12 011 891	12 194 644
Provision - Employee benefit	10	4 497 000	4 249 000
Unspent conditional grants and receipts	20	12 907 488	21 245 590
Accrual output VAT	23	6 506 240	11 952 536
		207 826 760	**191 845 228**
Non-Current Liabilities			
Other financial liabilities	21	61 562 821	82 097 494
Finance lease obligation	19	25 678 042	36 520 834
Provision - Employee benefit	10	82 552 000	75 693 000
Provisions for landfill	22	31 266 168	29 203 162
		201 059 031	**223 514 490**
Total Liabilities		**408 885 791**	**415 359 718**
Net Assets		**1 427 931 651**	**1 354 399 651**
Accumulated surplus		1 427 931 651	1 354 399 651
Total Net Assets		**1 427 931 651**	**1 354 399 651**

* See Note 56

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	26	303 274 505	257 153 186
Rental of facilities and equipment	27	233 380	195 487
Interest earned on outstanding receivables-Service charges	67	51 341 751	40 865 122
Agency fees	30	9 054 387	8 816 975
Other Revenue		2 582 423	4 343 566
Interest earned -External investment	33	8 679 930	9 010 902
Total revenue from exchange transactions		**375 166 376**	**320 385 238**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	34	114 403 879	106 601 780
Interest earned -on outstanding receivables-Property rates	34	22 219 493	18 634 272
Transfer revenue			
Government grants & subsidies	36	349 602 225	258 210 835
Public contributions and donations	37	4 750 809	-
Fines, Penalties and Forfeits	28	643 675	465 200
Interest - Transfer revenue	29	-	27 518 357
Total revenue from non-exchange transactions		**491 620 081**	**411 430 444**
Total revenue	24	**866 786 457**	**731 815 682**
Expenditure			
Employee related costs	38	(233 561 216)	(208 879 533)
Remuneration of councillors	39	(14 066 021)	(13 304 795)
Depreciation, impairment and amortisation	40	(94 711 818)	(88 652 793)
Finance costs	41	(19 716 635)	(22 435 387)
Discound allowed Bad debts written off	43	(6 870 117)	(2 074 845)
Debt impairment	43	(91 348 679)	(67 648 328)
Bulk purchases	45	(161 357 687)	(139 206 923)
Contracted services	46	(52 864 549)	(47 486 624)
Transfers and Subsidies	35	(608 172)	(581 154)
Inventory Consumed	25	(50 478 964)	(46 622 836)
Operating Expenses	44	(71 018 103)	(75 528 258)
Total expenditure		**(796 601 961)**	**(712 421 476)**
Operating surplus	49	**70 184 496**	**19 394 206**
Fair value adjustments	50	1 150 867	3 791 000
Actuarial gains/(losses)	10	2 267 145	20 639 350
Gain (Loss) on derecognition of assets		-	9 000
		3 418 012	**24 439 350**
Surplus for the year		**73 602 508**	**43 833 556**

* See Note 56

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	1 324 533 711	1 324 533 711
Adjustments		
Correction of errors 56	(13 967 616)	(13 967 616)
Balance at 01 July 2022 as restated*	**1 310 566 095**	**1 310 566 095**
Changes in net assets		
Surplus for the year	43 833 556	43 833 556
Total changes	43 833 556	43 833 556
Restated* Balance at 01 July 2023	**1 354 277 010**	**1 354 277 010**
Changes in net assets		
Surplus for the year	73 654 641	73 654 641
Total changes	73 654 641	73 654 641
Balance at 30 June 2024	**1 427 931 651**	**1 427 931 651**

Note(s)

* See Note 56

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Property rates		109 243 543	110 899 448
Sale of goods and services		310 820 220	266 699 531
Grants		343 623 667	276 572 246
Interest income		8 679 930	9 010 902
Other receipts		12 513 883	8 981 786
		784 881 243	672 163 913
Payments			
Employee costs		(247 627 237)	(222 184 328)
Suppliers		(389 469 783)	(376 043 928)
Finance costs		(6 525 813)	(7 260 611)
Other payments		(666 777)	(581 154)
		(644 289 610)	(606 070 021)
Net cash flows from operating activities	47	**140 591 633**	**66 093 892**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(132 339 774)	(50 563 887)
Proceeds from sale investment property	4	-	920 000
Purchase of other intangible assets	5	(1 681 363)	(1 457 935)
Net cash flows from investing activities		**(134 021 137)**	**(51 142 907)**
Cash flows from financing activities			
Repayment of DWS liability		(20 524 373)	-
Repayment of finance lease		(16 653 432)	(15 433 612)
Payment of DBSA loan		-	(711 605)
Net cash flows from financing activities		**(37 177 805)**	**(16 145 217)**
Net increase/(decrease) in cash and cash equivalents		**(30 607 309)**	**(1 194 232)**
Cash and cash equivalents at the beginning of the year		91 260 172	92 454 404
Cash and cash equivalents at the end of the year	18	**60 652 863**	**91 260 172**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	369 316 989	(10 000 000)	**359 316 989**	303 274 505	**(56 042 484)**	A1
Rental of facilities and equipment	346 859	400 000	**746 859**	233 380	**(513 479)**	A2
Interest earned on outstanding receivables -Service charges	41 144 512	(5 581 000)	**35 563 512**	51 341 751	**15 778 239**	A3
Agency fees	9 173 295	-	**9 173 295**	9 054 387	**(118 908)**	A4
Other Revenue	4 212 805	-	**4 212 805**	2 582 423	**(1 630 382)**	A6
Interest earned - External investment	5 000 000	4 000 000	**9 000 000**	8 679 930	**(320 070)**	A7
Total revenue from exchange transactions	**429 194 460**	**(11 181 000)**	**418 013 460**	**375 166 376**	**(42 847 084)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	118 974 942	-	**118 974 942**	114 403 879	**(4 571 063)**	A8
Interest earned - on outstanding receivables - Property rates	9 004 897	5 581 443	**14 586 340**	22 219 493	**7 633 153**	A9
Transfer revenue						
Government grants & subsidies	312 055 000	183 875 000	**495 930 000**	349 602 225	**(146 327 775)**	A10
Public contributions and donations	-	-	**-**	4 750 809	**4 750 809**	
Fines, Penalties and Forfeits	765 715	200 000	**965 715**	643 675	**(322 040)**	A11
Total revenue from non-exchange transactions	**440 800 554**	**189 656 443**	**630 456 997**	**491 620 081**	**(138 836 916)**	
Total revenue	**869 995 014**	**178 475 443**	**1 048 470 457**	**866 786 457**	**(181 684 000)**	
Expenditure						
Employee related cost	(253 723 509)	4 100 000	**(249 623 509)**	(233 561 216)	**16 062 293**	A12
Remuneration of councillors	(14 542 949)	-	**(14 542 949)**	(14 066 021)	**476 928**	A13
Depreciation, impaiment and amortisation	(90 301 531)	-	**(90 301 531)**	(94 711 818)	**(4 410 287)**	A14
Finance costs	(18 684 994)	-	**(18 684 994)**	(19 716 635)	**(1 031 641)**	A15
Bad debts written off	-	(3 000 000)	**(3 000 000)**	(6 870 117)	**(3 870 117)**	A22
Debt impairment	(33 628 000)	3 000 000	**(30 628 000)**	(91 348 679)	**(60 720 679)**	A16
Bulk purchases	(171 431 746)	-	**(171 431 746)**	(161 357 687)	**10 074 059**	A17
Contracted Services	(73 830 908)	-	**(73 830 908)**	(52 864 549)	**20 966 359**	A18
Transfers and Subsidies	(1 078 362)	-	**(1 078 362)**	(608 172)	**470 190**	A19
Inventory Consumed	(49 377 778)	(2 500 000)	**(51 877 778)**	(50 478 964)	**1 398 814**	A20
Operating Expenses	(81 343 395)	3 659 395	**(77 684 000)**	(71 018 103)	**6 665 897**	A21
Total expenditure	**(787 943 172)**	**5 259 395**	**(782 683 777)**	**(796 601 961)**	**(13 918 184)**	
Operating surplus	**82 051 842**	**183 734 838**	**265 786 680**	**70 184 496**	**(195 602 184)**	
Fair value adjustments	-	-	**-**	1 203 000	**1 203 000**	
Actuarial gains/losses	-	-	**-**	2 267 145	**2 267 145**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	-	**-**	**-**	**3 470 145**	**3 470 145**	
Surplus	**82 051 842**	**183 734 838**	**265 786 680**	**73 654 641**	**(192 132 039)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**82 051 842**	**183 734 838**	**265 786 680**	**73 654 641**	**(192 132 039)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	7 920 000	(7 920 000)	**-**	5 482 420	**5 482 420**	
Sundry receivable	-	-	**-**	2 034 626	**2 034 626**	
Accrual Input VAT	-	-	**-**	22 450 847	**22 450 847**	
Receivables from non-exchange transactions	173 649 000	(95 443 000)	**78 206 000**	104 306 144	**26 100 144**	
Other receivables from non exchange transactions	1 699 000	-	**1 699 000**	8 356 057	**6 657 057**	
VAT receivable	6 198 000	24 089 000	**30 287 000**	2 815 423	**(27 471 577)**	
Receivable from exchange transactions	144 075 000	(4 593 000)	**139 482 000**	173 077 238	**33 595 238**	
Cash and cash equivalents	96 821 000	42 570 000	**139 391 000**	60 652 863	**(78 738 137)**	
	430 362 000	**(41 297 000)**	**389 065 000**	**379 175 618**	**(9 889 382)**	
Non-Current Assets						
Investment property	14 304 000	3 327 000	**17 631 000**	17 870 867	**239 867**	
Property, plant and equipment	1 346 979 000	189 150 000	**1 536 129 000**	1 437 913 780	**(98 215 220)**	
Intangible assets	2 270 000	1 046 000	**3 316 000**	1 780 177	**(1 535 823)**	
Heritage assets	77 000	-	**77 000**	77 000	**-**	
	1 363 630 000	**193 523 000**	**1 557 153 000**	**1 457 641 824**	**(99 511 176)**	
Total Assets	**1 793 992 000**	**152 226 000**	**1 946 218 000**	**1 836 817 442**	**(109 400 558)**	
Liabilities						
Current Liabilities						
Other financial liabilities	-	29 947 000	**29 947 000**	20 524 373	**(9 422 627)**	
Finance lease obligation	-	-	**-**	10 862 792	**10 862 792**	
Payables from exchange transactions	202 085 000	(89 851 000)	**112 234 000**	140 516 976	**28 282 976**	
VAT payable	(4 430 000)	4 430 000	**-**	-	**-**	
Consumer deposits	11 200 000	995 000	**12 195 000**	12 011 891	**(183 109)**	
Provision Employee benefit obligation	3 540 000	709 000	**4 249 000**	4 497 000	**248 000**	
Unspent conditional grants and receipts	2 639 000	16 224 000	**18 863 000**	12 907 488	**(5 955 512)**	
Accrued Output VAT	-	-	**-**	6 506 240	**6 506 240**	
	215 034 000	**(37 546 000)**	**177 488 000**	**207 826 760**	**30 338 760**	
Non-Current Liabilities						
Other financial liabilities	86 232 000	(86 232 000)	**-**	61 562 821	**61 562 821**	
Finance lease obligation	80 600 000	1 498 000	**82 098 000**	25 678 042	**(56 419 958)**	
Provision - Employee benefit	-	76 693 000	**76 693 000**	82 552 000	**5 859 000**	
Provisions for landfill	42 964 000	(14 761 000)	**28 203 000**	31 266 168	**3 063 168**	
	209 796 000	**(22 802 000)**	**186 994 000**	**201 059 031**	**14 065 031**	
Total Liabilities	**424 830 000**	**(60 348 000)**	**364 482 000**	**408 885 791**	**44 403 791**	
Net Assets	**1 369 162 000**	**212 574 000**	**1 581 736 000**	**1 427 931 651**	**(153 804 349)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Foreign currency translation reserve	-	(30 000 000)	**(30 000 000)**	-	**30 000 000**	
Accumulated surplus	1 369 162 000	242 574 000	**1 611 736 000**	1 427 931 651	**(183 804 349)**	
Total Net Assets	**1 369 162 000**	**212 574 000**	**1 581 736 000**	**1 427 931 651**	**(153 804 349)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	91 180 000	4 000 000	**95 180 000**	109 243 543	**14 063 543**	
Sale of goods and services	313 519 000	(26 065 000)	**287 454 000**	310 822 220	**23 368 220**	
Grants	311 564 000	184 373 000	**495 937 000**	343 623 667	**(152 313 333)**	
Interest income	50 149 000	(16 149 000)	**34 000 000**	8 679 930	**(25 320 070)**	
Other receipts	13 090 000	-	**13 090 000**	12 513 883	**(576 117)**	
	779 502 000	**146 159 000**	**925 661 000**	**784 883 243**	**(140 777 757)**	
Payments						
Employee costs	(268 266 458)	4 100 000	**(264 166 458)**	(247 627 237)	**16 539 221**	
Suppliers	(251 629 000)	(39 932 000)	**(291 561 000)**	(389 469 783)	**(97 908 783)**	
Finance costs	(7 000 000)	(11 685 000)	**(18 685 000)**	(6 525 813)	**12 159 187**	
Other payments	(81 343 349)	-	**(81 343 349)**	(666 777)	**80 676 572**	
	(608 238 807)	**(47 517 000)**	**(655 755 807)**	**(644 289 610)**	**11 466 197**	
Net cash flows from operating activities	**171 263 193**	**98 642 000**	**269 905 193**	**140 593 633**	**(129 311 560)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(106 897 000)	(187 859 000)	**(294 756 000)**	(132 339 774)	**162 416 226**	
Purchase of other intangible assets	-	-	**-**	(1 681 363)	**(1 681 363)**	
Net cash flows from investing activities	**(106 897 000)**	**(187 859 000)**	**(294 756 000)**	**(134 021 137)**	**160 734 863**	
Cash flows from financing activities						
Repayment of other financial liabilities	(22 650 000)	-	**(22 650 000)**	(20 524 373)	**2 125 627**	
Finance lease payments	-	-	**-**	(16 653 432)	**(16 653 432)**	
Net cash flows from financing activities	**(22 650 000)**	**-**	**(22 650 000)**	**(37 177 805)**	**(14 527 805)**	
Net increase/(decrease) in cash and cash equivalents	41 716 193	(89 217 000)	**(47 500 807)**	(30 605 309)	**16 895 498**	
Cash and cash equivalents at the beginning of the year	56 148 000	36 306 000	**92 454 000**	91 260 172	**(1 193 828)**	
Cash and cash equivalents at the end of the year	**97 864 193**	**(52 911 000)**	**44 953 193**	**60 654 863**	**15 701 670**	

Reconciliation

Refer to note 70 for Budget comparison narrations.

