



Naledi Local Municipality
Demarcation Code NW392
Annual Financial Statements
for the year ended 30 June 2024

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

Legal form of entity

Naledi Local Municipality is a Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996).

Nature of business and principal activities

The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.

Legislation governing the municipality's operations

Constitution of the Republic of South Africa (Act 108 of 1998)
Municipal Finance Management Act (Act no.56 of 2003)

Mayoral committee

Executive Mayor

Cllr. C.J Groep (Mayor)
Cllr. P.G Gulane (Speaker)

Councillors

Cllr. E.M Letswene
Cllr. H. Van Huyssteen
Cllr. F.D. Mgida
Cllr BS Mokomele
Cllr R Molehe
Cllr WM Lentshwene
Cllr LV Setlhake
Cllr KD Tshite
Cllr C Le Roux
Cllr DO Keopile
Cllr LC Jacobs
Cllr VR Morakile
Cllr PI Selotlego
Cllr MM Maphalle
Cllr KS Wilson

Grading of local authority

Grade 3

Accounting Officer

Mr M.T. Segapo

Chief Finance Officer (CFO)

Mr M.D.K. Maruping

Registered office

Civic Center
19A Market Street
Vryburg
North West
8601

Business address

Civic Center
19A Market Street
Vryburg
North West
8601

Postal address

P.O Box 35
Vryburg
8600

Bankers

ABSA
First National Bank

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

Auditors

Auditor General of South Africa
Registered Auditors

Attorneys

Modiboa Attorneys Inc
Mamatela Attorneys Inc
Duplessis Viviers Inc

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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Abbreviations used:

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

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Responsibilities and Approval

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

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

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

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

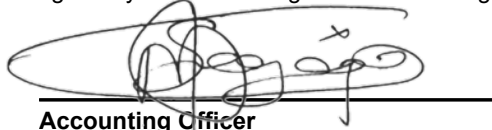
The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal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

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

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

The Auditor General South Africa is responsible for independently auditing and reporting on the municipality's annual financial statements.

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


Accounting Officer
Mr M Segapo

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in the provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment. and operates principally in South Africa.

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

Net deficit of the municipality was 6393967 160 929 080 (2023: deficit 6393967 182 179 356), after taxation of 6393967 - (2023: 6393967 -).

2. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated deficit of 6393967 (220 058 536) and that the municipality's total liabilities exceed its assets by 6393967 (441 581 128).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the municipality will continue to receive grants from National and Provincial Governments as well as continue to levy rates and charge for services provided to consumers. The proceeds are presumed to be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business

The detailed analysis on going concern is included on Note 57 to the annual financial statements.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

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

5. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

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

Accounting Officer
Mr M Segapo

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	3	737 031	320 894
Trade and other receivables from exchange transactions	4&6	37 633 091	77 287 236
Receivables from non-exchange transactions	5&6	95 135 304	47 756 647
VAT receivable	7	12 895 228	9 322 773
Cash and cash equivalents	8	13 237 855	6 701 191
		159 638 509	141 388 741
Non-Current Assets			
Biological assets	9	2 584 421	2 403 530
Investment property	10	108 032 000	108 401 000
Property, plant and equipment	11	627 336 294	607 858 015
Heritage assets	12	1 713 790	1 532 001
		739 666 505	720 194 546
Total Assets		899 305 014	861 583 287
Liabilities			
Current Liabilities			
Other financial liabilities		(11)	994 145
Trade and payables from exchange transactions	13	1 203 312 617	1 023 079 051
Consumer deposits	14	6 975 932	6 542 006
Employee benefit obligation	16	3 533 000	2 440 000
Unspent conditional grants	15	12 391 975	12 085
Provisions	17	14 135 614	13 334 169
		1 240 349 127	1 046 401 456
Non-Current Liabilities			
Employee benefit obligation	16	61 194 540	58 669 000
Provisions	17	39 342 475	37 165 049
		100 537 015	95 834 049
Total Liabilities		1 340 886 142	1 142 235 505
Net Assets		(441 581 128)	(280 652 218)
Reserves			
Revaluation reserve	18	3 838 961	2 470 085
Accumulated surplus deficit		(445 420 089)	(283 122 304)
Total Net Assets		(441 581 128)	(280 652 219)

* See Note 50 & 49

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Services charges - Electricity	19	141 068 402	125 885 817
Services charges - Waste management	19	25 307 171	24 265 120
Services charges - Water	19	29 551 097	28 356 738
Services charges - Waste water management	19	26 044 020	26 104 392
Rental of facilities and equipment	20	2 080 888	1 880 212
Interest earned from receivables	25	34 901 008	33 725 402
Sales of Goods and Rendering of Services	21	1 995 056	1 316 585
Licences and permits	22	6 081 654	6 393 697
Operational revenue	23	1 248 649	1 656 726
Interest earned - external investments	24	869 911	766 618
Actuarial gains	26	4 734 644	7 075 000
Total revenue from exchange transactions		273 882 500	257 426 307
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	66 334 697	65 367 752
Property rates - interest charged	27	11 748 566	7 745 123
Transfer revenue			
Government grants & subsidies	28	107 651 723	119 290 961
Public contributions and donations	31	-	2 250 000
Fines, Penalties and Forfeits	29	12 969 376	33 257 600
Other transfers	30	78 970 213	-
Total revenue from non-exchange transactions		277 674 575	227 911 436
Total revenue		551 557 075	485 337 743
Expenditure			
Employee related costs	33	(264 065 462)	(225 662 678)
Remuneration of councillors	34	(8 363 484)	(8 745 507)
Inventory consumed	35	(634 383)	(8 224 437)
Depreciation and amortisation	36	(34 302 176)	(34 012 032)
Finance costs	37	(73 345 615)	(70 100 662)
Debt Impairment	38	(75 150 315)	(104 619 443)
Bulk purchases	39	(141 610 427)	(114 873 379)
Contracted services	40	(62 501 926)	(60 982 199)
Transfers and Subsidies		-	(54 111)
Loss on disposal of assets and liabilities		(4 188 534)	(768 500)
Fair value adjustments	32	(6 321)	(273 599)
Operational costs	41	(48 317 512)	(39 200 552)
Total expenditure		(712 486 155)	(667 517 099)
Deficit for the year		(160 929 080)	(182 179 356)

* See Note 50 & 49

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	2 470 085	(179 342 839)	(176 872 754)
Adjustments			
Prior year adjustments 50	-	78 399 891	78 399 891
Balance at 01 July 2022 as restated*	2 470 085	(100 942 948)	(98 472 863)
Changes in net assets			
Deficit for the Period	-	(182 179 356)	(182 179 356)
Total changes	-	(182 179 356)	(182 179 356)
Restated* Balance at 01 July 2023	2 470 085	(284 491 009)	(282 020 924)
Changes in net assets			
Deficit for the Period	-	(160 929 080)	(160 929 080)
Changes in revaluation surplus arising from Fair valuation of assets	1 368 876	-	1 368 876
Total changes	1 368 876	(160 929 080)	(159 560 204)
Balance at 30 June 2024	3 838 961	(445 420 089)	(441 581 128)

* See Note 50 & 49

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Services charges		242 040 499	269 867 919
Property rates and fines		43 673 982	103 385 913
Interest received		869 911	766 618
Grants		119 759 880	119 303 046
Other receipts		3 243 705	2 973 311
		409 587 977	496 296 807
Payments			
Employee costs		(120 786 012)	(109 763 357)
Suppliers		(115 099 103)	(256 971 110)
Finance costs		(73 345 615)	(70 100 662)
		(309 230 730)	(436 835 129)
Net cash flows from operating activities	43	100 357 247	59 461 678
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(92 826 427)	(65 320 681)
Cash flows from financing activities			
Repayment of other financial liabilities		(994 156)	(6 147 346)
Net cash flows from financing activities		(994 156)	(6 147 346)
Net increase/(decrease) in cash and cash equivalents		6 536 664	(12 006 349)
Cash and cash equivalents at the beginning of the year		6 701 191	18 707 540
Cash and cash equivalents at the end of the year	8	13 237 855	6 701 191

The accounting policies on pages 15 to 37 and the notes on pages 37 to 85 form an integral part of the annual financial statements.

* See Note 50 & 49

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Services charges - Electricity	158 120 861	-	158 120 861	141 068 402	(17 052 459)	59-1
Services charges - Waste management	16 516 435	-	16 516 435	25 307 171	8 790 736	59-2
Services charges - Water	29 260 000	-	29 260 000	29 551 097	291 097	59-3
Services charges - Waste water management	20 193 227	-	20 193 227	26 044 020	5 850 793	59-4
Rental of facilities and equipment	1 996 182	-	1 996 182	2 080 888	84 706	59-5
Interest earned from receivables	32 247 051	-	32 247 051	34 901 008	2 653 957	59-6
Sales of Goods and Rendering of Services	1 307 587	-	1 307 587	1 995 056	687 469	59-7
Licences and permits	1 309 288	-	1 309 288	6 081 654	4 772 366	59-8
Operational revenue	1 323 748	-	1 323 748	1 248 649	(75 099)	59-9
Interest received - investment	1 263 600	-	1 263 600	869 911	(393 689)	59-10
Total revenue from exchange transactions	263 537 979	-	263 537 979	269 147 856	5 609 877	

Revenue from non-exchange transactions

Taxation revenue

Property rates	59 153 590	-	59 153 590	66 334 697	7 181 107	59-11
Property rates - penalties imposed	8 667 242	-	8 667 242	11 748 566	3 081 324	

Transfer revenue

Government grants & subsidies	122 052 503	2 822 497	124 875 000	107 651 723	(17 223 277)	59-12
Fines, Penalties and Forfeits	8 828 352	-	8 828 352	12 969 376	4 141 024	59-13
Other transfer revenue 1	2 000 000	34 098 103	36 098 103	78 970 213	42 872 110	59-14

Total revenue from non-exchange transactions	200 701 687	36 920 600	237 622 287	277 674 575	40 052 288	
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Total revenue	464 239 666	36 920 600	501 160 266	546 822 431	45 662 165	
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Expenditure

Employee Related costs	(216 476 000)	(77 146 006)	(293 622 006)	(264 065 462)	29 556 544	59-15
Remuneration of councillors	(8 450 000)	59 185	(8 390 815)	(8 363 484)	27 331	59-16
Inventory consumed	(5 639 115)	808 350	(4 830 765)	(634 383)	4 196 382	59-17
Depreciation and amortisation	(43 708 707)	-	(43 708 707)	(34 302 176)	9 406 531	59-18
Finance costs	(34 000 000)	(36 000 000)	(70 000 000)	(73 345 615)	(3 345 615)	59-19A
Debt Impairment	(99 311 608)	-	(99 311 608)	(75 150 315)	24 161 293	59-19B
Bulk purchases	(117 474 260)	(31 000 000)	(148 474 260)	(141 610 427)	6 863 833	59-20
Contracted services	(34 851 009)	(20 711 937)	(55 562 946)	(62 501 926)	(6 938 980)	59-21
Operational costs	(23 612 000)	(10 269 558)	(33 881 558)	(48 317 512)	(14 435 954)	

Total expenditure	(583 522 699)	(174 259 966)	(757 782 665)	(708 291 300)	49 491 365	
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Operating deficit	(119 283 033)	(137 339 366)	(256 622 399)	(161 468 869)	95 153 530	
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Loss on disposal of assets and liabilities	-	-	-	(4 188 534)	(4 188 534)	
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Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Fair value adjustments	-	-	-	(6 321)	(6 321)	59-22
Actuarial gains/losses	-	-	-	4 734 644	4 734 644	59-23A
	-	-	-	539 789	539 789	
Surplus/(Deficit)	(119 283 033)	(137 339 366)	(256 622 399)	(160 929 080)	95 693 319	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(119 283 033)	(137 339 366)	(256 622 399)	(160 929 080)	95 693 319	

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Position

Assets

Current Assets

Inventories	(4 174 575)	3 770 722	(403 853)	737 031	1 140 884	59-24
Trade and other receivables from exchange transactions	153 484 259	-	153 484 259	37 633 091	(115 851 168)	
Receivables from non-exchange transactions	(12 074 259)	-	(12 074 259)	95 135 304	107 209 563	59-25
VAT receivable	37 935 375	-	37 935 375	-	(37 935 375)	59-26
Other asset	(305 504)	-	(305 504)	-	305 504	59-27
Cash and cash equivalents	(91 505 499)	(70 510 577)	(162 016 076)	13 237 855	175 253 931	59-28
	83 359 797	(66 739 855)	16 619 942	146 743 281	130 123 339	

Non-Current Assets

Biological assets	1 505 519	-	1 505 519	2 584 421	1 078 902	59-30
Investment property	57 637 000	-	57 637 000	108 032 000	50 395 000	59-31
Property, plant and equipment	513 270 747	33 816 700	547 087 447	627 336 297	80 248 850	59-32
Intangible assets	724 000	-	724 000	-	(724 000)	59-33
Heritage assets	1 358 501	-	1 358 501	1 713 790	355 289	59-34
	574 495 767	33 816 700	608 312 467	739 666 508	131 354 041	

Total Assets	657 855 564	(32 923 155)	624 932 409	886 409 789	261 477 380	
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Liabilities