Significant Accounting Policies

Figures in Rand	Note(s)	2024	2023

1. Significant accounting polices

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

1.1 Basis of preparation

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

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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

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

1.5 Significant judgements and sources of estimation uncertainty

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

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

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, 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 calculation of impairment of receivables is based on debtors over 90 days. If individual debtors have a debt outstanding for over 90 days, the debtor is considered to be impaired and the impairment is determined according to Credit Control and Debt Collection Policy of the council.

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 end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flow. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

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.

Impairment testing

The recoverable amounts of individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impac on our estimations and may then require a material adjustment to the carrying value of 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 assets are inherently uncertain and could materially change over time. They are significantly affected by economic factors such as exchange rates and inflation interest together with entity specific factors such as production and the demand for certain services.
The recoverable amounts of individual assets have been determined on the higher of value in use calculation and fair values less cost to sell

Provisions

Provisions were raised and management determined an estimate based on the information available.

Contingent provisions on entity combinations

Contingencies are not recognized in the annual financial statement, refer to note on entity combinations.

Useful lives of infrastructure assets and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the infrastructure and other assets. This estimate is based on industry norms. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

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

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

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.

Recognition and Derecognition of Land

In some instances, the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land are included in the note to the financial statement

In some instances, the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land are included in the note to financial statement

Additional information is disclosed in Note 4.

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are disclosed in the note to the financial statement

Additional information is disclosed in Note 66.

Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures and impairment loss. The impairment loss is measured 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, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

In estimating the future cash flows, the 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 municipality 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 recognized in prior periods for a statutory receivable are 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.

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Accounting for adjustments to revenue

Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management. When adjustments to revenue already recognized arise from new information that becomes known to the municipality, the following considerations are applied to determine whether the adjustment to revenue already recognised is a correction of an error or a change in an accounting estimate:

(a) If information becomes known to the municipality, and the municipality could reasonably have been expected to know of the information and/or the information used was incorrect, the adjustment to revenue is likely to be a correction of an error.

(b) If information becomes known to the municipality, but the municipality could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

Materiality

Applying materiality is pervasive to the preparation of financial statements. Materiality is a key consideration in deciding how to apply the Standards of GRAP when preparing financial statements. Information is material if its omission or misstatement has the potential to influence the decisions of users or affect the discharge of accountability by the entity.

Applying materiality in the preparation of annual financial statements requires the entity to make key assessments and decisions. Key assessments and decisions made in considering materiality, are as follows:

- Identification of users and their information needs
- Assessing information based on nature and size, by developing qualitative considerations and quantitative thresholds
- Application of materiality in preparing the financial statements:
  - Developing accounting policies
  - Deciding what information to disclose
  - Deciding how to present information
  - Assessing omissions, misstatements and errors

The assessments and decisions are considered throughout the financial reporting cycle, and not only when annual financial statements are prepared.

Change in accounting estimates

Changes in estimates are prospectively accounted for and disclosure note is made in the annual financial statement.

Offsetting

Assets, liabilities, revenue and expenses were not offset, except where offsetting is eitheir required or permitted by a standard of GRAP.

1.6 Investment property

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

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

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

Significant Accounting Policies

1.6 Investment property (continued)

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

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

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

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

subsequent measurement -fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable, or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Derecognition of investment property

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

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

1.7 Property, plant and equipment

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

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

Initial Measurement

Property, plant and equipment is initially measured at cost.

Significant Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

Subsequent Measurement

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for Land which is carried at cost and is not depreciated as it is deemed to have indefinite useful life.

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	25-30
Mobile Home	Straight-line	5-10
Caravans	Straight-line	5-10
Residence	Straight-line	25-30
Smart Meter	Straight-line	20-25
Specialised Plant and Equipment	Straight-line	10-15
Furniture and Fixtures	Straight-line	5-10
Motor Vehicles	Straight-line	5-8
Office Equipments	Straight-line	3-5
Other Property Plant and Equipment	Straight-line	10-15
Park facilities	Straight-line	25-30
Specialised Vehicles	Straight-line	10-15
Kerb and Channel	Straight-line	40-50

1.7 Property, plant and equipment (continued)

Municipal roads and Asphalt	Straight-line	10-20
Gravel Surface	Straight-line	3-10
Library Books	Straight-line	5-15
Bins and containers	Straight-line	5-8
Landfill site Building	Straight-line	30-50
Weighbridge	Straight-line	15-40
Site -Landfil site	Straight-line	10-25
Waste Water Pump Station	Straight-line	30-55
Water Pump Station	Straight-line	30-50
Water Resevoirs	Straight-line	30-50
Water Supply/Reticulation	Straight-line	20-50
Electricity Lines-Underground	Straight-line	25-45
Electricity Lines-Overheads	Straight-line	20-30
Electrical Substation-Switchgear	Straight-line	20-30
Footpaths	Straight-line	15-30
Steet light	Straight-line	25-30
Traffic light	Straight-line	14-20

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

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

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

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

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

Derecognition

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

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

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

1.7 Property, plant and equipment (continued)

Work in Progress

Work in progress refers to all property plant and equipment that are still under construction and are not in a position to be used by management in the process of rendering services.

Subsequent measurement.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use..Work in progress that are taking significant period to be completed and halted projects are assessed for impairment annually and carried at cost less impairment losses

Tranfer out of work in progress and derecognition

Completed projects are transferred from work in progress into property plant and equipment. Projects that are constructed on behalf of third parties are expensed in the statement of financial performance as transfer of infrastructure assets.

1.8 Site restoration and dismantling cost

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

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

If the related asset is measured using the revaluation model:
- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.9 Intangible assets

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

1.9 Intangible assets (continued)

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

Initial recognition and Measurement

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent Measurement

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer Software and Other	Straight-line	5-8

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

Significant Accounting Policies

1.10 Heritage assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

1.10 Heritage assets (continued)

Subsequent measurement

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

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

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

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

Impairment

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

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised.

1.11 Financial instruments

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

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

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

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

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

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

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

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').

1.11 Financial instruments (continued)

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or

Significant Accounting Policies

1.11 Financial instruments (continued)

- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

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

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

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

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

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

Significant Accounting Policies

1.11 Financial instruments (continued)

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at Fair value
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Other receivables from non-exchange transaction	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Statutory VAT receivables	Financial asset measured at Fair value
Accrual input VAT	Financial asset measured at Fair value

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

Class	Category
Finance lease obligation	Financial liability measured at amortised cost
Accrual output VAT	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at fair value
Unspent conditional grants and receipts	Financial liability measured at fair value

1.11 Financial instruments (continued)

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.

Initial measurement of financial assets and financial liabilities.

The entity measures a financial liability initially at its fair value plus transaction cost 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:
benefit in a social 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, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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.

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 uncollectible of financial assets

Significant Accounting Policies

1.11 Financial instruments (continued)

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

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 the 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.

Financial assets measured at cost:

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

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

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

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained

1.11 Financial instruments (continued)

servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues 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.

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

Presentation

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

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

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

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

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

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

1.12 Statutory receivables

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.

Significant Accounting Policies

1.12 Statutory receivables (continued)

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

Derecognition

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

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

1.13 Indirect taxes

Accrual input VAT

Accrual input VAT for current and prior periods is, to the extent not claimed from SARS, recognised as an assets .Once the payment is made the amount will be transfered to statutory VAT receivable and claim input VAT from SARS

Accrual output VAT
Accrual output VAT for current and prior periods is, to the extent payment was not received from clients, recognised as a liability .Once the payment is is received the amount will be transfered to statutory VAT payables and declared to SARS

Statutory VAT receivables

- The Municipality is registered under category C of VAT and therefore processes VAT returns on Monthly basis.The returns are processed on cash basis in terms of section 15 of the VAT act (Act 89 of 1991).The amount duefrom SARS on cash basis is accounted as statutory receivables and it is not offset against accrual input VAT or accrual output VAT.

1.14 Leases

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

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

Significant Accounting Policies

1.14 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessor

Operating lease revenue is recognised as revenue 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 revenue.

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

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

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

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

1.15 Inventories

Initial Measurement

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

Subsequent Measurement

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

Initial Measurement are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

Significant Accounting Policies

1.15 Inventories (continued)

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

1.16 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

Subsequent Measurement

Cash and cash equivalent are carried at amortised cost.

1.17 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

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

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

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

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

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

Value in use

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

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

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 revalued 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.

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

Reversal of an impairment loss

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

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

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

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-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.18 Employee benefits

Short- term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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 absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as aresult of past performance.

Other post retirement obligations

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuitirs upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.19 Provisions and contingencies

Provisions are recognised when:

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

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

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

1.19 Provisions and contingencies (continued)

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

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

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised as it is not propable that there will be an outflow of future economic benefits. Contingencies are disclosed in note 53.

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

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

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

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

Significant Accounting Policies

1.19 Provisions and contingencies (continued)

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

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

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

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy and 1.17.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.20 Commitments

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

Significant Accounting Policies

1.20 Commitments (continued)

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.

Significant Accounting Policies

1.21 Revenue from exchange transactions

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

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

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

Measurement

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

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

Sale of goods

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

Rendering of services

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

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

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

Significant Accounting Policies

1.21 Revenue from exchange transactions (continued)

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

Service charges - electricity and water

Service charges from electricity and water are based on consumer consumption.

Service charges - sewerage and refuse removal

Service charges relating to sewerage and refuse removal is recognised monthly in arrears by applying approved tariff. The Municipality use approved tariff for basic charge and based on size of property determines revenue to be recognized.

Service charges Pre-paid electricity

Revenue from sale of pre-paid electricity is recognized at the point of sale.

Pre-paid electricity

Revenue from the sale of pre-paid electricity are recognized at the point of sale. Revenue from the sale of pre-paid electricity are recognized based on the actual units of electricity consumed.

Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

Agency Fee
When the outcome of a transaction involving the rendering of services on behalf of the principal 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.

Only consideration due to the agent is recognised and revenue from agency fee and the amount collected on behalf of the principal is recognised as a liability

Income from agency services is recognised on a monthly basis when income collected on behalf of the principal has been quantified in terms of the agency agreement.

Significant Accounting Policies

1.22 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

1.22 Revenue from non-exchange transactions (continued)

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

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

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

Transfers -Conditional and unconditional grants

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.

Conditional grants

Conditional grants are recognised as revenue to the extent that the Municipality has complied with any of the criteria or obligations embodied and agreement.

Unconditional grant

Unconditional grant are recognised in revenue on quarterly basis.

Debt forgiveness and assumption of liabilities

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

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

Fines

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

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

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

Subsequent Measurement

The municipality assess the collectability of revenue and recognize separate impairment loss when appropriate.

Gifts and donations, including goods in-kind

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

1.22 Revenue from non-exchange transactions (continued)

Services in-kind

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

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

1.23 Investment income

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

1.24 Borrowing costs

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

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

1.25 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

Significant Accounting Policies

1.25 Accounting by principals and agents (continued)

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

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

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

1.26 Comparative figures

Where necessary, comparative figures have been reclassified to conform changes in the current year.When the presentation or classification of items in AFS are amended,the nature and reason for such reclassification and restatement are also disclosed. The presentation and classification of items in the current year is consistent with prior period

1.27 Unauthorised expenditure

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

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

All expenditure relating to unauthorised expenditure is recognise as an expenditure in the statemnet of financil performance in the year that the expenditure is incurred and when it is recovered it is accounted for as revenue in the statement of financial performance.

1.28 Fruitless and wasteful expenditure

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

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

All expenditure relating to fruitless and wasteful expenditure is recognise as an expenditure in the statemnet of financil performance in the year that the expenditure is incurred and when it is recovered it is accounted for as revenue in the statement of financial performance.

1.29 Irregular expenditure

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

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

All expenditure relating to irregular expenditure is recognise as an expenditure in the statemnet of financil performance in the year that the expenditure is incurred and when it is recovered it is accounted for as revenue in the statement of financial performance.

1.30 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);

1.30 Segment information (continued)

- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

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

Measurement

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

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

1.31 Research and development expenditure

Expenditure on research is recognised as an expense when it is incurred.

An asset arising from development is recognised when:

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

1.32 Budget information

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

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

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

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

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts. All Variances of above 10% between the budged and the actual figures are explained in the financial statement as they are considered to be significant

1.33 Related parties and related parties transactions

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.

Significant Accounting Policies

1.33 Related parties and related parties transactions (continued)

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

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

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

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

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

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

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

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

Only transactions that are not at arm's length or in the ordinary course of business of the municipality are disclosed

1.34 Events after reporting date

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

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

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

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

1.35 Collateral held

Collateral held includes financial assets, non-financial assets and other forms of collateral such as guarantees or encumbrances over assets.

The entity recognises assets relating to collateral held if it meets the recognition criteria in other accounting policies.

The entity discloses the nature and amounts of collateral recognised or held, in the notes of the financial statements.

1.36 Non-living resources

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

1.36 Non-living resources (continued)

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

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

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.

Group of resources means a grouping of living or non-living resources of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

The residual value of an asset is the estimated amount that the municipality would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Useful life is the period over which an asset is expected to be available for use by the municipality, or the number of production or similar units expected to be obtained from the asset by the municipality.

Recognition

Non-living resources, other than land, are not recognised as assets. Required information are disclosed in the notes to the annual financial statements.

1.37 Consumer deposits

Initial Measurement and Recognition

The deposit is recognised when the consumer account is opened and payement is made to the Municipality as a deposit in terms of the approved tariffs of the council.Builders deposit is recognised when on the receipt of money from owners of the properties (ERFs) for construction or development .Deposits are recognised as liability in the financial statements

Subsequent Measurement

The deposits can be increased on the account when the consumer applies for an additional service and the amount will be recognised as liability. The deposit received is recorded in the account for consumer deposits and it is kept at the original amount received

Derecognition Criteria

The deposits get appropriated to the consumer account when the service account is finally terminated .The builders deposit is refundable when the construction is completed without contravention of any relevant legislation.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

.**Standards adopted :**	**Effective date:**	**Expected impact**
1. Amentment to GRAP 1	1 April 2023	The impact not material

2.2 Standards and Interpretations early adopted

The municipality did not choose to early adopt the any standards and interpretations:

2.3 Standards and interpretations issued, but not yet effective

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

Standards adopted :	**Effective date:**	**Expected impact**
1. Amendment to GRAP 103	to be determined	The impact not material
2.. Amendment to GRAP 104	1 April 2025	The impact not material
3. Amendment to GRAP 105	to be determined	The impact not material
4. Amendment to GRAP 106	to be determined	The impact not material
5. Amendment to GRAP 107	to be determined	The impact not material

2.4 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2024 or later periods but are not relevant to its operations:

Standards adopted :	**Effective date:**	**Expected impact**
1. Amendment to GRAP 105	to be determined	No impact
2. Amendment to GRAP 106	to be determined	No impact
3. Amendment to GRAP 107	to be determined	No impact

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Fair value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Fair value
Investment property	17 870 867	-	17 870 867	16 720 000	-	16 720 000

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property	16 720 000	1 150 867	17 870 867

Reconciliation of investment property - 2023

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	13 840 000	(911 000)	3 791 000	16 720 000

Pledged as security

Assets under investment property were not pledged as security:

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

3. Investment property (continued)

The valuation of land was performed by Manna holdings Pty (Ltd) company as at 30 June 2024. Manna holding were appointed as independent value registered as professional valuer. The valuation was conducted by Mr AN Lelosa professional valuer registered with South African Council for the Property Valuaers Profession : registration number 4735/1

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The Municipality does not incur any operating (including repairs and maintenance) on investment property.