Current Liabilities

Other financial liabilities	12 889 715	-	12 889 715	(11)	(12 889 726)	59-35
Trade and payables from exchange transactions	562 666 241	153 120 516	715 786 757	1 203 312 617	487 525 860	59-36
VAT payable	75 515 000	-	75 515 000	(12 895 228)	(88 410 228)	59-37
Consumer deposits	5 019 718	-	5 019 718	6 975 932	1 956 214	59-38
Employee benefit obligation	-	-	-	3 533 000	3 533 000	59-39
Unspent conditional grants	23 439 630	(1 800 000)	21 639 630	12 391 975	(9 247 655)	59-40
Provisions	29 822 402	-	29 822 402	14 135 614	(15 686 788)	59-41
	709 352 706	151 320 516	860 673 222	1 227 453 899	366 780 677	

Non-Current Liabilities

Other financial liabilities	(5 987 461)	-	(5 987 461)	-	5 987 461	59-42
Employee benefit obligation	-	-	-	61 194 540	61 194 540	59-43
Provisions	96 890 375	-	96 890 375	39 342 475	(57 547 900)	59-44
	90 902 914	-	90 902 914	100 537 015	9 634 101	

Total Liabilities	800 255 620	151 320 516	951 576 136	1 327 990 914	376 414 778	
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Net Assets	(142 400 056)	(184 243 671)	(326 643 727)	(441 581 125)	(114 937 398)	
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Net Assets

Reserves

Revaluation reserve	2 470 085	-	2 470 085	3 838 961	1 368 876	59-45
Accumulated surplus deficit	(144 870 141)	(184 243 671)	(329 113 812)	(444 051 217)	(114 937 405)	59-46

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Total Net Assets	(142 400 056)	(184 243 671)	(326 643 727)	(440 212 256)	(113 568 529)	

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Cash Flow Statement

Cash flows from operating activities

Receipts

Property rates	47 323 000	-	47 323 000	-	(47 323 000)
Service charges	179 272 000	-	179 272 000	-	(179 272 000)
Grants	96 546 000	1 304 000	97 850 000	-	(97 850 000)
Interest	38 571 000	-	38 571 000	-	(38 571 000)
Other receipts	12 999 000	-	12 999 000	-	(12 999 000)
	374 711 000	1 304 000	376 015 000	-	(376 015 000)

Payments

Suppliers and employees	(489 071 000)	(41 280 000)	(530 351 000)	-	530 351 000
Finance costs	(34 000 000)	(36 000 000)	(70 000 000)	-	70 000 000
	(523 071 000)	(77 280 000)	(600 351 000)	-	600 351 000

Net cash flows from operating activities	(148 360 000)	(75 976 000)	(224 336 000)	-	224 336 000
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Cash flows from investing activities

Purchase of property, plant and equipment	(27 507 403)	(33 815 700)	(61 323 103)	-	61 323 103
Proceeds from sale of property, plant and equipment	57 000 000	-	57 000 000	-	(57 000 000)

Net cash flows from investing activities	29 492 597	(33 815 700)	(4 323 103)	-	4 323 103
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Net increase/(decrease) in cash and cash equivalents	(118 867 403)	(109 791 700)	(228 659 103)	-	228 659 103
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Cash and cash equivalents at the beginning of the year	(1 804 000)	-	(1 804 000)	-	1 804 000
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Cash and cash equivalents at the end of the year	(120 671 403)	(109 791 700)	(230 463 103)	-	230 463 103
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Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

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

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

1.1 Basis of preparation

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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

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

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

1.5 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:

In the application of the municipality's accounting policies, which are described above, management is required to make judgement, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered to reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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 surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Useful lives of Infrastructure Assets and other assets

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

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

The municipality used the most relevant contractual risk rate applicable to each category of assets and liabilities to discount future cash flows. Where none exists the prime interest rate is used 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.

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationship. The modified cash basis of accounting is applied when a accounting for the payments on behalf of the principal. Expenses are only debited to loan account when they are paid on behalf of the principal not when they are accrued.

Additional information is disclosed in Note 60.

1.6 Biological assets

The entity recognises biological assets when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less costs to sell.

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A gain or loss arising on initial recognition of biological assets at fair value less costs to sell and from a change in fair value less costs to sell of biological assets is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

Derecognition of biological assets occurs when the asset is disposed of, or when it can no longer be used to provide the service.

1.7 Investment property

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

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

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

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

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

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

Naledi Local Municipality

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Significant Accounting Policies

1.7 Investment property (continued)

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

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.

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

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 10).

1.8 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.8 Property, plant and equipment (continued)

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.

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	20-30 years
Roads and lights	Straight-line	10-40 years
Sewerage	Straight-line	25-30 years
Landfill site Perimeter Protection Structure	Straight-line	10-55 years
Recreational Facilities	Straight-line	30 years
Cemeteries	Straight-line	30 years
Halls	Straight-line	30 years
Libraries	Straight-line	30 years
Civic Buildings	Straight-line	30 years
Office Equipment	Straight-line	7 years
Furniture and Fittings	Straight-line	7 years
Motor Vehicles	Straight-line	7 years
Machinery and Equipment	Straight-line	5-10 year
IT Equipment	Straight-line	5 years
Other Assets	Straight-line	4-15 years

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

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

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

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.8 Property, plant and equipment (continued)

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

1.9 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.9 Intangible assets (continued)

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

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.

Naledi Local Municipality

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Significant Accounting Policies

1.10 Heritage assets (continued)

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

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

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets, 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.

Derecognition

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

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

1.11 Financial instruments

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

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 municipality on terms that are not market related.

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

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

Significant Accounting Policies

1.11 Financial instruments (continued)

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

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an municipality 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 municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

Naledi Local Municipality

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Significant Accounting Policies

1.11 Financial instruments (continued)

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

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

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

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

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

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

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

Classification

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

Class

Receivables from Exchange Transaction
Receivables from non-exchange Transaction
Cash and Cash Equivalent

Category

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

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

Class

Other Financial Liabilities-DBSA Loan
Payables from Exchange Transactions
Consumer Deposits
Residual interest1
Residual interest2

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Measured at fair value
Measured at cost

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Significant Accounting Policies

1.12 Leases

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

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

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 - 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.

1.13 Inventories

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

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

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

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

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

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

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

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

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

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

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Significant Accounting Policies

1.14 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.

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents.

1.15 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

1.16 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.

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

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 Employee benefits

Short-term employee benefits

Recognition and measurement

All short-term employee benefits

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

(a) As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.

(b) As an expense, unless another Standard of GRAP requires or permits the inclusion of the benefits in the cost of an asset.

1.18 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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Significant Accounting Policies

1.18 Provisions and contingencies (continued)

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 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. Contingencies are disclosed in note 45.

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

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

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

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

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

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Significant Accounting Policies

1.18 Provisions and contingencies (continued)

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

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

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 1.15 and 1.16.

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.

1.19 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and

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Significant Accounting Policies

1.19 Commitments (continued)

- 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.