There are no contractual commitments to purchase, construct or develop investment property.

4. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	60 227 751	-	60 227 751	60 227 751	-	60 227 751
Buildings	27 479 042	(17 982 121)	9 496 921	26 516 742	(17 077 878)	9 438 864
Infrastructure	1 999 355 762	(1 045 123 718)	954 232 044	1 990 030 190	(973 871 466)	1 016 158 724
Community	105 583 755	(41 935 363)	63 648 392	105 165 393	(37 603 616)	67 561 777
Other property, plant and equipment	150 063 455	(78 306 240)	71 757 215	110 390 744	(70 381 122)	40 009 622
Work in progress	245 119 702	-	245 119 702	176 792 517	-	176 792 517
Smart meters	50 014 241	(16 582 486)	33 431 755	42 305 115	(12 310 586)	29 994 529
Total	**2 637 843 708**	**(1 199 929 928)**	**1 437 913 780**	**2 511 428 452**	**(1 111 244 668)**	**1 400 183 784**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Transfers received	Transfer out	Other changes, movements	Depreciation	Impairment loss	Total
Land	60 227 751	-	-	-	-	-	-	60 227 751
Buildings	9 438 864	962 300	-	-	-	(904 243)	-	9 496 921
Infrastructure	1 016 158 724	2 229 034	7 103 214	-	-	(67 497 655)	(3 761 273)	954 232 044
Community	67 561 777	-	1 690 824	-	(1 294 385)	(3 902 661)	(407 163)	63 648 392
Other property, plant and equipment	40 009 622	39 564 316	-	-	-	(7 262 591)	(554 132)	71 757 215
Work in Progress	176 792 517	79 231 275	-	(9 184 116)	-	-	(1 719 974)	245 119 702
Smart Meters	29 994 529	10 352 849	-	-	-	(1 753 124)	(5 162 499)	33 431 755
	1 400 183 784	**132 339 774**	**8 794 038**	**(9 184 116)**	**(1 294 385)**	**(81 320 274)**	**(11 605 041)**	**1 437 913 780**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	60 227 751	-	-	-	-	-	-	60 227 751
Buildings	7 874 398	-	2 409 310	-	-	(844 844)	-	9 438 864
Infrastructure	1 009 908 656	4 332 459	73 143 255	-	-	(65 398 551)	(5 827 095)	1 016 158 724
Community	90 580 554	209 350	-	-	(19 037 450)	(4 190 677)	-	67 561 777
Other property, plant and equipment	41 850 945	3 914 082	-	-	-	(5 591 908)	(163 497)	40 009 622
Work In Progress	214 994 318	40 991 407	-	(76 095 560)	-	-	(3 097 648)	176 792 517
Smart Meters	21 931 368	10 117 480	-	-	-	(1 382 528)	(671 791)	29 994 529
	1 447 367 990	**59 564 778**	**75 552 565**	**(76 095 560)**	**(19 037 450)**	**(77 408 508)**	**(9 760 031)**	**1 400 183 784**

Other Property Plant and equipments -2024	Opening	Additions	Depreciation	Impairment	Disposal	Closing
Furniture and fittings	829 214	1 137 691	(241 327)	(145)	-	1 725 433
Office equipments	3 329 315	362 244	(1 046 828)	(5 354)	-	2 639 522
Computer equipments	3 692 833	555 231	(554 663)	(29 328)	-	3 664 072
Plant and equipments	2 537 096	600 767	(486 703)	(257)	-	2 650 903
Motor Vehicles	27 288 017	36 731 510	(4 585 099)	(430 192)	-	59 004 236
Library books	82 458	-	(15 764)	-	-	66 694
Bins and Containers	2 292 258	176 873	(383 547)	(37 516)	-	2 048 068
	40 051 191	**39 564 316**	**(7 313 931)**	**(502 792)**	**-**	**71 798 928**

Other Property Plant and Equipments-2023	Opening balance	Additions	Depreciation	Impairment	Disposal	Closing balance
Furniture and Fittings	1 004 878	18 670	(220 890)	(8 529)	-	829 214
Office Equipments	2 921 725	1 313 670	(905 214)	(866)	-	3 329 315
Computer Equipments	3 445 941	891 710	(503 331)	(144 857)	-	3 692 833
Plant and Equipments	2 483 133	472 960	(414 913)	(9 245)	-	2 537 096
Motor Vehicles	29 592 903	726 072	(3 163 921)	-	-	27 288 017
Library Books	98 179	-	(15 721)	-	-	82 458
Bins and Containers	2 169 087	491 000	(367 829)	-	-	2 292 258

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

	41 715 846	**3 914 082**	**(5 591 819)**	**(163 497)**	**-**	**40 051 191**

The balance of property, plant and equipment includes assets with the carrying value of R3 017 326 that could not be physically verified as at 31 August 2024.the assets will be investigated and if still not found, the report will be sent to council to request write off .

A register of property plant and equipments required in terms of section 63 of the Municipal finance management act is available for inspection at the registered office of the municiplity .

No property plant and equipment was pledged as a security for loan and all assets are not restricted for used in the process of rendering services

Pledged as security

No property plant and equipment was pledged as a security for loan and all assets are not restricted for used in the process of rendering services

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	177 652 834	1 395 930	179 048 764
Additions/capital expenditure	78 936 381	294 894	79 231 275
Impairment	(1 778 579)	-	(1 778 579)
Transferred to completed items	(8 421 042)	(1 690 824)	(10 111 866)
	246 389 594	**-**	**246 389 594**

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	217 250 565	-	217 250 565
Additions/capital expenditure	39 595 477	1 395 930	40 991 407
Impairment	(3 097 648)	-	(3 097 648)
Transferred to completed items	(76 095 560)	-	(76 095 560)
	177 652 834	**1 395 930**	**179 048 764**

The following is a list, reasons and carrying values of Projects that took significantly longer than expected. The amount shown below are are cost less accumulated impairment.

	2024	2023
Construction of Strongroom	5 537 192	5 537 192
Construction of Thabo Mbeki Sewer Phase 1	37 456 435	38 214 335
Construction of Thabo Mbeki Sewer Phase 2	26 586 160	25 656 574
Construction of Two Transfer Stations	8 171 137	8 171 137
Mmaletswai Water system Network Refurbishment	10 819 088	10 819 088
Marapong Bulk Water Supply	38 519 108	34 940 617
Mokoruanyane Shongoane RWS Phase 5	13 181 717	14 002 814
Seleka Witpoort RWS Phase 5	8 874 910	9 074 492
	149 145 747	**146 416 249**

Construction of Strongroom
The Project entails the building works for the strong Room. The consulting firm did not have capacity to proceed with the project after the passing of the director.The project has now been resuscitated and construction is on progress. The deposit amonut has been paid.

Construction of Thabo Mbeki Sewer
The project entalis the contruction of the main sewer pumpstation , maturation ponds and installation of sewer pipeline .The contractor encountered delays in completing the project due to delay in electrification by Eskom.

Construction of Two Transfer Stations
The project has stalled to allow the litigation process to conclude with the consultant who is supervising the project.The Municipality won the case and MSA is currently conducting technical assessment before the Municipality can commence with the project.

Mmaletswai Water system Network Refurbishment
The project has beeen delayed to be completed due to outstanding electrification by Eskom. Eskom completed the installation of electrical powerlines during 2023/2024 financial year on the two water pumpstations constructed at Seleka 4 and Mmaletswai respectively. The water pumpstation at Mmaletswai is now energized and operational except for the pumpstation in Seleka 4 which has been vandalized.

Marapong Bulk Water Supply
The project has stalled due to the termination of a contract between Municipality and the contractor. The project is included in the implementation plan for 2024/25 FY. The process of appointing new contractor is underway

Mokoruanyane Shongoane RWS Phase 5
The project has stalled due to the shorfall of funding. The costing was revised from the remaining budget of R2.3 Million to R10.2 million in line with the MISA report. The budget of R8 million is allocated for 2024/25 FY.

Seleka Witpoort RWS Phase 5
The project needs additional funding of R17 million to address the short fall encountered. Funding of R13 million was allocated. The Municipality is currently in the process of terminating the contractor as they failed to commit to complete the project with the allocated funding. The Municipality will continue with the process of procurement.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

4. Property, plant and equipment (continued)

Details of accumulated impairment loss on per stalled projects		
Contruction of Thabo Mbeki Sewer Phase 1	757 900	-
Contruction of Two Transfer Stations	106 884	106 884
Mmaletswai Water system Network Refurbishment	372 370	372 370
Mokoruanyane Shongoane RWS Phase 5	2 553 948	1 732 851
Seleka Witpoort RWS Phase 5	465 692	266 110
	4 256 794	**2 478 215**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Infrastructure	16 129 715	14 767 399
Vehicles	2 573 042	1 380 207
Buildings	207 368	12 475
	18 910 125	**16 160 081**

Land Recognition and derecognition

In the year under review Municipality did not lose control of land.

In the previous years , municipality lost control on some of the pieces of land that are registered on its name. The loss of control was as a results of agreement with department of Human Settlement to build RDP houses on the land belonging to the Municipality for the benefits of the residents of the Municipality. The value of the land derecognised is R6 864 531. The land is still registered in the name of the Municipality.

The municipality is not a legal owner as the process for registering the land under the name of the municipality is currently underway, however the Municipality is the custodian of the land to the value of R550 000 donated by EXXARRO for the purpose of contruction of Cemetry.

Notes to the Annual Financial Statements

Figures in Rand

5. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	7 283 552	(5 503 375)	1 780 177	5 602 189	(3 786 136)	1 816 053

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 816 053	1 681 363	(1 717 239)	1 780 177

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 375 326	1 457 935	(1 017 208)	1 816 053

Notes to the Annual Financial Statements

Figures in Rand

6. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral Chain	77 000	-	77 000	77 000	-	77 000

Reconciliation of heritage assets 2024

	Opening balance	Total
Mayoral Chain	77 000	77 000

Reconciliation of heritage assets 2023

	Opening balance	Total
Mayoral Chain	77 000	77 000

Age and/or condition of heritage assets

No contractual commitments for acquisition, maintenance and restoration of heritage assets.

Heritage assets borrowed from other entities

No heritage assets borrowed from other entities.

Restrictions on heritage assets

The are no restrictions on heritage assets owned by Municipality

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

6. Heritage assets (continued)

Pledged as security

No Heritage assets were pledged as security for debt

7. Sundry receivable

Rental receivables	-	41 085
Eskom Deposits	59 740	59 740
Accrued income receivables -Prepaid electricity	1 296 154	-
Deposit paid to suppliers	678 732	-
	2 034 626	**100 825**

This relate to payment made to supplier for strong room for manufacturing of the elavator

Current assets		
Carrying Value	2 034 626	100 825

8. Payables from exchange transactions

Trade payables	55 288 847	33 139 513
Payments received in advance	29 441 982	28 010 558
Retention	28 084 937	26 335 512
Accrued leave pay	18 209 914	16 736 630
Unknown Deposits	4 460 656	3 499 857
Accrued Bonus	5 030 640	4 514 618
	140 516 976	**112 236 688**

9. Consumer deposits

Water and Electricity	10 196 763	10 379 516
Other Deposits	1 815 128	1 815 128
	12 011 891	**12 194 644**

Consumer deposit balance at year end was cash backed

10. Employee benefit obligations

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

Fair values		
Long Service Awards	(14 726 000)	(13 691 000)
Ex-gratia and Post-employement medical aid benefits liability	(72 323 000)	(66 251 000)
	(87 049 000)	**(79 942 000)**

Non-current liabilities	(82 552 000)	(75 693 000)
Current liabilities	(4 497 000)	(4 249 000)
	(87 049 000)	**(79 942 000)**

Figures in Rand	2024	2023

10. Employee benefit obligations (continued)

Changes in the present value of the defined benefit obligation:Long service Award

Opening balance	13 727 000	13 690 000
Current Service cost	(1 105 000)	(1 335 532)
Interest cost	(1 781 000)	1 164 000
Benefits paid	2 849 368	1 628 000
Actuarial losses/(gain)	962 368	(1 419 468)
	14 652 736	**13 727 000**

Changes in the present value of the defined benefit obligation:Ex-gratia and Post medical aid

Opening balance	66 251 000	75 009 000
Current Service cost	3 033 000	3 713 000
Interest	8 588 000	8 956 000
Benefits paid	(2 319 487)	(2 207 118)
Actuarial losses/(gain)	(3 229 513)	(19 219 882)
	72 323 000	**66 251 000**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(2 268 145)	(20 639 350)

Post-employment Medical Aid and Ex-gratia Liabilities
The expected value of each employee and their spouse’s future medical aid subsidies and exgratia benefits is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation (calculation). We also allowed for mortality, retirements and withdrawals from service as set out below. The accrued liability is determined on the basis that each employee’s medical aid or ex-gratia benefit accrues uniformly over the working life of an employee up until retirement. Further it is assumed that the current policy for awarding medical aid subsidies and ex-gratia benefits remains unchanged in the future. We assumed that 100% of all active members on medical aid will remain on medical aid once they retire. We also assumed that all active members will remain on the same medical aid option at retirement.

Long service awards
Under the plan, a long service award is payable to employees at 10 years of continuous service, thereafter for every 5 year of continuous service from 10 years up to 45 years of service. The calculation is an estimate based on actuarial assumptions and on historical staff turnover. The actuarial valuation was carried out by ZAQ Consultants and Actuaries. The actuary responsible was Julian Werner Van Der Spuy, a fellow of the Actuarial Society of South Africa. The projected unit credit funding method was used to determine the past-service liabilities at valuation date and the projected annual expense in the year following the valuation date. Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

10. Employee benefit obligations (continued)

Key Assumptions

Assumptions used at the reporting date

Assumptions used at the reporting date: Discount rate used - Yield curve

Net effective discount rate - Yield curve based

CPI - Difference between the nominal and real yield curve

Normal salary increase rate - CPI +1%

Average retirement age - 65

The employees have the option to belong to a Medical Aid. The Municipality has taken a decision to contribute to medical aid of employees after retirement until their death.