Naledi Local Municipality

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Significant Accounting Policies

1.20 Revenue from exchange transactions

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

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

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

Measurement

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

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

Sale of goods

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

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

Rendering of services

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

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

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

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

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

Interest, royalties and dividends

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

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

Naledi Local Municipality

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Significant Accounting Policies

1.20 Revenue from exchange transactions (continued)

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

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

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

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

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Significant Accounting Policies

1.21 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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.

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.

Naledi Local Municipality

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Significant Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

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

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

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

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

Debt forgiveness and assumption of liabilities

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

1.22 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.

Significant Accounting Policies

1.22 Accounting by principals and agents (continued)

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

The municipality, as 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.

1.23 Comparative figures

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

1.24 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).

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Significant Accounting Policies

1.25 Fruitless and wasteful expenditure

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

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

1.26 Irregular expenditure

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

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

1.27 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.28 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.29 Budget information

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

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

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

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.29 Budget information (continued)

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

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

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

1.30 Related parties

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

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

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

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

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

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

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

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

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

1.31 Events after reporting date

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

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

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

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

1.32 Debt forgiveness and assumption of liabilities

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised): Employee Benefits	01 April 2023	
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 2023 Improvements to the Standards of GRAP 2023	01 April 2099	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2099	Unlikely there will be a material impact
• iGRAP 22 Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

2.3 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:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 103 (as revised): Heritage Assets	01 April 2099	Unlikely there will be a material impact

3. Inventories

Consumable stores	354 387	174 547
Maintenance materials	241 554	5 257
Water for distribution	141 090	141 090
	737 031	320 894

4. Trade and other receivables from exchange transactions

Consumer debtors - Electricity	14 984 417	43 638 312
Consumer debtors - Water	5 333 931	13 191 972
Consumer debtors - Waste management	3 466 438	9 810 079
Consumer debtors - Waste Water Management	13 143 349	9 469 203
Consumer debtors -Property Rental Debtors	704 956	1 177 670
	37 633 091	77 287 236

Naledi Local Municipality

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Figures in Rand	2024	2023
5. Receivables from non-exchange transactions		
Traffic fines	28 408 487	17 279 038
Other receivables from non-exchange revenue 1	(2 356)	(2 356)
Consumer debtors - Rates	66 729 173	30 479 965
	95 135 304	47 756 647
6. Consumer debtors disclosure		
Gross balances		
Consumer debtors - Property Rates	227 233 539	58 158 657
Consumer debtors - Electricity	123 198 087	124 677 455
Consumer debtors - Water	131 231 827	124 084 875
Consumer debtors - Waste water management	111 744 937	102 025 830
Consumer debtors - Waste management	113 481 660	104 366 937
Consumer debtors - Property rental debtors	18 795 128	26 384 455
	725 685 178	539 698 209
Less: Allowance for impairment		
Consumer debtors - Property Rates	(160 504 366)	(27 678 692)
Consumer debtors - Electricity	(108 213 670)	(81 039 143)
Consumer debtors - Water	(125 897 896)	(110 892 903)
Consumer debtors - Waste water management	(108 278 499)	(92 215 751)
Consumer debtors - Waste management	(100 338 311)	(94 897 734)
Consumer debtors - Property rental debtors	(18 090 172)	(25 206 785)
	(621 322 914)	(431 931 008)
Net balance		
Consumer debtors - Property Rates	66 729 173	30 479 965
Consumer debtors - Electricity	14 984 417	43 638 312
Consumer debtors - Water	5 333 931	13 191 972
Consumer debtors - Waste water management	3 466 438	9 810 079
Consumer debtors - Waste management	13 143 349	9 469 203
Consumer debtors - Property rental debtors	704 956	1 177 670
	104 362 264	107 767 201
Property Rates		
Current (0 -30 days)	4 634 722	25 701 188
31 - 60 days	2 225 256	1 848 763
61 - 90 days	1 774 191	1 492 283
91 - 120 days	1 634 001	1 404 065
121 - 365 days	149 635 643	133 428 654
	159 903 813	163 874 953
Electricity		
Current (0 -30 days)	6 323 838	5 428 401
31 - 60 days	3 648 416	1 955 989
61 - 90 days	2 623 503	1 550 109
91 - 120 days	2 348 038	1 862 141
121 - 365 days	108 248 792	113 914 980
	123 192 587	124 711 620

Naledi Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
6. Property, plant and equipment (continued)		
Water		
Current (0 -30 days)	2 964 649	2 311 109
31 - 60 days	2 234 980	2 050 282
61 - 90 days	2 166 907	2 064 266
91 - 120 days	2 003 534	1 725 460
121 - 365 days	121 866 149	116 027 901
	131 236 219	124 179 018
Waste water management		
Current (0 -30 days)	2 367 931	2 250 547
31 - 60 days	1 795 906	1 690 038
61 - 90 days	1 752 310	1 619 011
91 - 120 days	1 576 619	1 564 761
121 - 365 days	104 257 474	94 717 414
	111 750 240	101 841 771
Waste management		
Current (0 -30 days)	2 264 013	2 106 261
31 - 60 days	1 646 246	1 586 874
61 - 90 days	1 648 300	1 516 785
91 - 120 days	1 491 424	1 449 686
121 - 365 days	106 442 627	97 902 785
	113 492 610	104 562 391
Property Rental debtors		
Current (0 -30 days)	165 951	163 811
31 - 60 days	167 395	148 304
61 - 90 days	169 029	149 788
91 - 120 days	173 701	155 513
121 - 365 days	27 621 667	24 643 380
	28 297 743	25 260 796
7. VAT receivable		
VAT	12 895 228	9 322 773
8. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balance	13 237 855	6 701 191

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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8. Cash and cash equivalents (continued)

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- Main 40-7028-2707	224 204	5 042 022	2 065 218	13 257 855	7 827 120	2 065 218
ABSA - Prepaid	224 482	484 467	413 545	-	-	413 545
FNB - Main account	-	169 326	378 386	-	-	378 386
FNB -Prepaid	-	174 696	135 336	-	-	135 336
ABSA - Library Grant	31 718	30 713	30 329	-	-	30 329
ABSA-EPWP	40 071	38 520	32 354	-	-	32 354
ABSA-ENEP	12	92 391	3 418 677	-	-	3 418 677
ABSA-District Grant	12 602 995	54 399	2 506 810	-	-	2 506 810
ABSA- FMG	331	83 540	507 827	-	-	507 827
ABSA - MIG	692	74 058	7 321 643	-	-	7 321 643
ABSA -Retention	43 009	428 327	-	-	-	-
ABSA - Trafi Account	5 416	20 336	-	-	-	-
ABSA-Equitable Share	64 921	495	1 642 466	-	-	1 642 466
FNB Fixed Deposit	-	7 900	7 900	-	-	7 900
Total	13 237 851	6 701 190	18 460 491	13 257 855	7 827 120	18 460 491

Naledi Local Municipality

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9. Biological assets

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets	2 584 421	-	2 584 421	2 403 530	-	2 403 530

Reconciliation of biological assets - 2024

	Opening balance	Gains or losses arising from changes in fair value	Total
Biological assets	2 403 530	180 891	2 584 421

Reconciliation of biological assets - 2023

	Opening balance	Gains or losses arising from changes in fair value	Total
Biological assets	3 333 867	(930 337)	2 403 530

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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10. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	108 032 000	-	108 032 000	108 401 000	-	108 401 000

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property	108 401 000	(369 000)	108 032 000

Reconciliation of investment property - 2023

	Opening balance	Disposals	Other changes, movements	Fair value adjustments	Total
Investment property	57 637 000	(582 000)	39 786 876	7 664 000	108 401 000

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.

The valuation was carried out by DDP Values, a company specialising in municipal valuations. The valuation was led by Ms Cornelia Louw, Professional Valuer registered with South African Council for the Property Valuers Profession.

Comparable Sales Method of Valuation

The market approach is based on comparing the subject asset with identical or similar assets (or liabilities) for which price information is available, such as a comparison with market transactions in the same, or closely similar, type of asset (or liability) within an appropriate time horizon

Accrued Depreciation Method of valuation

With this valuation method, the value of the improvements is calculated by determining new replacement cost less depreciation. Replacement cost refers to the cost of erecting an improvement which has the same utility, attributes and characteristics. Depreciation is calculated on functional obsolescence, physical deterioration and economical obsolescence. After identifying and measuring the separate elements of the accrued depreciation, the value of the applicable type of depreciation are deducted from the replacement cost of the improvements.

The resulting difference is the estimated present value of the improvements. Theoretically, depreciation can begin to accrue from the moment construction is completed even in a building that is functionally the highest and best use of a site.

Naledi Local Municipality

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11. 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	84 495 101	-	84 495 101	84 495 101	-	84 495 101
Buildings	51 588 321	(36 248 156)	15 340 165	51 680 168	(35 110 521)	16 569 647
WIP - Road network	65 234 127	-	65 234 127	34 544 856	-	34 544 856
WIP - Electricity network	11 064 161	-	11 064 161	11 064 162	-	11 064 162
WIP - Community facilities	15 925 208	-	15 925 208	14 922 264	-	14 922 264
Infrastructure	826 040 581	(469 763 442)	356 277 139	809 714 545	(450 752 904)	358 961 641
Community Assets	131 885 359	(66 841 042)	65 044 317	135 623 251	(65 235 955)	70 387 296
Movable assets	34 120 925	(20 164 849)	13 956 076	37 470 716	(20 557 668)	16 913 048
Total	1 220 353 783	(593 017 489)	627 336 294	1 179 515 063	(571 657 048)	607 858 015

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Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	84 495 099	-	-	-	-	-	-	84 495 101
Buildings	16 569 647	-	(13 020)	-	-	(1 216 462)	-	15 340 166
WIP - Road network	34 544 856	51 758 886	-	(21 069 615)	-	-	-	65 183 044
WIP - Electricity network	11 064 162	-	-	-	-	-	-	11 064 162
WIP - Community facilities	14 922 264	1 002 945	-	-	-	-	-	15 925 208
Infrastructure	358 961 641	2 622 739	(1 860 129)	21 069 615	(51 082)	(24 465 645)	-	356 277 139
Community assets	70 387 296	-	(576 888)	-	-	(3 767 712)	(91 026)	65 951 669
Moveable Assets	16 913 048	2 948 786	(1 144 429)	-	-	(4 761 330)	-	13 956 076
	607 858 013	58 333 356	(3 594 466)	-	(51 082)	(34 211 149)	(91 026)	628 192 565

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Fair value adjustment	Prior year adjustment	Depreciation	Total
Land	74 535 102	-	-	-	-	9 959 995	-	84 495 099
Buildings	16 806 094	968 500	-	-	-	-	(1 204 947)	16 569 647
WIP - Road network	33 705 168	33 236 985	-	(32 397 297)	-	-	-	34 544 856
WIP - Electricity network	9 125 202	7 339 973	-	(5 401 013)	-	-	-	11 064 162
WIP - Community facilities	15 826 332	14 934 909	-	(15 838 977)	-	-	-	14 922 264
Infrastructure	341 496 128	-	(768 500)	37 798 311	11 929 946	(5 746 743)	(25 747 500)	358 961 641
Community Assets	58 463 225	-	-	15 838 977	-	(440 764)	(3 474 500)	85 676 848
Moveable Assets	15 074 752	6 005 608	-	-	-	373 455	(4 540 768)	16 913 048
	565 032 005	62 485 976	(768 500)	1	11 929 946	65 060 808	(34 967 358)	607 858 012

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.

Naledi Local Municipality

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12. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	600 790	-	600 790	553 001	-	553 001
Historical buildings	1 113 000	-	1 113 000	979 000	-	979 000
Total	1 713 790	-	1 713 790	1 532 001	-	1 532 001

Reconciliation of heritage assets 2024

	Opening balance	Disposals	Fair value adjustment	Total
Art Collections, antiques and exhibits	553 001	-	47 789	600 790
Historical buildings	979 000	-	134 000	1 113 000
	1 532 001	-	181 789	1 713 790

Reconciliation of heritage assets 2023

	Opening balance	Fair value adjustment	Total
Art Collections, antiques and exhibits	458 501	94 500	553 001
Historical buildings	939 500	39 500	979 000
	1 398 001	134 000	1 532 001

Naledi Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
13. Trade and payables from exchange transactions		
Trade payables	1 021 119 168	843 556 134
Retention	11 412 756	8 681 116
Advance Payments	52 719 067	60 022 375
Accrued leave pay	29 259 275	15 040 213
Accrued bonus	4 682 031	4 366 029
Unallocated Deposits	57 031 903	67 289 686
Salary Clearing and Control	27 088 417	24 123 498
	1 203 312 617	1 023 079 051
14. Consumer deposits		
Electricity	4 359 332	4 214 739
Refuse	2 444 587	2 164 054
Hiring of Decorative Items	172 013	163 213
	6 975 932	6 542 006
15. Unspent conditional grants		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Infrastructure Grant	1 170	(30)
Intergrated National Electrification Programme	(41)	(62)
Expanded Public Works Programme Integrated Grant	8	-
Disaster Grant	12 378 661	-
Financial Management Grant	(7 822)	(7 822)
IDC Grant	19 999	19 999
	12 391 975	12 085
Movement during the year		
Balance at the beginning of the year	12 085	-
Additions during the year	107 651 723	119 290 961
Income recognition during the year	(95 271 833)	(119 278 876)
	12 391 975	12 085
16. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligation	(64 727 540)	(61 109 000)
Non-current liabilities	(61 194 540)	(58 669 000)
Current liabilities	(3 533 000)	(2 440 000)
	(64 727 540)	(61 109 000)