Principal actuarial assumptions of valuation model used	2024	2023
Yield Curve Health Care cost inflation rate	CPI + 1	CPI + 1.
Discount rate	Yield Curve	Yield Curve

Discount Rate GRAP 25 defines the determination of the Discount rate assumption to be used as follows: “The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve

In addition to the normal salary inflation rate, the following promotional salary increases were assumed:

Age Band Promotional	Increase
20 - 24	5%
25 - 29	4%
30 - 34	3%
35 - 39	2%
40 - 44	1%
45 and over	0%

Normal Retirement Age The normal retirement age (NRA) for all active employees assumed to be 65

Mortality Rates Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

11. Inventories

	2024	2023
Consumable stores	713 146	520 755
Maintenance materials	4 675 462	8 460 536
Water for distribution	93 812	168 629
	5 482 420	**9 149 920**

Inventory with the cost of R 2.8 million was written down to zero as obsolete due to change in technology. The stock items were aquired in 2021 when the Municipality was still using the old service provider for running of smart metering. The contract with the old service provider ended and the new one was appointed. The new service provider was appointed and come with the new system.

Inventory pledged as security

No Inventory was pledged as security for overdraft facilities or any other loan

There was no reversal of inventory written down in the 2024 financial year and there was no inventory write down

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

12. Accrual Input VAT

VAT receivable

Input VAT	22 450 847	23 010 940

13. Other receivables from non-exchange transactions

Other Receivables from non-exchange transactions	12 777 915	9 024 901
Debt impairment	(4 421 858)	(4 170 140)
	8 356 057	**4 854 761**
Total Other receivables from Non-exchange transactions	8 356 057	4 854 761

- Municipality was funded under schedule 6B of the DoRA. Under this section funds are transfered to Municipality after the conditions of the grant were met. The receivable represent the funds that were not yet received at year end and for which conditions were met. The receivables amount was reclassified into other receivables from non-exchange transactions to avoid offsetting against other unspent conditional grants.

  Included in the gross balance of other receivables from non-exchange transactions is an amount of R6 241 312 (2023: R3 742 941) relating to schedule 6B of the DoRA.

  The Gross amount of traffic fines receivables included in the Other receivables from non-exchange tranactions is R6 536 604 (2023: R5 281 960)

14. Statutory receivables

In accordance with the principles of GRAP 108, statutory receivables of the Municipality are classified as follows

Property Rates
Property rates arise from the application of Municipal property rates act 6 0f 2004 .The transaction amount is based on the market value of the property using approved tariff of the council and any impairment are based on the individual collection ratio. Municipality levies interest on Rates outstanding after the due date for payment at 18% pa

Traffic Fines
Traffic fines arise from the application of administrative adjudication of Road Traffic Offenses Act of 1998.The transaction amount is based on the traffic offence committed and any impairment are based on the collection ratio.No interest is levied on Traffic fines outstanding . Interest is not charged on traffic fines even if the debts are long overdue

VAT Receivable
VAT Receivables represent the refunds claimable from SARS by the Municipality for value added taxes paid or claimed on the services or goods acquired by the municipality. VAT receivable is claimed when input VAT for the period exceed output VAT declared. Impairment is not applicable.

Ageing analysis for property rates and Traffic fines refer to note 14 and 12 respectively.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

. Statutory receivables (continued)

Staturary receivables-Traffic fines

Gross balance	6 536 604	5 281 960
Provision for impairment -Opening balance	(4 421 858)	(4 170 140)
	2 114 746	**1 111 820**

staturary receivables -Property rates

Gross balance	230 453 650	182 484 619
Provision for debt impairment	(126 147 737)	(105 558 813)
	104 305 913	**76 925 806**

Statutory VAT Receivables	2 815 423	4 670 168

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15. Statutory VAT receivable

VAT	2 815 423	4 670 168

16. receivables from exchange transactions

Gross balances		
Electricity	151 428 428	113 770 886
Water	186 561 900	147 804 050
Waste water	91 564 772	74 369 301
Refuse	109 882 144	94 955 709
	539 437 244	**430 899 946**
Less: Allowance for impairment		
Electricity	(82 778 099)	(49 092 317)
Water	(126 459 700)	(117 868 942)
Waste water	(63 028 030)	(49 542 591)
Refuse	(94 094 177)	(73 406 156)
	(366 360 006)	**(289 910 006)**
Net balance		
Electricity	68 650 329	64 678 569
Water	60 102 200	29 935 108
Waste water	28 536 742	24 826 710
Refuse	15 787 967	21 549 553
	173 077 238	**140 989 940**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

16. receivables from exchange transactions (continued)

Electricity		
Current (0 -30 days)	20 265 447	14 607 368
31 - 60 days	5 927 419	7 796 824
61 - 90 days	4 882 042	6 170 753
91 - 120 days	5 663 702	5 965 339
121 - 365 days	5 780 850	4 853 258
> 365 days	108 908 968	74 377 344
Impairment	(82 778 099)	(49 092 317)
	68 650 329	**64 678 569**

Water		
Current (0 -30 days)	15 903 122	6 295 358
31 - 60 days	6 929 722	5 297 908
61 - 90 days	4 990 375	3 917 294
91 - 120 days	4 127 396	3 888 483
121 - 150 days	4 388 169	3 548 572
> 151 days	150 237 959	124 860 000
Impairment	(126 474 543)	(117 872 507)
	60 102 200	**29 935 108**

Waste water		
Current (0 -30 days)	8 102 278	2 930 687
31 - 60 days	2 351 172	2 103 955
61 - 90 days	2 243 548	1 901 400
91 - 120 days	2 106 357	2 092 352
121 - 150days	2 022 425	1 594 600
> 151 days	74 738 992	63 750 728
Impairment	(63 028 030)	(49 547 012)
	28 536 742	**24 826 710**

Refuse		
Current (0 -30 days)	6 355 386	4 163 755
31 - 60 days	2 270 607	2 067 386
61 - 90 days	2 103 784	1 841 014
91 - 120 days	2 029 142	1 897 186
121 - 150 days	1 972 605	1 628 158
> 151 days	95 150 619	83 395 292
>Impairment	(94 094 176)	(73 443 238)
	15 787 967	**21 549 553**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

16. receivables from exchange transactions (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	20 793 017	24 927 100
31 - 60 days	12 951 756	15 079 834
61 - 90 days	12 663 860	11 826 381
91 - 120 days	10 798 457	7 442 873
121 - 150 days	10 884 181	13 966 430
> 151 days	426 536 792	294 910 640
	494 628 063	**368 153 258**

Industrial/ commercial		
Current (0 -30 days)	10 569 506	4 480 652
31 - 60 days	5 676 262	3 088 407
61 - 90 days	3 893 183	1 796 003
91 - 120 days	2 595 491	1 176 889
121 - 150 days	2 720 682	1 994 362
> 151 days	13 277 074	20 376 260
	38 732 198	**32 912 573**

National and provincial government		
Current (0 -30 days)	1 349 967	1 548 338
31 - 60 days	790 885	477 621
61 - 90 days	921 877	218 953
91 - 120 days	825 800	227 348
121 - 150 days	321 733	369 953
> 151days	3 374 814	2 599 211
	7 585 076	**5 441 424**

Total		
Current (0 -30 days)	50 626 233	27 997 168
31 - 60 days	17 478 920	17 266 073
61 - 90 days	14 219 749	13 830 461
91 - 120 days	13 926 596	13 843 540
121 - 150 days	14 164 049	11 624 588
> 151days	429 021 697	346 535 896
	539 437 244	431 097 726
Less: Allowance for impairment	(366 360 006)	(290 107 786)
	173 077 238	**140 989 940**

Less: Allowance for impairment		
Impairment	(366 360 006)	(289 910 006)

Reconciliation of allowance for impairment		
Balance at beginning of the year	(289 910 006)	(230 439 865)
Contributions to allowance	(76 450 000)	(59 470 141)
	(366 360 006)	**(289 910 006)**

17. Receivables from non exchange transactions

Gross balances		
Property Rates	230 453 881	182 484 619

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

17. Receivables from non exchange transactions (continued)

Less: Allowance for impairment		
Property Rates	(126 147 737)	(105 558 813)

Net balance		
Property Rates	104 306 144	76 925 806

Rates		
Current (0 -30 days)	30 360 465	17 553 363
31 - 60 days	7 511 767	14 166 031
61 - 90 days	6 983 212	5 279 406
91 - 120 days	6 759 483	4 992 232
121 - 150 days	6 086 413	4 849 364
> 151 days	172 990 100	135 557 216
Impairment	(126 385 296)	(105 471 806)
	104 306 144	**76 925 806**

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	5 203 516	7 019 076
31 - 60 days	3 956 002	3 523 751
61 - 90 days	3 486 709	2 902 786
91 - 120 days	3 193 669	2 142 655
121 - 150 days	3 122 933	3 883 847
> 151 days	103 562 179	67 393 401
	122 525 008	**86 865 516**

Industrial/ commercial		
Current (0 -30 days)	5 969 152	5 351 723
31 - 60 days	4 909 667	4 185 182
61 - 90 days	3 735 692	3 101 493
91 - 120 days	3 502 066	2 918 582
121 - 150 days	3 351 117	5 558 653
> 151 days	68 327 868	61 327 408
	89 795 562	**82 443 041**

National and provincial government		
Current (0 -30 days)	449 466	248 923
31 - 60 days	338 785	216 916
61 - 90 days	289 366	215 311
91 - 120 days	287 477	212 063
121 - 150 days	285 433	382 158
> 151 days	7 186 466	4 252 544
	8 836 993	**5 527 915**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(105 321 254)	(91 928 414)
Contributions to allowance	(20 913 490)	(13 392 840)
	(126 234 744)	**(105 321 254)**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

18. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	15 545	15 545
Bank balances	46 514 851	59 397 711
Short-term deposits	14 122 467	31 846 916
	60 652 863	**91 260 172**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
ABSA BANK - Current account - 1470 000 038	33 320 648	60 099 123	73 924 739	33 546 421	59 413 256	73 104 429
ABSA BANK - Call Account- 407 289 4439	20 510 466	25 139 217	13 005 762	20 690 606	25 546 516	13 005 762
ABSA - Fixed Account - 206 915 8294	6 300 400	6 300 400	6 300 400	6 300 400	6 300 400	6 300 400
ABSA BANK - Call account - 4097 484 845	51 378	123 211	43 813	51 378	-	48 813
ABSA BANK - Account Type - 9380-435-067	63 579	-	-	63 579	-	-
Total	**60 246 471**	**91 661 951**	**93 274 714**	**60 652 384**	**91 260 172**	**92 459 404**

- Cash and cash equivalents above were not pleadged as collateral

Restricted cash balances

19. Finance lease obligation

Minimum lease payments due		
- within one year	15 397 612	15 397 612
Within 2-5 years	29 512 090	44 909 702
	44 909 702	60 307 314
less: future finance charges	(8 368 871)	(14 344 085)
Present value of minimum lease payments	**36 540 831**	**45 963 229**

Present value of minimum lease payments due		
- within one year	10 862 709	9 422 398
Within 2-5 years	25 678 042	36 540 831
	36 540 751	**45 963 229**

Non-current liabilities	25 678 042	36 520 834
Current liabilities	10 862 792	9 442 397
	36 540 834	**45 963 231**

Finance lease payments represents capital redeemption payable by the municipality for the Zeeland Water treatment works. Municipality entered into a contract with Exxarro for the contruction of the water treatment plant on finance lease basis over a 15 years . Interest rate charged is based on the lossor's weighted average cost of capital calculated using the audited annual financial statements. In the year under review interest rate remained unchanged at 14.3% . The ownership of the asset will be transfered to the lessee at the end of the lease period.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

20. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	5 307 488	21 245 590
Municipal Disaster relief grant	7 600 000	-
	12 907 488	**21 245 590**

Movement during the year

Balance at the beginning of the year	21 245 590	2 671 577
Additions during the year	343 623 667	76 368 413
Income recognition during the year	(346 561 769)	(55 927 233)
Paid back to National Treasury	(5 400 000)	(1 867 167)
	12 907 488	**21 245 590**

Municipal infrastructure grant is meant for contruction and refurbushment of infrastructure. The grant also covers cost for project manangement ,limited to 5% of the total annual allocation.

This grant is intended to fund repairs to essential basic services infrastructure, provision of temporary infrastructure, humanitarian relief and other immediate essential services followinga declared state of disaster.

Marapong township was declared disaster after it was affected by the hailstorm around February 2024 which damaged the roads infrastructure. The scope of work relate to surfacing (paving) of five internal street and installation of concrete channel (line v-drain).

Municipality applied for rollover on the unspent amount as the funds were already committed.

Both Unspent conditional grant for MIG and disaster grant are cash backed.

21. Other financial liabilities

At amortised cost		
DWS liability	61 562 821	82 097 494

Non-current liabilities		
DWS liability	61 562 821	82 097 494

Other non current finacial liabilities relate to debt owned to the Department of Water and sanitation for extraction of raw water from Mogol dam. Long term settlement agreement was signed between two parties. The last instalment on this liability will be paid in April 2028, the month after the last trench of the euqitable share grant in line with the agreement. The interest is frozen on this liability as long as Municipality keeps up with the terms of the signed agreement.

Current liabilities		
DWS Liability	20 524 373	20 524 373

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

22. Provisions for landfill

Reconciliation of provisions for landfill - 2024

	Opening Balance	Reduction due to re-measurement or settlement without cost to entity	Interest	Total
Environmental rehabilitation	29 203 162	(1 272 462)	3 335 468	31 266 168

Reconciliation of provisions for landfill - 2023

	Opening Balance	Reduction due to re-measurement or settlement without cost to entity	Interest	Total
Environmental rehabilitation	43 613 836	(19 037 450)	4 626 776	29 203 162

Environmental rehabilitation provision

Liabilities are present obligations of an entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits6. The operation of a landfill results in an obligation to rehabilitate the landfill and prevent any further pollution after closure thereof in terms of the National Environmental Management Act, Act 107 of 19987, Government Notice 718 of 3 July 2009, and the landfill permits issued under section 20 of the Environment Conservation Act, Act 73 of 1989, or the waste management licenses issued under section 50 of the National Environmental Management: Waste Act, Act 59 of 2008.

The technical requirements for final decommissioning and rehabilitation of landfills are embodied in the Minimum Requirements for Waste Disposal by Landfill, as amended by more recent regulations.The final decommissioning and rehabilitation of landfills clearly represents a present legal obligation as a result of past events (opening and operation of the landfill) and will certainly result in an outflow of economic resources

The valuation of the provision for landfill site was determined by an independant expert. The valuation was determined as at 30 June 2024.