[Provide a brief description of the link between the reimbursement right(s) and the related obligation]

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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

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

Present value of unfunded obligation at the beginning of the year	(61 109 000)	(60 211 000)
Actuarial gains / losses	4 734 644	7 075 000
Current service costs	(3 863 000)	(4 055 000)
Expected subsidy (benefits) payments	2 792 816	2 935 000
Interest costs	(7 283 000)	(6 853 000)
	(64 727 540)	(61 109 000)

Net expense recognised in the statement of financial performance are as follows:

Service cost	871 644	3 020 000
- Current service cost	(3 863 000)	(4 055 000)
- Gains & losses on settlement	4 734 644	7 075 000
Net interest on the net defined benefit liability (asset)	(7 283 000)	(6 853 000)
	(6 411 356)	(3 833 000)

Key assumptions used

Assumptions used at the reporting date:

Discount Rate used for Medical Aid	12.53 %	11.85 %
Health Care Cost Inflation Rate	8.14 %	8.45 %
Net Discount Rate-PEMA	4.06 %	3.14 %

The basis used to determine the overall expected rate of return on assets is as follow: [provide details]

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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16. Employee benefit obligations (continued)

Sensitivity analysis

Healthcare cost trends

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

2024	One percentage point increase	One percentage point decrease
Effect on the service cost	3 252 000	2 238 000
Effect on interest cost	6 697 000	5 038 000
Effect on defined benefit obligation	2 688 000	5 785 000

Discount rate

Assumed discount rate have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed discount rate would have the following effects:

2024	One percentage point increase	One percentage point decrease
Effect on the service cost	2 278 000	(3 206 000)
Effect on interest cost	5 474 000	(6 135 000)
Effect on defined benefit obligation	7 752 000	9 341 000

Assumed assumption have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed assumption would have the following effects:

The methods and assumptions used in preparing the sensitivity analyses and the limitations of those methods are [Provide details]

Changes from the previous period in the methods and assumptions used in preparing the sensitivity analyses, and the reasons for such changes are [Provide details]

Assumed assumption have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed assumption would have the following effects:

The methods and assumptions used in preparing the sensitivity analyses and the limitations of those methods are [Provide details]

Changes from the previous period in the methods and assumptions used in preparing the sensitivity analyses, and the reasons for such changes are [Provide details]

Asset-liability matching strategies used by the plan or the entity, including the use of annuities and other techniques, such as longevity swaps, to manage risk, are as follows: [Provide details]

Funding arrangements and funding policy that affect future contributions are as follows: [Provide details].

The expected contributions to the plan for the next reporting period is 6393967 -.

The following table presents information about the distribution of the timing of benefit payments:

The following table presents information about the weighted average duration of the defined benefit obligations:

[Provide additional information about the maturity profile of each defined benefit obligation]

Naledi Local Municipality

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16. Employee benefit obligations (continued)

The entity participates in a multi-employer defined benefit plan.

The funding arrangements, including the method used to determine the entity's rate of contributions and any minimum funding requirements, are as follows: [Describe]

The extent to which the entity can be liable to the plan for other entities' obligations under the terms and conditions of the multi-employer plan, is as follows: [Describe]

Agreed allocation of a deficit or surplus on:

- Wind-up of the plan [Provide details]
- The entity's withdrawal from the plan [Provide details]

The entity accounted for the multi-employer plan [Describe] as a defined contribution plan, seeing as sufficient information is not available to enable the entity to account for the plan as a defined benefit plan.

The reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan, is [Provide details].

The expected contributions to the plan for the next reporting period is 6393967 -.

Deficit or surplus in the plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications for the entity is as follows [Provide details].

The level of participation of the entity in the plan compared with other participating entities is [Provide details]

The entity participates in a defined benefit plan that shares risks between entities under common control.

The binding arrangement for charging the net defined benefit cost (or the fact that there is no such arrangement), is [Provide details]

The policy for determining the contribution to be paid by the entity is [Provide details].

Naledi Local Municipality

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Notes to the Annual Financial Statements

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17. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Interest	Change in estimates	Total
Environmental rehabilitation	50 499 218	3 029 953	(51 082)	53 478 089

Reconciliation of provisions - 2023

	Opening Balance	Interest	Change in Estimate	Total
Environmental rehabilitation	36 386 104	2 183 165	11 929 949	50 499 218
Non-current liabilities			39 342 475	37 165 049
Current liabilities			14 135 614	13 334 169
			53 478 089	50 499 218

The Municipality has the obligation to rehabilitate the landfill sites of Naledi. The environmental rehabilitation provision represents the estimated costs to rehabilitate and close existing waste landfill sites.

The provision is recognised at the present value of the expenditure. The valuation of the landfill site provision was done by Ekolaw Consulting, project manager was Adv. Coen Herbst, with extensive experience and expertise relevant for this type of work.

The future value of the rehabilitation of landfill sites obligation was calculated by inflating the non-current cost to an estimated future cost which is then discounted to present value. Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation. Because of the time value of money, provisions relating to cash outflows that arise soon after the reporting date are more onerous than those where cash outflows of the same amount arise later. Provisions are therefore discounted, where the effect is material to settle the obligation. The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. The discount rate(s) shall not reflect risks for which future cash flow estimates have been adjusted..

18. Revaluation reserve

Opening balance	2 470 085	2 470 085
Change during the year	1 368 876	-
	3 838 961	2 470 085

19. Service charges

Sale of Prepaid Electricity	77 695 539	70 371 064
Sale of Conventional electricity	63 372 863	55 514 753
Sale of Water	29 551 097	28 356 738
Waste water management	26 044 020	26 104 392
Waste management	25 307 171	24 265 120
	221 970 690	204 612 067

20. Rental of facilities and equipment

Premises

Premises	1 910 456	1 710 848
Venue hire	170 432	169 364
	2 080 888	1 880 212

Naledi Local Municipality

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21. Sales of Goods and Rendering of Services		
Sale of Goods	460 443	400 763
Clearance Certificates	213 710	174 298
Building Plan Approval	881 032	331 124
Cemetery and Burial	414 985	386 704
Parking Fees	15 012	8 772
Entrance Fees	9 874	13 378
Photo copies, Faxes and Telephone charges	-	1 546
	1 995 056	1 316 585
22. Licences and permits		
Licences and Permits	6 081 654	6 393 697
23. Operational revenue		
Administrative Handling Fees	1 098 163	1 209 673
Sale of Property	150 486	447 053
	1 248 649	1 656 726
24. Interest income		
Interest income		
Short-term investments and call accounts	869 911	766 618
25. Interest earned from receivables		
Consumer receivables		
Water	8 953 889	8 293 520
Electricity	10 828 764	11 543 651
Waste management	-	1 030 350
Waste water management	7 388 840	6 538 573
Water	7 729 515	6 319 308
	34 901 008	33 725 402
26. Actuarial gains/(losses)		
Actuarial gains/losses	4 734 644	7 075 000
27. Property rates		
Rates received		
Residential	21 024 394	24 209 185
Commercial	26 585 831	22 794 205
State-owned Properties	11 337 423	11 325 923
Industrial Properties	2 813 890	2 672 345
Agricultural properties	4 573 159	4 366 094
	66 334 697	65 367 752
Property rates - interest charged	11 748 566	7 745 123
	78 083 263	73 112 875