23. Accrual Outpt VAT

	2024	2023
Output VAT	6 506 240	11 952 536

24. Revenue

	2024	2023
Service charges	303 274 505	257 153 186
Rental of facilities and equipment	233 380	195 487
Interest earned on outstanding receivables -service charges	51 341 751	40 865 122
Agency fees	9 054 387	8 816 975
Other revenue	2 582 423	4 343 566
Interest received - investment	8 679 930	9 010 902
Property rates	114 403 879	106 601 780
Property rates - penalties imposed	22 219 493	18 634 272
Government grants & subsidies	349 602 225	258 210 835
Public contributions and donations	4 750 809	-
Fines, Penalties and Forfeits	643 675	465 200
	866 786 457	**704 297 325**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

24. Revenue (continued)

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

Service charges	303 274 505	257 153 186
Rental of facilities and equipment	233 380	195 487
Interest received (trading)	51 341 751	40 865 122
Licences and permits	9 054 387	8 816 975
Other income	2 582 423	4 343 566
Interest received - investment	8 679 930	9 010 902
	375 166 376	**320 385 238**

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

Taxation revenue		
Property rates	114 403 879	106 601 780
Property rates - penalties imposed	22 219 493	18 634 272
Transfer revenue		
Government grants & subsidies	349 602 225	258 210 835
Public contributions and donations	4 750 809	-
Fines, Penalties and Forfeits	643 675	465 200
	491 620 081	**383 912 087**

25. Inventory Consumed

Materials and Consumables	14 072 171	13 832 302
Water purchases	36 406 793	32 790 534
	50 478 964	**46 622 836**

26. Service charges

Sale of electricity	193 486 912	159 543 210
Sale of water	64 880 991	53 632 651
Solid waste	20 740 701	19 450 126
Sewerage and sanitation charges	24 165 901	24 527 199
	303 274 505	**257 153 186**

27. Rental of facilities and equipment

Rental of facilities	233 380	195 487

Included in the above rentals are operating lease rentals at straight-lined amounts. There are no as contingent rentals included in the above rental amounts. Municiplaity has five residential properties that are exclusively rented out to directors

28. Fines, Penalties and Forfeits

Municipal Traffic Fines	643 675	465 200

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

29. Interest - Transfers

DWS interest transfer	-	27 517 089

Municipality signed a long term settlement agreement with the Department of Water and Sanitation. The interest that was charged by the department on over due accounts in the previous year was conditionally written off upon the signing of the long term settlement agreement, which was R27 517 089 . Interest will be written off upon the full settlement of historical debt over a five year period. Municipality has paid amount of R11 402 400 as a deposit upon signing of the agreement. For the year under review the Municipality managed to keep in line with the debt arrangement.

30. Agency fees

Road and Transport	9 054 387	8 816 975

31. Other revenue

Other income	2 582 423	4 343 566

32. Interest -transfers

Interest-Transfer revenue	-	27 517 089

- Municipality signed a long term settlement agreement with the Department of Water and Sanitation. The interest that was charged by the department on over due accounts in the previous year was conditionally written off . Interest will be written off upon the full settlement of historical debt over a five year period. Munciplaity has paid amount of R11 402 400 as a deposit upon signing of the agreement.

  The payments are made in three equal installments annually that are aligned to receipt of equitable share grant. Municiplaity has increase the water tariff in the 2021/22 financial year by 30% in order to service the current account. Municipality started servicing the current account with DWS since the biginning of 2022/23 without defaulting till the year under review . Municiplaity did not defauld on long term settlement agreement.

33. Interest earned - External investment

Interest earned - External investment		
Interest on short term invetments	8 174 562	8 710 277
Interest on primary bank	505 368	300 625
	8 679 930	**9 010 902**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

34. Property rates

Rates received

Property rates	114 403 879	106 601 780
	114 403 879	106 601 780
Property rates - penalties imposed	22 219 493	18 634 272
	136 623 372	**125 236 052**

Valuations

Residential	6 246 008 000	6 182 438 000
Commercial	3 434 281 100	3 416 961 100
State	253 149 600	250 729 600
Municipal	730 103 700	730 123 700
Agricultural	0 690 086 500	0 661 371 500
Sectional Title	1 023 778 000	1 045 919 000
Exempted	502 400 000	548 195 000
	2 879 806 900	**2 835 737 900**

35. Transfers and subsidies

Other subsidies		
Transferes paid	608 172	581 154
Beneficiaries paid		
Mogol club	239 636	227 574
SPCA Lephalale DBV	119 817	113 787
AGRI Lephalale	119 818	113 787
Dinations to traditional councils	128 900	126 006
	608 171	**581 154**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

36. Government grants & subsidies

Operating grants		
Equitable share	226 374 000	202 071 000
Financial Management Grant	1 700 000	1 650 000
Local Government SETA	348 628	204 802
EPWP	982 867	1 293 000
	229 405 495	**205 218 802**
Capital grants		
Municipal Infrastructure Grant	66 799 102	29 930 410
Water Service Infrastructure Grant	53 397 628	8 057 213
Electrification Grant	-	11 004 410
Energy Efficiency Grant	-	4 000 000
	120 196 730	**52 992 033**
	349 602 225	**258 210 835**

Equitable Share

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury..

Municipal Infrastructure Grant

Balance unspent at beginning of year	21 245 590	1 867 167
Current-year receipts	56 261 000	51 177 000
Conditions met - transferred to revenue	(66 799 102)	(29 923 610)
Paid back to National Treasury	(5 400 000)	(1 874 967)
	5 307 488	**21 245 590**

Conditions still to be met - remain liabilities (see note 20).

Municipal infrastructure grant is for is meant for contruction and refurbishment of infrastructure. The grant also covers cost for the project management limited to 5% of the total annual allocation.

Municipality applied for rollover on the unspend amount as the funds were already committed.

Water Service Infrastructure Grant

Balance unspent at beginning of year	(3 111 382)	(9 563 678)
Current-year receipts	50 267 695	13 877 948
Conditions met - transferred to revenue	(53 397 627)	(7 425 652)
	(6 241 314)	**(3 111 382)**

Municipality was funded under schedule 6B of the DoRA. Under this section funds are only transfered to municipality after the conditions of the grants were met. The receivable represent the funds that were not yet received at year end and for which conditions were met. The receivables amount was reclassified into other receivables from non exchange transaction to avoid offsetting against other unspent conditional grants receipts.

Financial Management Grant

Current-year receipts	1 700 000	1 650 000
Conditions met - transferred to revenue	(1 700 000)	(1 650 000)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

36. Government grants & subsidies (continued)

Financial management grant is meant for the support of the financial administration of the municipality such as mSCOA and financial management interns.

EPWP Grant

Current-year receipts	1 035 000	1 292 000
Conditions met - transferred to revenue	(1 035 000)	(1 292 000)
	-	-

Municipal Disaster relief Grant

Current-year receipts	7 600 000	-

Conditions still to be met - remain liabilities (see note 20.

This grant is intended to fund repairs to essential basic services infrastructure, provision of temporary infrastructure, humanitarian relief and other immediate essential services followinga declared state of disaster.

Marapong township was declared disaster after it was affected by the hailstorm around February 2024 which damaged the roads infrastructure. The scope of work relate to surfacing (paving) of five internal street and installation of concrete channel (line v-drain).

Electrification Grant

Balance unspent at beginning of year	-	804 410
Current-year receipts	-	10 200 000
Conditions met - transferred to revenue	-	(11 004 410)
	-	-

The grant is meant for the electrification programme

Energy Efficient Grant

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

Local government SETA

Current-year receipts	385 972	204 802
Conditions met - transferred to revenue	(385 972)	(204 802)
	-	-

37. Public contributions and donations

Donation Received from EXXARRO Mine	4 750 809	-

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

38. Employee related costs

Basic	133 387 647	120 057 483
Bonus	10 267 592	9 997 756
Medical aid - company contributions	12 437 935	11 311 207
UIF	942 480	898 535
Leave pay provision charge	11 339 692	8 857 679
Overtime payments	15 890 606	12 460 478
Travel, motor car allowance and other allowances	9 740 814	9 605 610
Housing benefits and allowances	534 288	495 077
Stand by allowances	2 621 683	2 610 262
Phones allawances	1 137 219	1 088 494
Defines contributions plan	27 642 127	25 862 110
	225 942 083	**203 244 691**

Remuneration of municipal manager

Annual Remuneration	816 390	867 148
Car Allowance	113 198	115 934
Bonuses	60 519	62 645
Contributions to UIF, Medical and Pension Funds	144 403	146 239
Other	114 256	277 094
Termination benefits	525 307	-
	1 774 073	**1 469 060**

Ms MM Cocquyt was reappointed on a fixed term contract of 5 years starting from January 2023. However she was placed on a special leave from September and her employment contract was terminated on 30 April 2024. Ms M Mmope was since appointed to as an acting accounting office.Acting allowance paid during the year amounted to R205 345

Remuneration of chief finance officer

Annual Remuneration	876 699	861 578
Car Allowance	135 179	134 937
Bonuses	64 400	67 369
Contributions to UIF, Medical and Pension Funds	220 014	208 369
Other	44 462	103 811
	1 340 754	**1 376 064**

Remuneration of executive Manager -Infrastructure Services

Annual Remuneration	508 824	591 547
Car Allowance	67 315	117 904
Bonuses	(49 054)	56 000
Contributions to UIF, Medical and Pension Funds	86 057	105 017
Other	(86 375)	70 467
	526 767	**940 935**

Mr MC Masoga was appointed as executive manager infrastructure services on 1st August 2020 on a fixed term contract for 5 years. Mr Masoga was placed on special leave since December 2022 and his contract was terminated on 09 Febraury 2024. Mr RJ Ngobeli was appointed at an acting capacity until 30 April 2024 and acting allowance amounting to R 119 833 was paid during the year.

Mr A Shiko was appointed as acting capacity from 01 May 2024 and was paid acting allowance amounting to R 24 353.57 during the year.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

38. Employee related costs (continued)

Remuneration of executive manager-Strategic support services

Annual Remuneration	782 539	443 510
Car Allowance	98 250	57 309
Bonuses	56 850	-
Contributions to UIF, Medical and Pension Funds	141 755	81 864
Other	34 072	88 160
	1 113 466	**670 843**

Executive Manager -Social services

Annual Remuneration	823 724	494 458
Car Allowance	153 174	89 372
Bonuses	132 047	-
Contributions to UIF, Medical and Pension Funds	215 523	83 920
Other	67 225	(66 873)
	1 391 693	**600 877**

Ms M MMope was appointed as Executive Manager Social services on 01 December 2022 for a fixed term period of 5 year. Ms Mmope is currently the acting accounting officer and Ms BJ Ndoweni was appoited as an acting executive Manager Social services and total acting allowance paid to her during the year amounted to R102 618

Executive Manager Corporate support services

Annual Remuneration	738 557	370 449
Car Allowance	128 648	63 976
Bonuses	53 723	-
Contributions to UIF, Medical and Pension Funds	196 666	63 259
Other	76 627	79 375
	1 194 221	**577 059**

Reconciliation of employee related cost

Staff	225 942 083	203 244 690
Section 54A and Section 56	7 627 583	5 634 842
	233 569 666	**208 879 532**

Executive Manager- Development Planning

The position of Executve Manager Planning and Development has been vacant during the financial year under review. Mr TBO Mabale Has been appointed to act and was paid acting allowance of R 75 882 until January 2024. OF Radipabe was appointed to act as an executive MAnager from February 2024 and the acting allowance of R 48 653 was paid.

39. Remuneration of councillors

Councillors	14 066 021	13 304 795

40. Depreciation and amortisation

Property, plant and equipment	94 711 818	88 652 793

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

41. Finance costs

Interest on land fill site provisiosn	3 335 468	4 626 776
Finance leases	6 515 513	7 260 611
Interest on Employee benefits provisions	9 865 654	10 548 000
	19 716 635	**22 435 387**

42. Additional disclosure in terms of Municipal Finance Management Act

Audit Fee charged	6 298 381	4 671 573
Amount paid	(6 298 381)	(4 671 573)
	-	-

Pension and medical aid		
Current year subscription fees	58 132 372	58 289 985
Amount paid -Current year	(58 132 372)	(58 289 985)
	-	-

Pay as you earn		
Current year subscription fees	39 322 193	37 005 242
Amount paid -Current year	(39 322 193)	(37 005 242)
	-	-

Contribution to organised local government		
Current year subscription fees	2 652 873	2 538 768
Amount paid -Current year	(2 652 873)	(2 538 768)
	-	-

43. Discound allowed Bad debts written off

Bad debts written off	6 870 117	2 074 845

The council has granted consumers for electricity a discound as Municiplaity converted consumers from pre-paid to post paid without prior notice.The floowed after the contract with with newly appointed service provider was terminated due to performance issues.

Debt impairment		
Water	8 191 068	19 850 399
Electricity	30 491 354	14 538 513
Property rates	20 826 483	13 392 846
Refuse removal	19 077 851	7 519 388
Waste Water	12 523 112	12 324 008
Traffic fine	238 811	23 173
	91 348 679	**67 648 327**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

44. Operating expenses

Advertising	740 806	735 318
Auditors remuneration	6 298 381	4 671 573
Bank charges	1 587 111	1 634 118
Electrification of Villages	-	9 565 217
Insurance	3 349 235	2 717 100
Conferences and seminars	1 798 940	1 630 819
Licences and Software	13 837 373	11 035 344
Skills developement Levies	2 161 290	2 059 375
Fuel and oil	9 120 057	9 438 476
Printing and stationery	2 078 898	1 058 795
Protective clothing	2 552 312	2 851 538
Subscriptions and membership fees	2 869 727	2 521 247
Travel - local	2 436 569	2 496 387
Municipal consumption	8 681 270	7 178 693
COIDA Registration	-	944 167
Remuneration of ward committee members	1 521 040	736 045
Other operating expenditure	11 033 351	12 962 046
EPWP programme	951 743	1 292 000
	71 018 103	**75 528 258**

45. Bulk purchases

Electricity - Eskom	161 357 687	139 206 923

46. Contracted services

Outsourced Services		
Debt collection	3 331 484	5 648 558
Security Services	16 338 330	15 571 035
Other contracted services	5 509 365	4 184 236
Consultants and Professional Services		
Business and Advisory	4 073 302	5 955 706
Valuation services	1 275 450	970 560
Legal Cost	4 624 790	4 863 247
Contractors		
Maintenance of Assets	7 785 497	5 728 182
Prepaid Electricity and Meter reading	9 926 331	4 565 100
	52 864 549	**47 486 624**

Valuation services expenditure was incorrectly descriped as laboratory services in the prior year

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

47. Cash generated from operations

Surplus	73 654 641	43 833 556
Adjustments for:		
Depreciation and amortisation	94 711 818	88 652 793
Loss on disposal of assets	-	(9 000)
Fair value adjustments	(1 203 000)	(3 791 000)
Public contributions and Donation	(4 750 809)	-
Discount allowed and Bad debts written off	6 870 117	2 074 845
Debt impairment	91 348 679	67 648 328
Acturial gain	(2 267 145)	(20 639 350)
Finance cost	19 716 618	-
Interest transfer	-	(27 518 357)
Changes in working capital:		
Inventories	3 667 500	(1 142 157)
Consumer debtors	(103 245 152)	(38 761 357)
Other receivables from non-exchange transactions	(46 603 680)	(10 766 542)
Other receivables from non exchange transactions receivables	(3 501 296)	6 546 053
Prepayments	(647 947)	(41 085)
Payables from exchange transactions	28 293 963	(50 788 870)
VAT	(6 931 819)	(9 580 490)
Unspent conditional grants and receipts	(8 338 102)	18 574 013
Consumer deposits	(182 753)	1 802 512
	140 591 633	**66 093 892**

48. Public Private Partnership

The Lephalale Local Municipality entered into agreement with EXXARO mine whereby EXXARO Upgraded its water purification plant, Zeeland and sells it to the Municipality through a finance lease payable over a period of 15 years. EXXARRO will also operate and maintain the Zeeland Water Treatment Plant over the lease term of 15 years. Municipality is paying monthly fee of R1.2 million for operation and maintenance. These costs are included in the cost of inventory consumed in the statement of financial performance.

The finance lease payments amount to R1.4 million per month.
The finance cost includes the amount of R5.9 million relating to Zeeland -finance lease
The finance lease liability disclosed in the statement of financial position relates to Zeeland.
The finance lease asset was included in Property plant and equipment

Finance lease: Current Portion:	R10 862 792 (2023:R9 442 397)
Finance Lease Non -Current Portion:	R25 678 042 (2023:36 520 834)

49. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Impairment on trade and other receivables	65 197 633	60 048 463
Loss on sale of non-current assets held for sale and net assets of disposal groups	-	(9 000)
Depreciation on property, plant and equipment	94 711 818	88 652 793

50. Fair value adjustments

Investment property (Fair value model)	1 150 867	3 791 000

51. Financial instruments disclosure

Categories of financial instruments

2024

51. Financial instruments disclosure (continued)

Financial assets

	At fair value	At amortised cost	Total
Receivables from non-exchange transactions	-	104 305 913	104 305 913
Receivables from exchange transactions	-	173 077 238	173 077 238
Other receivables from non-exchange transactions	-	8 356 057	8 356 057
Sundry receivables	-	2 034 626	2 034 626
Cash and cash equivalents	60 652 863	-	60 652 863
Statutory VAT receivable	-	2 815 423	2 815 423
Accrual input VAT	-	22 450 847	22 450 847
	60 652 863	**313 040 104**	**373 692 967**

Financial liabilities

	At fair value	At amortised cost	Total
Finance lease obligation	-	36 520 834	36 520 834
Other financial liabilities	-	82 097 494	82 097 494
Unspent conditional grant and receipts	12 907 488	-	12 907 488
Accrual output VAT	-	6 506 240	6 506 240
Payables from exchange transactions	140 516 976	-	140 516 976
Consumer deposits	-	12 011 891	12 011 891
	153 424 464	**137 136 459**	**290 560 923**

2023

Financial assets

	At fair value	At amortised cost	Total
Receivables from non-exchange transactions	-	76 925 806	76 925 806
Receivables from exchange transactions	-	140 989 940	140 989 940
Other receivables from non-exchange transactions	-	4 854 761	4 854 761
Sundry receivables	-	100 825	100 825
Cash and cash equivalents	91 260 172	-	91 260 172
Statutory VAT receivable	-	4 670 168	4 670 168
Accrual Input VAT	-	23 010 940	23 010 940
	91 260 172	**250 552 440**	**341 812 612**

Financial liabilities

	At fair value	At amortised cost	Total
Finance lease obligation	-	45 963 232	45 963 232
Other financial liability	-	102 621 867	102 621 867
Unspent conditional grant and receipts	21 245 590	-	21 245 590
Consumer deposits	-	12 194 644	12 194 644
Payables from exchange transactions	113 156 688	-	113 156 688
Accrual output VAT	-	11 952 536	11 952 536
	134 402 278	**172 732 279**	**307 134 557**

Liquidity risk

2024

51. Financial instruments disclosure (continued)

	Within 1 year	2 to 5 years	Total
Finance lease obligation	10 862 789	25 678 042	36 540 831
Other financial liabilities	20 524 373	61 562 821	82 087 194
Unspent conditional grant and receipts	12 907 488	-	12 907 488
Consumer deposits	12 011 891	-	12 011 891
Payables from exchange transactions	140 516 976	-	140 516 976
	196 823 517	**87 240 863**	**284 064 380**

2023

	Within 1 year	2 to 5 years	Total
Finance lease obligation	944 397	36 520 834	37 465 231
Other financial liabilities	20 524 373	82 097 494	102 621 867
Unspent conditional grant and receipts	21 245 590	-	21 245 590
Consumer deposits	12 194 644	-	12 194 644
Payables from exchange transactions	112 236 688	-	112 236 688
	167 145 692	**118 618 328**	**285 764 020**

Financial instruments

The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain its current debt to equity ratio. This will be achieved through the annual increase in tariffs to maintain the accumulated surplus, as well as the increased use of unsecured bank loan facilities.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances. The municipality manages credit risk in its borrowing and investing activities by only dealing with well established financial institutions of high credit standing, and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the municipality’s credit control and debt collection policy.

The municipality’s credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in the accounting policies

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities.. The carrying amount of financial assets recorded in the annual financial statements, which is net of impairment losses, represents the municipality’s maximum exposure to credit risk without taking account of the value of any collateral obtained.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follow:

Receivables from non-exchange transactions	-	-	104 305 913	76 925 806
Receivables from exchange transactions	-	-	173 077 238	140 989 940
Cash and cash equivalents	-	-	60 652 384	91 260 172
	-	**-**	**338 035 535**	**309 175 918**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

52. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	162 106 605	86 572 182
• Community assets	26 599 307	28 514 964
• Other	211 412	825 479
	188 917 324	**115 912 625**

Total capital commitments		
Already contracted for but not provided for	188 917 324	115 912 625

Authorised operational expenditure

Already contracted for but not provided for		
• Infrastructure assets	962 546	31 262
• Community assets	-	434 250
• Other	68 018 009	88 555 336
	68 980 555	**89 020 848**

Total operational commitments		
Already contracted for but not provided for	68 980 555	89 020 848

Total commitments

Total commitments		
Authorised capital expenditure	188 917 324	115 912 625
Authorised operational expenditure	68 980 555	89 020 848
	257 897 879	**204 933 473**

This committed expenditure relates to capital expenditure as well as operational expenditure and will be financed by existing cash resources, funds internally generated and grants.

Commitments amount above are VAT exclusive. There were no material contracts that were entered into after year end but before approval of the AFS,

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	1 450 207	487 974
- in second to fifth year inclusive	2 175 311	-
	3 625 518	**487 974**

Operating lease payments represent rentals payable by the municipality for photocopy machines from Edu books shop solution cc. The lease period is for a period of three year ending in December 2026. No contingent rental is payable. There are no escalation clauses relating to rental agreement and the there is no renewal option. The lease items may not be sub leased.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

53. Contingencies

The principal amounts of contingent liabilies are shown in a table below. The total financial exposure from each case was estimated by adding interest to the principal amount .Interest rates applicable are included in each summon. The total financial exposure was included under the nature of the litigations.

Contingent liabilities		
Rhine Vhane Civil Constructions CC & Johan Ferdinard // Lephalale Local Municipality	930 000	930 000
Johan Ferdinard // Lephalale Local Municipality	1 180 000	1 180 000
Edward James Daniel De Villers // Lephalale Local Municiplaity	1 060 000	1 060 000
Edward James Daniel De Villers // Lephalale Local Municiplaity	1 110 000	1 110 000
Christiaan Lourens Erasmus // Lephalale Local Municiplaity	3 400 000	3 400 000
French Rural Development // Lephalale Local Municiplaity	3 260 000	3 260 000
Mmalerepo Investment // Lephalale Local Municiplaity	8 500 000	8 500 000
Ms NM Pudikabekwa // Lephalale Local Municiplaity	361 195	361 195
Leopiet Otwekkeling // Lephalale Local Municiplaity	40 000 000	40 000 000
Global strake // Lephalale Local Municiplaity	1 222 218	1 222 218
Mr NP Maloba // Lephalale Local Municiplaity	-	478 605
Mokgotho Building construction // Lephalale Local Municiplaity	1 153 868	1 153 868
Bhelela technology // Lephalale Local Municiplaity	8 296 330	8 296 330
Sealab // Lephalale Local Municipality	300 000	300 000
	70 773 611	**71 252 216**

1 **.Rhine Vhane Civil Construction CC and Johan Ferdinard Bernard**
The Municipality sold stands in extension 50 for R1.00 per square meter around the year 2005, then council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchasers Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void and the land reverted back to council. Rhine Vhane Civil Construction as one of the purchasers which developed in the area are claiming R6 127 518 plus interest as unjust enrichment. The matter is still ongoing. Exchange of pleadings is still underway. The amount claimed inthe summons is unreasonably high and management estimated the amount of R930 000 to be reasonable based on the value of improvements carried done on the property. The total financial exposure taking interest into account is estimated to be R 1 860 000.

2. Johan Ferdinard Barnard
The Municipality sold stands in extention 50 for R1.00 per square meter around the year 2005, then council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchasers Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void and the land reverted back to council. Johan Ferdinard Barnard as one of the purchasers which developed in the area are claiming R2 600 000 plus interest as unjust enrichment. The matter is at pleading stage and parties are exchanging pleadings. The amount claimed inthe summons is unreasonably high and management estimated the amount of R1 180 000 to be reasonable based on the fact that Municiplity would not pay price higher than the value of the property. The total financial exposure taking interest into account is estimated to be R2 360 000000.

3**. Edward James Daniel De Villiers**
The Municipality sold stands in extension 50 for R1.00 per square meter around the year 2005, then council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchasers Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void and the land reverted back to council. Edward James Daniel De Villier as one of the purchasers which developed in the area are claiming R2 774 200 and R19 808 774 as unjust enrichment. The matter is at pleading stage.Managements best estimate of the possible amounts payable are R1 060 000 and R1 110 000 based on the expert valuation performed on the improvements and the value of the property .The estimated financial exposure is R4 340 000 which consists of principal amount plus interest.

6. Christaan Lourens Erasmus

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

53. Contingencies (continued)

The Municipality sold stands in extension 50 for R1.00 per square meter around the year 2005, then council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchasers Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void and the land reverted back to concil. Christaan Lourens Erasmus as one of the purchasers which developed in the area are claiming R8 899 716 as unjust enrichment. The matter is at pleading stage. Management estimated the posible payable amount to be R 3 400 000 based on the extert valuation of the improvement and land . The estimated financial exposure is R6 800 000 taking into account the principal amount plus interest charged from inception date.

7. French Rural Development

In 2016 French Rural development issued summons in high to compel the Municipality to transfer the stand it is occupying or alternatively pay the damages amounting to R34 729 050.00 The matter is still ongoing and the parties are exchanging pleadings . Management estimated the posible payable amount to be R3 260 000 based on the extert valuation of the improvement and land .The total financial exposure taking into account interest charged is estimated at R6 520 000.

8. Mmalerepo Investment

Mmalerepo Investment was one of the service providers that were appointed by the Municipality on an as and when required basis for the repairs and maintenance of municipal sewer pumps. They were then never given any order with regard to the appointment. As a result of that they issued summons against the Municipality in the Polokwane High Court for the amount of R8 500 000.The financial exposure is estimated to R 17 000 000 which is the sum of the interest plus the principal amount.

9. Ms NM Pudikabekwa

The Municipality disciplined Ms NM Pudikabekwa (Former Manager HR) for allegations of misconduct. Ms Pudikabekwa was then found guilty on all of the charges levelled against her and she was ultimately dismissed on 13th September 2019 as a municipal employee. Ms Pudikabekwa then appealed the decision of the disciplinary committee on the 25th September 2019.Should Ms Pudikabekwa win the appeal, the municipality may be ordered to either reinstate her to her position or alternatively reimburse her. Compensations never exceed six months salary so in this instance the possible financial liability at maximum will be half of employee's annual total cost to the Municipality which is R361 195. The total financial exposure that include both principal amount and interest is estimated at R722 390.

10. Leopiet Ontwekkeling

The Municipality received combined summons on 24 November 2020 from Thomas and Swanepoel Incorporated requesting the court for an order of damages in the amount of R174 650 031,00 plus 8.75% interest p.a . According to the particulars of claim, the plaintiff alleges that the Municipality has failed in its legal duty to maintain or upgrade the Paal sewer treatment works and its subject to sewerage disposal network leading to the consequential overflow from the sewerage system of contaminated water, wastage, and affluent material onto the plaintiff's immovable property. Further more, the plaintiff alleges that he has had no option but to sustain, maintain the spillage at his own costs including mitigating rentention dam and all cost associated with the spillage. The Municipality has appointed Mmakola Matsimela Attorneys to defend the matter and for such legal process have ensued. The notice of intention to defend has been served and we are now awaiting the response from opposing Attorneys. The most likely amount that may be paid based on the expert assessment is R40 000 000. The total financial exposure that include both principal amount and interest is estimated at R55 947 032.

11. Global Strake Security

Lephalale Municipality appointed Global Strake Security in 2018 for provision of physical security at selected municipal sites. Global Strake Security issued summons for the amount of R1 222 218 against the municipality for damages allegedly suffered through provision of additional security services which the company offered at the mayor's residence. The Municipality did not authorize the services in question to be offered in terms of the contract and therefore appointed attorneys to defend the action. Mmakola Matsimela attorneys were appointed to defend the action.The matter is currently on pleadings stage.The total financial exposure that include both principal amount and interest is estimated at R2 444 436.

12. Maloba MP

53. Contingencies (continued)

Lephalale Municipality investigated the affairs of the municipal traffic divisions and specifically its effectiveness and efficiency. The report recommended that Manager Traffic Mr Maloba MP be disciplined for alleged various misconduct. Disciplinary hearing was instituted and concluded with a finding that Mr Maloba be dismissed from his employment by the Municipality. Mr Maloba then filed an appeal against the sanction of a dismissal and then won the apeal case against the municipality and he was subsequently reinstated to his position of manager traffic.