Naledi Local Municipality

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28. Government grants & subsidies

Operating grants

Equitable share	68 455 000	63 237 126
Expanded Public Works Programme Integrated Grant	1 133 122	1 213 650
Local Government Financial Management Grant	2 851 512	2 857 822
Municipal Disaster Recovery Grant	827 589	1 702 363
LG SETA	254 521	-
	73 521 744	69 010 961

Capital grants

Municipal Infrastructure Grant	30 155 000	43 823 000
Intergrated National Electrification Programme	3 974 979	6 457 000
	34 129 979	50 280 000
	107 651 723	119 290 961

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	41 196 723	56 053 835
Unconditional grants received	66 455 000	63 237 126
	107 651 723	119 290 961

Equitable Share

In terms of section 227 of the Constitution, this grant is used to enable the municipality to provide basic services and perform functions allocated to it. The Equitable Share Grant also provides funding to the municipality to deliver free basic services to poor households and to subsidise costs of administration and other core services of the municipality. The grant is realised in full upon receipt.

Financial management grant

Current-year receipts	2 850 000	2 850 000
Conditions met - transferred to revenue	(2 850 000)	(2 850 000)
	-	-

Conditions still to be met - remain liabilities (see note 15).

The grant is mainly used for supporting reforms in financial management by building capacity in the municipality to implement the MFMA and progressive financial reporting."

Expanded public works programmes

Current-year receipts	1 133 000	1 214 000
Conditions met - transferred to revenue	(1 133 000)	(1 214 000)
	-	-

Conditions still to be met - remain liabilities (see note 15).

The grant was used by municipality to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme Guidelines: road maintenance and the maintenance of buildings; low traffic volume roads and rural roads; other economic and social infrastructure; tourism and cultural industries; and sustainable land based livelihoods.

Disaster Management Grant - COGTA) - Rehabilitation of stormwater Management

Naledi Local Municipality

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Figures in Rand	2024	2023
28. Government grants & subsidies (continued)		
Current-year receipts	13 205 000	-
Other	(826 339)	-
	12 378 661	-

Conditions still to be met - remain liabilities (see note 15).

This grant was received by the Department of Cooperative Governance, through its disaster management grant, in response to the emergency rehabilitation of the stormwater management.

Municipal Infrastructure Grant

Balance unspent at beginning of year	(135)	2
Current-year receipts	30 155 000	43 823 000
Conditions met - transferred to revenue	(30 155 000)	(43 823 000)
Offsetting of unspent grants against equitable share	-	(137)
	(135)	(135)

Conditions still to be met - remain liabilities (see note 15).

The grant was utilised to fund infrastructure related projects (mainly as part of the service delivery). Capitalised projects funded by this grant are included in property, plant and equipment whilst the unspent portion (if any) of the grant is included as current liabilities

Intergrated National Electrification Programme

Balance unspent at beginning of year	(657 000)	656 938
Current-year receipts	3 975 000	6 457 000
Conditions met - transferred to revenue	(3 975 000)	(6 457 000)
Offsetting of unspent grants against equitable share	-	(1 313 938)
	(657 000)	(657 000)

Conditions still to be met - remain liabilities (see note 15).

The grant was utilised to fund infrastructure related projects on electrification and supply (mainly as part of the service delivery). Capitalised projects funded by this grant are included in property, plant and equipment whilst the unspent portion (if any) of the grant is included as current liabilities.

IDC Grant

Balance unspent at beginning of year	19 999	19 999
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Conditions still to be met - remain liabilities (see note 15).

Provide explanations of conditions still to be met and other relevant information.

29. Traffic fines

Fines, Penalties and Forfeits	12 969 376	33 257 600
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The decrease in fines was due to the calibration and system down during the year(Oct, Nov 2023). The high volume of of N.A.G cases during the finacial year had a nagetive impact on the trafic fine revenue./

Naledi Local Municipality

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Figures in Rand	2024	2023
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30. Other transfers

Municipal Debt Relief	68 092 705	-
Transfer from Dr RSM for Relief on Agency fees	2 000 000	-
Provincial Treasury Assistance	5 077 799	-
CoGHSTA Transfer for Emergency Vehicles	1 733 835	-
	78 970 127	-

The municipality were awarded for Debt Relief of R 68 million of the Eskom Debt Relief Programme. The North West Provincial Treasury also paid audit fees amounting to R 5 million on behalf of the municipality in the current year

31. Public contributions and donations

Motor Vehicle-UD Truck CWE Quester 330 received from Department of Forestry	-	2 250 000
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The above donation is not attached to any conditions

32. Fair value adjustments

Investment property (Fair value model)	(369 000)	-
Biological assets - (Fair value model)	362 679	(273 599)
	(6 321)	(273 599)

Naledi Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
33. Employee related costs		
Basic	156 583 586	151 405 698
Cellular and Telephone	426 888	412 418
Bonus	12 928 330	12 324 913
Medical aid - company contributions	12 119 954	11 021 607
UIF	1 337 991	1 322 374
Bargaining Council	83 245	80 718
Standby allowances	2 379 889	1 462 878
Leave pay provision charge	15 813 981	(12 419 503)
Scarcity allowance	259 707	454 335
Defined benefit obligation - Current service cost	3 863 000	4 055 000
Shift allowances	2 303 515	2 332 550
Overtime payments	10 835 274	11 537 887
Long-service awards	1 915 358	2 310 254
Acting allowances	2 649 981	718 620
Car allowance	12 983 153	12 320 547
Housing benefits and allowances	1 548 812	1 528 378
Pension fund contributions	25 600 798	24 350 004
Uniform Allowance	432 000	444 000
	264 065 462	225 662 678

Remuneration of Municipal Manager

Basic salary	1 226 436	913 068
Rural Allowance	59 279	35 188
Contributions to UIF, Medical and Pension Funds	282 699	10 459
Housing allowance	-	123 387
	1 568 414	1 082 102

Ms Makgatlela acted as Municipal Manager from June 2024 as the substantive Municipal Manager was placed on special leave.