13. Mokgotho Building Construction

Mokgotho Building Construction was appointed by the Municipality in 2016 for construction of a strongroom. They allege that during the construction of the project there was additional work that was done which the Municipality declined to pay despite various demands. They are claiming payment of R 1 153 868 for work done. They issued summons against the Municipality in the Polokwane High Court in June 2023 for payment of the amount.The total financial exposure that include both principal amount and interest is estimated at R2 307 736

14. Bhelela Technology

The Municipality advertised a tender for the appointment of a suitable service provider for the installation of prepaid electricity smart meters and appointed Bhelela Technologies in 2021. Due to poor performance the Municipality terminated the contract of Bhelela and readvertised the tender and appointed another service provider. Bhelela issued summons in Polokwane High Court claiming damages from the Municipality in the amount of R 8 296 330.The total financial exposure that include both principal amount and interest is estimated at R16 592 660

15. Sealab

Saeleb Trading (Pty) Ltd was appointed to render urgent service by fixing a sewage. They work was not compensated as the appointment process and the verification of the work done was not done according to the approved processes of the municipality. They have issued summons which remained undefended until they made an application for default judgment. The total financial exposure that include both principal amount and interest is estimated at R460 000.

	2024	2023
Contingent Assets		
Lephalale Municiplaity // Blue horizon	11 785 394	11 785 394
Lephalale Municipality //Big time strategic consultants	2 850 000	2 850 000
	14 635 394	**14 635 394**

1. Lephalale Municipality // Blue Horizon

Around 2008 the Municipality entered into service agreement with Blue Horizon Investments whereby the Municipality undertook to provide bulk services to extension 97 whereby Blue Horizon was the owner/developer of the said extention.In exchange for the service ,Blue Horizon was to contribute about R9 800 000 towards bulk services , which to date they have failed to pay. Despite demand by the Municipality ,Blue Horizon Investment has failed/refused to pay .The council has appointed an attorney to claim the money on its behalf. Blue horizon is currently undergoing as insolvency process.The Municipality has lodged claim of R11 307 114.31.The total claim taking into account the interest is estimated at R 23 570788.

2. Big Time Strategic Consultants// Lephalale Municipality

Lephalale Local Municipality conducted a forensic investigation through PWC and such forensic report was submitted to the Municipality around March 2016. The report revealed that the Big Time , the Company that was appointed to do IT infrastructure review and readiness for the implementation of mSCOA , was not appointed according to the prescribed method of appointing service providers and further they did not even finish their scope of work accordingly .

The report recommended that legal actions be taken to recover the amount spend on the project as the payments were irregular. Mohale attorneys were then appointed to institute a legal action against the parties responsible for irregular expenditure. Summons were issued in the High Court for the amount owed in terms of the contract and the default judgement in the amount of R2 850 000 was obtained. Big Time strategic Consultant then filed an appeal. The estimated financial exposure should be R2 850 000 being the estimated legal cost plus the amount claimed in the notice of motion by the applicant .The total claim taking into account the interest is estimated at R 5 596 794.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

54. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note
Accounting Officer	MM Cocquyt
Chief Financial Officer	LM Matlwa
Director Infrastructure Services	M Masoga
Director Corporate Support Services	PF Nogilana-Raphela
Director Strategic and Spport Services	MM Kgwantha
Director Development Planning	Position Vacant
Director Social Services	MM Mmope

The naming of the positions of managers directly accountable to the accounting officer were changed from execetive managers to directors.
For the remmuneration of the above key management personnel refer to employee related cost note.

Related party transactions

Rentals included in the rental of equipments and facilities		
MM Cocquyt	43 842	54 098
M Masoga	29 519	39 096
M Kgwantha	44 303	3 110
M Mmope	41 274	19 317
PF Nogilana-Raphela	58 021	18 658

Amounts included in sundry receivable regarding related parties		
PF Nogilana-Raphela	-	18 658
M Mmope	-	19 317
M Kgwantha	-	3 110

Councillors Remunerations

2023/24	**Salary**	**Cellphone**	**Travelling**	**Travelling and subsistance**	**Total**
Clr RA Mokgetlhe -Mayor	733 902	49 608	244 633	-	1 028 143
Clr GG Marakalala-Speaker	594 379	49 608	198 126	31 339	873 452
Clr SJ Machaba-Chief Whip	310 863	49 608	103 621	10 597	474 689
Clr A Thulare	249 000	49 608	82 999	-	381 607
Clr MR Modiba	557 001	49 608	185 667	37 048	829 324
Clr ML Shongwe	558 408	49 608	186 136	2 289	796 441
Clr MM Semenya	557 001	49 608	185 667	15 213	807 489
Clr L Monare	246 460	49 608	82 153	-	378 221
Clr S Mpedi	246 460	49 608	82 153	3 796	382 017
Clr B Kgageng-Moloantoa	246 460	49 608	82 153	5 911	384 132
Clr WM Motlokwa	246 460	49 608	82 153	7 671	385 892
Clr PKJ Selolo	281 862	49 608	93 954	4 069	429 493
Clr MM Makgae	246 460	49 608	82 153	-	378 221
Clr RM Magoai	281 597	49 608	93 866	14 014	439 085
Clr E Seepe	243 935	49 608	81 312	20 529	395 384
Clr SJ Moselane	235 125	49 608	78 374	15 616	378 723
Clr DA Mothoni	235 125	49 608	78 375	4 789	367 897
Clr SM Nieuwoudt	235 125	49 608	78 375	-	363 108
Clr MW Langa	235 125	49 608	78 375	26 272	389 380
Clr EL Setho	235 125	49 608	78 375	38 041	401 149
Clr KC Bopape	246 195	49 608	82 065	5 800	383 668
Clr MJ Sebetha	235 125	49 608	78 375	2 577	365 685
Clr DA Mongalo	235 125	49 608	78 375	4 503	367 611

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

54. Related parties (continued)

Clr TR Modise	392 733	49 608	131 916	37 121	611 378
Clr MJ Madibana	290 408	49 608	96 802	39 198	476 016
Clr KL Mosupye	290 408	49 608	96 802	19 867	456 685
Clr HW Venter	235 125	49 608	78 375	1 726	364 834
Clr MS Moloantoa	235 125	49 608	78 375	43 813	406 921
Clr N Pienaar	536 433	47 258	177 478	10 544	771 713
	9 472 550	**1 436 282**	**3 157 183**	**402 343**	**14 468 358**

2022/23	Salary	Cellphone	Travelling	Travelling and subsistance	Total
Clr RA Mokgetlhe -Mayor	459 426	44 400	153 142	-	656 968
Clr GG Marakalala-Speaker	562 766	44 400	187 588	18 621	813 375
Clr SJ Machaba-Chief Whip	294 159	44 400	98 053	15 759	452 371
Clr A Thulare	370 137	40 620	123 379	13 208	547 344
Clr S Mpedi	285 695	44 400	95 231	5 140	430 466
Clr ML Shongwe	566 650	44 400	189 883	11 800	812 733
Clr MM Semenya	528 821	44 400	177 273	68 309	818 803
Clr L Monare	288 599	44 400	96 199	10 876	440 074
Clr N Pienaar	587 176	44 400	195 725	5 902	833 203
Clr WM Motlokwa	291 140	44 400	97 047	110 520	543 107
Clr MM Makgae	287 957	44 400	95 985	8 548	436 890
Clr MR Modiba	530 239	44 400	176 746	28 227	779 612
Clr CK Bopape	277 542	50 352	92 514	15 532	435 940
Clr B Kgageng-Moloantoa	285 695	44 400	95 231	67 193	492 519
Clr PKJ Selolo	230 771	44 400	76 923	-	352 094
Clr EL Setho	222 618	44 400	74 206	25 690	366 914
Clr SM Nieuwoudt	222 618	45 680	74 206	-	342 504
Clr DA Mothoni	222 618	44 400	74 206	-	341 224
Clr SJ Moselane	222 618	44 400	74 206	5 701	346 925
Clr MJ Madibana	222 618	44 400	74 206	25 966	367 190
Clr RT Modise	224 881	38 700	80 660	110 617	454 858
Clr HW Venter	222 618	44 400	74 206	-	341 224
Clr Seepe	222 618	44 400	74 206	9 132	350 356
Clr RM Magoai	222 618	44 400	74 206	-	341 224
Clr MW Langa	222 618	44 400	74 206	-	341 224
Clr DA Mongalo	222 618	44 400	74 206	11 475	352 699
Clr MJ Sebetha	222 618	44 400	74 206	-	341 224
Clr KL Mosupye	222 618	44 400	74 206	13 889	355 113
Clr LG Moloantoa	221 596	44 400	73 865	16 147	356 008
	8 964 666	**1 285 352**	**2 995 916**	**598 252**	**13 844 186**

Councillors whose municipal accounts were in arears for more than 90 days as at 30 June 2024

The councillor has entered into payment arrengement to settle their outstanding debts.

Clr RT Modise	6 197	3 328

55. Change in estimate

Property, plant and equipment

The useful life of certain plant items of proprty plant and equipments were reassessed at the end of 2023/24 financial year.THe effect of thses changes in estimate resulted in decrease in depreciation in the current year by R R397 238 and increase in the future depreciation by the same amount.This change in estimate was prospectively accounted for.

Details of assessment	**Before change in estimate**	**Effect of change in estimate**			**After change in estimate**
Community assets	1 991	(1 490)	-	-	501
Computer equipments	14 117	(9 074)	-	-	5 043
Furniture and fittings	21 862	(16 500)	-	-	5 362
Infrastructure	353 667	(281 234)	-	-	72 433
Motor Vehicles	111 209	(71 872)	-	-	39 337
Office equipments	19 981	(14 215)	-	-	5 766
Plant and equipments	3 941	(2 853)	-	-	1 088
	526 768	**(397 238)**	**-**	**-**	**129 530**

Notes to the Annual Financial Statements

56. Prior-year error

- **1. Completeness of revenue from service charges**

It was identified through general valuation roll reconciliation that some of the properties were errorneously ommitted from the billing in the prior years .

2. Incorrect calculations of traffic fines impairment

Traffic fines impairment was incorrectly calculated in the prior year due to formular errors in the working paper

3. Completed project not capitalised in the prior year -Carports and merimiter wall project

The project for carport and perimeter wall at workshop was completed on 15 July 2022 and was errerneously not capitalised

4.Completed project not capitalised in the prior year -Zongesien waste water treatment plant

The project was completed in the prior year and completion certificate was issues hoever capitalisation did not take place.

5**. Disposal of investment property**
Two portions of land classified as investments property were disposed in the prior prior and not removed from asset register.

6**. Completeness of Interest earned on receivables -Property rates**
It was discovered that Some of the accounts were not charged interest on their outstanding balances

7. Overstatement of Contingent liabilities
Muninicipality incorrectly disclosed contingent liabilities at summons amounts instead of applying the best estimate to determine the most likely amounts in accordance with the requirement of GRAP 19

8. Understatement of Debt impairment
Debt impairment recognised in the prior years was understated due to incorrect calculation of VAT

9. Incorrect capitalisation of cost of feasibility studies
The cost of feasibility studies conducted before the commencement of the projects in the prior years were incorrectly capitalised.

10. Reclassification of VAT receivables
The VAT receivable balance was split in in order to comply with requirement of GRAP standards as interprested in the frequently asked questions issued by the accounting standard board.

The correction of the error(s) results in adjustments as follows:

Figures in Rand	2024	2023

56. Risk management (continued)

1.Completeness of Service charges		
Increase in service charges	-	(1 487 104)
Increase in Accumulated surplus	-	(1 182 431)
Increase in Receivables from exchange transactions	-	3 024 968
Decrease in VAT receivables	-	(355 433)
	-	-
2. Incorrect calculations of traffic fines impairment		
Increase in debt impairment	-	263 117
Decrease in accumulated surplus	-	990 207
Decrease in other receivables from non exchange transactions	-	(1 253 324)
	-	-
3.Completed project in prior year not capitalised		
Increase in Depreciation	-	77 782
Decrease in property Plant and equipments	-	(77 782)
	-	-
4. Completed project not capitalised in the prior year -Zongesien waste water treatment plant		
Increase in depreciation	-	837 178
Decrease in accumulated surplus	-	898 555
Decrease in property plant and equipments	-	(1 735 733)
	-	-
5.Disposal of investment property		
Decrease in Investment property	-	(911 000)
Decrease in payables from exchange transactions	-	920 000
Increase in gain /loss on derecognition of assets	-	(9 000)
	-	-
6. Completeness of Interest earned on receivables -Property rates		
Increase in Receivables from non-exchange transactions	-	4 929 059
Increase in interest earned on outstanding receivables -Property rates	-	(4 929 059)
	-	-
7. Overstatement of Contingent liabilities		
Decrease in contingent liabilities	-	199 377 062
8. Understatement of debt impairment		
Increase in Debt impairment	-	4 314 659
Decrease in accumulated surplus	-	9 888 680
Decrease in VAT receivables	-	(14 203 339)
	-	-
9. Incorrect capitalisation of cost for Feasibility studies		
Decrease in accumulated surplus	-	3 372 605
Dcrease in Work in progress	-	(2 444 855)
Decrease in Infrastructure assets	-	(927 750)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

56. Risk management (continued)

10. Reclassification of VAT receivables

VAT receivables	-	(15 728 572)
Statutory VAT receivables	-	4 670 168
Accrual Input VAT	-	23 010 940
Accrual output VAT	-	(11 952 536)
	-	**-**

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

Summary	**2023 Audited amount**	**Correction of error**	**Change in accounting policy**	**Reclassification**	**Restated amount**
Service charges	(255 666 083)	(1 487 104)	-	-	(257 153 187)
Investment property	17 631 000	(911 000)	-	-	16 720 000
VAT Receivables	30 287 344	(14 558 772)	-	(15 728 572)	-
Other receivables from exchange transactions	6 108 085	(1 253 324)	-	-	4 854 761
Proprty plant and equipments	1 405 369 904	(5 186 120)	-	-	1 400 183 784
Depreciation	87 737 838	914 960	-	-	88 652 798
Receivables from exchange transactions	137 964 973	3 024 968	-	-	140 989 941
Debt Impairment	63 070 552	4 577 776	-	-	67 648 328
Accumulated surplus	(1 324 533 711)	13 967 616	-	-	(1 310 566 095)
Interest earned on outstanding receivables -Property rates	(13 705 213)	(4 929 059)	-	-	(18 634 272)
Receivables from non-exchange transactions	71 996 747	4 929 059	-	-	76 925 806
Statutory VAT receivables	-	-	-	4 670 168	4 670 168
Accrual input VAT	-	-	-	23 010 940	23 010 940
Accrual output VAT	-	-	-	(11 952 536)	(11 952 536)
Payable from exchange transactions	(113 156 688)	920 000	-	-	(112 236 688)
Gain/(Loss) on derecognition of Assets	-	(9 000)	-	-	(9 000)
	113 104 748	**-**	**-**	**-**	**113 104 748**

57. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus (deficit) of R 1 427 931 651 and that the municipality's total assets exceed its liabilities by R 1 427 931 651.

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.

Figures in Rand	2024	2023

57. Going concern (continued)

The municipality is a going concern because of the following :
It is a state entity set up by the constitution of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide services will prompt national government intervention to ensure it stays functional and able to deliver basic services and consequently comply with the constitution.

There is no indication of a possibility of default by the government ein paying grants under the act. This is also corruborated by experiece where national treasury has met its obligation every year and has therefore a constructive obligation. The council has also adopted intergrated development plan wheich is a five year plan. Municipality has tabled a funded budget for the financial year 2024/25. This is an indication for the Municiplaitys intention to operate beyond the next 12 months period. The gearing ratios are above the norms as per national treasury MFMA circular 71.
The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality

The Municipality has debt book of R 762 140 922.00 which includes property rate, electricity, water, sanitation, and refuse removal debtors and has already commenced with the implementation on the revenue enhancement strategies to recover these outstanding debts. Management has also procured an indigent Management system to assist in identifying those debts that are not recoverable and thus qualify for write-off.

The Municipality intents to improve the spending of conditional grants through forward planning and development of realistic procurement plan to ensure that procurement processes are concluded within a reasonable time. Municipality has applied for rollover of fund to continue with the project as planned. There is an unspent conditional grant of R13 200 000 in the financial year 2023/24. Management has applied for roll over and confidently believe that the rollover will be approved.

There are no substantial operating risks or operating factors that are significantly causing serious deterioration of value of assets that generate cash inflows.

Only 2 out of seven positions of Executive Management is currently vacant and Municipality has shown the intention to fill this Position. The Positions were advertised.

The council has annually reviewed and approved its IDP which indicates that the Municipal plans to continue Its operationsThere are no Labour difficulties, nor threats of any labour protest

58. Events after the reporting date

58.1 Electricity Tariffs

The Afriforum v Nersa high court judgement
Afriforum took Nersa to High Court for approving the 2024/2025 electricity tariffs increase for the municipalities that did not prepare and submit Cost of Supply Study (COS) when making new tariff application.
The Gauteng High Court passed a judgement on 8 July 2024, indicating that the decision by Nersa to approve electricity tariffs application based on assumption method and not COS was unlawful, invalid and of no force and effect. The Municipalities that did not submit the COS are by order of the High Court not supposed to levy the new tariffs but instead levy same electricity tariffs used in 2023/2024.
Lephalale Local Municipality (LLM) is a Nersa licensee and did not submit the Cost of Supply Study when the electricity tariffs application for 2024/2025 was submitted. Nersa granted LLM an approval to increase electricity tariffs by 10.39% on condition that COS is submitted by 30 September 2024.
LLM submitted COS on 30 September 2024, and new tariffs have been implemented from 1 July 2024.
Nersa has since appealed the High Court judgement, and the impact of the possible negative judgement against Nersa might necessitate LLM to restate downwards the electricity revenue by 10.39% for the financial year 2024/2025.

58.2 Disposal of computer assets

The council resolved on the disponsal of computer assets on 30 July 2024 by way of donations .The carryig value assets to be donated was R67 544. This event is non adjusting event as it gives information about the events and conditions that existed after year end.

59. Segment reporting

Lephalale Local Municipality is organised and reports to management on the basis of four major functional areas: Infrastructure services, community and public safety , Governance and administartion.The segments were organised around the type of service delivered and the target market

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

Segmental reporting was based and identified on the MFMA section 71 monthly budget statements and reports athat are reviewed by senior management and council to make strategic decisions and monitoring segment perfornace .The disclosure of the information about segment in these reports are organised around the type of service delivered , in a standardised format.

This is considered appropriate for external reporting purposes to achieve the objective of GRAP 18.

Aggregated segment
The segment were agregated on the basis of services delivered as management considered that the economic characteristics of a segments were sufficient to warrant aggregation

Types of goods and services by segment reporting

Community and public services :Primaryservices of providing community safety crime prevention ,law enforcement ,refuse removal and registry services
Infrastructure developments and basic services :basis service delivery services such as water, electricity , infrastructure developments and sanitation services
Governance and administration:Services in relation to financial management,human resource , information technology , legal financial governance and strategic planning

2024 Segment revenue	**Governance and administration**	**Infrastructure developments and basic services**	**Community and public safety**		**Total**
Service chages	-	282 533 804	20 740 701	-	303 274 505
Rental of equipments and Facilities	233 380	-	-	-	233 380
Interest on outstanding receivables - Service charges	-	40 379 225	10 962 555	-	51 341 780
Agency fees	-	-	9 054 387	-	9 054 387
Other revenue	2 582 423	-	-	-	2 582 423
Interest earned -external investments	8 679 930	-	-	-	8 679 930
Property rates	114 403 880	-	-	-	114 403 880
Interest earned on outstanding receivables -property rates	22 219 464	-	-	-	22 219 464
Government grant and subsidies	228 407 839	120 159 386	1 035 000	-	349 602 225
Public contributions and donations	4 750 809	-	-	-	4 750 809
Fines,penalties and forfeits	-	-	643 675	-	643 675
Acturial gains	2 267 145	-	-	-	2 267 145
Fair value adjustment	1 150 867	-	-	-	1 150 867
	384 695 737	**443 072 415**	**42 436 318**	**-**	**870 204 470**

2024 Segment expenditures	**Governance and administration**	**Infrastructure developments and basic services**	**Community and public safety**		**Total**
Employee costs	(92 898 252)	(77 160 552)	(63 502 408)	-	(233 561 212)
Remmuneration of councillors	(14 066 021)	-	-	-	(14 066 021)
Depreciation, impairment and amortisation	(45 589 960)	(40 514 966)	(8 606 892)	-	(94 711 818)
Bad debts written off	-	(6 870 117)	-	-	(6 870 117)
Debt impairment	(20 826 483)	(52 293 802)	(18 228 394)	-	(91 348 679)

Notes to the Annual Financial Statements

Figures in Rand				2024	2023

59. Segment reporting (continued)

Bulk Purchases	-	(161 357 687)	-	-	(161 357 687)
Contracted Services	(43 083 325)	(8 951 810)	(829 412)	-	(52 864 547)
Transferes and subsidies paid	(608 172)	-	-	-	(608 172)
Inventory consumed	(712 675)	(47 618 658)	(2 147 632)	-	(50 478 965)
Operating expenditure	(40 726 587)	(28 849 890)	(1 450 626)	-	(71 027 103)
Finance costs	(3 924 980)	(9 774 779)	(6 017 813)	-	(19 717 572)
	(262 436 455)	**(433 392 261)**	**(100 783 177)**	**-**	**(796 611 893)**
Surplus/(Deficit) For the year	122 259 282	9 680 154	(58 346 859)	-	73 592 577

Directive 3 transitional provisions for GRAP 18 (segment reporting) allows comaritive figures not to be disclosed in the first year of adoption. The Municipality has elected to take advantage of the provisions of the directive 3.

Assets	**Governance and administration**	**Infrastructure developments and basic services**	**Community and public safety**		**Total**
Property plant and equipments	141 481 851	1 232 783 501	63 648 392	-	1 437 913 744

Liabilities	**Governance and administration**	**Infrastructure developments and basic services**	**Community and public s**		**Total**
Non current liabilities	-	87 240 863	31 266 168	-	118 507 031

60. Unauthorised, Irregular and Fruitless and Wasteful Expenditure

61. Unauthorised expenditure

	2024	2023
Opening balance as previously reported	5 889 901	5 889 901
Add: Unauthorised expenditure - current	42 711 226	-
Less: Amount authorised - current	(5 889 901)	-
Closing balance	**42 711 226**	**5 889 901**

Additional unauthorised expenditure incurred in the current year was as a result of exceeding the approved budget for total expenditure by R13 918 184. Additional unauthorised expenditure of R28 799 042 was as result of spending boyond departmental budget per vote.

62. Fruitless and wasteful expenditure

	2024	2023
Opening balance as previously reported	1 462 487	21 078 724
Add: Fruitless and wasteful expenditure identified - current	29 739	844
Less: Amount recovered - current	-	(844)
Less: Amount written off - current	-	(19 616 237)
Closing balance	**1 492 226**	**1 462 487**

Fruitless and wasteful expenditure is presented inclusive of VAT

The additional fruitless and wasteful expenditure was as a result of interest incurred on Eskom account. The amount of R2 886.00 was recovered from responsible officials and the remaining balance from current year additions was subsequently recovered from responsible officials

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Notes to the Annual Financial Statements

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63. Irregular expenditure

Opening balance as previously reported	59 215 957	277 943 668
Add: Irregular expenditure - current	292 523	5 337 144
Less: Amount written off - prior period	(57 040 342)	(224 064 855)
Closing balance	**2 468 138**	**59 215 957**

Amount written-off

The MPAC though the used of service provider conducted investigations of irregular expenditure and made recommendations to council. The recomendations of MPAC were adopted by the council and irregular expenditure were written off as per the amount shown in the table above.

The investigations revealed that the council did not suffer any losses from the acts of non compliance that resulted in irregular expenditures written off. Although the council did not suffer material losses the report recommends that actions should be taken against the officials responsible for the breach of MFMA and its related SCM legislations and prescripts.The council has adopted the recommendations of the investigation report and resolve accordingl

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The investigation report was send to financial miscounduct board for further processing

Notes to the Annual Financial Statements

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64. Deviation from supply chain management regulations

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

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

During the financial year 2023/24 , accounting officer has approved the deviations amounting to R7 931 037 (2023: R5 262 772) VAT inclusive. The deviations approved were detailed below

	2024	2023
Emergency Section 36(1)(a)(i)	2 765 664	2 105 712
Sole Supplier Section 36(1)(a)(ii)	875 463	807 148
Impractical to follow official procurement process Section 36(1)(a)(iii)	4 289 910	2 349 912
	7 931 037	**5 262 772**

65. Awards made to close family members who are in the service of the state

The following awards were made to close family members whose relatives are in the service of the state .

	2024	2023
L L R PROJECTS AND TRADING ENTERPRISE	29 000	-
The director of the company is spouse of Accountant asset management		
EMJ ENGINEERING AND PROJECTS	398 839	-
The director of the company is the spouse of Fitter and turner		

66. Accounting by principals and agents

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

Details of the arrangment(s) is|are as follows:

Lephalale Local Municipality renders registry and licence services on behalf of the Limpopo Department of Road and Transport.In terms of the agreement, Municipality is entitled to agency fees from the collected funds. Therefore Lephalale Local Municipality is an agent to the Limpopo Department of Road and Transport (Principal)

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R9 054 386 (2023: R8 816 975).

Additional information

Revenue and expenses that relate to transactions with third parties undertaken in terms of the principal-agent arrangement

Amount of revenue received on behalf of the principal during the reporting period

	2024	2023
Total Collections	33 174 267	31 003 183
Amount Due to Municipality	(9 054 386)	(8 816 975)
Amount due to Principal -Limpopo department of transport	(24 119 881)	(22 186 208)
	-	-
Amount payable to Principal at year end	1 649 991	1 902 447

The amounts payable above are included in payables from exchange transactions.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

66. Accounting by principals and agents (continued)

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

The resources have been recognised/have not been recognised by the agent in its financial statements. [Choose as appropriate]

The remittance of resources during the period [State details].

The expected timing of remittance of remaining resources by the agent to the entity, are [State timing and details].

The expected timing of remittance of remaining resources by the agent to third parties, are [State timing and details].

Resource or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]

The resource and/or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]

67. Interest on outstanding receivables -Service charges

Water	16 872 175	15 366 159
Electricity	15 136 369	10 278 680
Waste water	8 375 995	6 936 934
Refuse	10 962 555	8 283 346
	51 347 094	**40 865 119**

68. Distribution losses

Water Losses-The Municipality's water losses are as floows

Units Purchased (kl)	7 782 321	7 425 161
Units Sold (kl)	4 855 969	3 697 771
Average cost per Unit (Rands)	4.4	4.4
Losses (kl)	2 843 477	3 397 129
Water losses (%)	36.5% .	45.8%
Water losses (R)	12 511 298	14 947 367

Water losses are due to illigal connections and the ageing infrastructure. Municipality is in the process of replacing asbectos pipes and addressing illegal connections .

Electrical losses are as follows

Units Purchased (kwh)	84 237 411	83 719 594
Units Sold (kwh)	76 889 503	75 377 540
Average cost per Unit (Rands)	R1.92	R1.66
Losses (kwh)	7 383 908	8 342 054
Electrical losses (%)	9%	10%
Electrical losses (R)	14 177 103	13 847 809

Electrical losses are due to illigal connections and ageing infrastructure

Notes to the Annual Financial Statements

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69. Non-living resources

Management only identified water resources as non-living resources, and no other natural resources are prevalent within the municipality's jurisdiction. Municipality extracts water from Mogol Dam which belongs to the Department of Water and Sanitation. There are no liabilities and or contingent liabilities that arises from non-living resources.

Figures in Rand	2024	2023

70. Budget Narrations

Budget differences- only variances above 10% will be explained

A1 Service Charges -Due to low consumption from Consumers and loadshedding

A2 Rental of facilities and Equipments-There was less activities on sport facilities than intended.

A3 Interest earned on outstanding receivables - service charges - High debt book

A4 Agency fees -Variance is within the norm

A6 Other revenue - Low reconnection fees as customers migrate from conventional to prepaid system.

A7 Interest earned on External investment - Within the norm

A8 Property rates -Within the norm of 10%

A9 Interest earned on outstanding receivables - property rates - High debtors book

A10 Government grants and subsidies - Due to additional WSIG allocation

A11 Fines , penalties and forfeits - Due to traffic officers visibility as 4 officers were appointed during the year

A12 Employee related cost - Within the norm

A13 Remmuneration of Councillors-Within the norm

A14 Depreciation , Impairment and amortisation - Within the norm

A15 Finance Cost - Within the norm.

A16 Debt Impairment - High debt book

A17 Bulk Purchases - Within the norm

A18 Contracted Services - Cost containment

A19 Transfers and subsidies - Unclaimed fund from NGO

A20 Inventory consumed - Cost containment

A21 Operating expenses- implementation of Cost containment measures

A22 Bad debts written off -Due to high debtors book

Explanations of variances between Original budget and Final budget

1. Total revenue from exchange transactions changed from R 429 194 460 to 418 013 460 by R11 181 000. This is due to demobilisation of people from Lephalale since the completion of Medupi Power station. Consumers were connected back to prepaid electricity where by they only consume to the extend that they purchased the electricity.

2. Total revenue from non-exchange transaction changed from R440 800 554 to R630 456 997 by R189 656 443 . This is due to additional funding received from Department of water and sanitation for replacement of AC pipes

3. Total expenditure decrease from R787 943 172 to R782 683 777 .The decrease wad due to saving on employees related cost due to number of vacancies. The implimentation of cost containment policy also contributed to a savings in operating expenditures