Remuneration of Chief Finance Officer

Basic salary	1 063 463	1 063 463
Rural Allowance	45 339	45 339
Bonus	94 455	94 455
Contributions to UIF, Medical and Pension Funds	14 248	14 369
Telephone allowance	9 000	9 000
	1 226 505	1 226 626

Remuneration of Community Services Director

Basic salary	1 063 463	1 327 532
Rural Allowance	45 339	58 883
Bonus	94 455	94 455
Contributions to UIF, Medical and Pension Funds	14 476	14 248
Telephone Allowance	9 000	9 000
Acting allowance	30 357	-
	1 257 090	1 504 118

Mr Makobo was appointed as Acting Director Community Services from the month of June 2024

Remuneration of Corporate Services Director

Basic salary	858 115	860 475
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Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
33. Employee related costs (continued)		
Rural Allowance	45 339	45 339
Bonus	94 455	94 455
Contributions to UIF, Medical and Pension Funds	215 754	201 285
Telephone allowance	9 000	9 000
Acting Allowance	-	11 908
	1 222 663	1 222 462

Remuneration of Technical Services Director

Basic salary	1 122 997	1 063 463
Rural allowance	45 213	45 339
Bonus	94 455	94 455
Contributions to UIF, Medical and Pension Funds	47 747	14 745
Telephone allowance	8 975	9 000
Acting allowance	23 986	49 686
Travel allowance	48 000	-
	1 391 373	1 276 688

The 'Technical services director submitted notice of resignation and served a month's notice until the end of March 2024. Ms Munyai acted from April 2024, position of Technical services director is currently vacant.

34. Remuneration of councillors

Mayor	958 382	1 006 403
Speaker	802 816	814 715
Mayoral Committee Members	1 972 076	2 251 703
Councillors	4 630 210	4 672 775
Ward Councillors	-	-
	8 363 484	8 745 596

35. Inventory consumed

Material and spares consumed	634 383	8 224 437
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36. Depreciation and amortisation

Property, plant and equipment	34 302 176	34 012 032
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37. Finance costs

Interest expense on employee benefit obligation	7 283 000	6 853 000
Interest on Overdue accounts	63 032 662	61 064 496
Provision for landfill sites	3 029 953	2 183 166
	73 345 615	70 100 662

38. Debt impairment

Debt impairment	75 150 315	104 619 443
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39. Bulk purchases

Electricity - Eskom	141 610 427	114 873 379
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Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
39. Bulk purchases (continued)		
Electricity losses		
Units purchased	76 888 897	72 370 050
Units sold	(76 143 210)	(72 508 697)
Total loss	745 687	(138 647)
Percentage Loss:		
Non-technical losses	- %	(2)%
Municipal Debt Relief		
Opening balance	791 245 849	604 839 118
Purchases	162 851 887	132 104 386
Interest	57 780 903	54 302 345
Payment made	(16 000 000)	-
Less: Debt Relief	(68 092 620)	-
Total	927 786 019	791 245 849
40. Contracted services		
Outsourced Services		
Administrative and Support Staff	-	3 980 949
Catering Services	-	87 633
Meter Management	2 885 352	418 443
Personnel and Labour	14 433 459	12 171 620
Refuse Removal	3 120 000	95 622
Traffic Fines Management	320 000	641 040
Electrical	-	230 000
Consultants and Professional Services		
Business and Advisory	12 868 358	14 305 576
Legal Cost	6 895 114	6 897 967
Contractors		
Abstraction costs	-	100 942
Building	-	36 271
Electrical	190 399	2 058 816
Maintenance of Buildings and Facilities	1	493 018
Maintenance of Equipment	(1)	533 613
Repairs and Maintenance	-	2 188 596
Project Management	(1 013 782)	-
Safeguard and Security	22 803 026	16 742 093
	62 501 926	60 982 199

Naledi Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
41. Operational costs		
Advertising	296 720	222 720
Auditors remuneration	6 933 846	5 477 938
Bank charges	1 181 210	1 078 454
Computer expenses	130 554	605 112
Fines and penalties	-	650
Hire Charges	1 841 589	1 920 896
Insurance	823 708	2 164 792
Licences	324 236	225 422
Municipal Services	3 351 947	3 030 908
Fuel and oil	4 252 164	3 817 614
Subscriptions and membership fees	2 618 783	2 417 251
Telephone and fax	18 217 687	6 908 464
Travel - local	2 125 694	3 572 744
Title deed search fees	-	4 516
Uniforms and protective clothing	1 321 186	-
Skills development levy	2 197 075	1 947 643
Ward committee	986 770	1 005 960
Workmen's Compensation	-	3 533 466
Motor registration - National	1 604 274	1 266 002
Bursaries	110 069	-
	48 317 512	39 200 552
42. Auditors' remuneration		
Fees	6 933 846	5 477 938
43. Cash generated from operations		
Deficit	(160 929 080)	(182 179 356)
Adjustments for:		
Depreciation and amortisation	34 302 176	34 012 032
Other non-cash item	4 188 534	768 500
Fair value adjustments	6 321	273 599
Debt impairment	75 150 315	104 619 443
Movements in retirement benefit assets and liabilities	3 618 540	1 516 979
Movements in provisions	2 978 871	13 305 872
Other non-cash items	34 857 607	(22 761 356)
Changes in working capital:		
Inventories	(416 137)	763 397
Trade and other receivables from exchange transactions	39 654 145	67 278 976
Consumer debtors	(75 150 315)	(104 619 443)
Other receivables from non-exchange transactions	(47 378 657)	(7 811 028)
Provisions	180 233 566	197 934 250
Employee benefit obligation	(3 572 455)	(39 761 972)
Unspent conditional grants	12 379 890	(4 413 452)
Consumer deposits	433 926	535 237
	100 357 247	59 461 678

Naledi Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
44. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property Plant and Equipment	165 331 899	61 767 659
• Prior Year Correction	-	110 310 102
	165 331 899	172 077 761
Total capital commitments		
Already contracted for but not provided for	165 331 899	172 077 761
Total commitments		
Total commitments		
Authorised capital expenditure	165 331 899	172 077 761

Naledi Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
45. Contingencies		
Contingent liabilities		
Plaintiff claimed from the Naledi Local Municipality a total amount of R509 992,62 plus interest and cost. A plea was filed and furthermore our opponents did their discovery affidavit.	509 992	509 993
Matter is defended. Plaintiff has been appointed to assist the Municipality with VAT Recovery. Waiting for a trial date.	897 417	897 417
Naledi Mun / MP Nthali Plaintiff claimed R2 000 000,00 as a result of the fact that she fell on 14/7/14.	2 000 000	2 000 000
Naledi Local Municipality / Erante Consultants CC The plaintiff instituted action against the Municipality and claimed an amount of R250 000,00, R642 954,97, R704 559,65 and R1 301 281,20	-	2 898 796
This action was instituted by the plaintiff on 4/7/2018. Notice of intention to defend was filed on 12/7/2018. Since the nothing has transpired. There was criminal proceedings instituted but the 2nd defendant, Sipho Masilo was found not guilty.	-	200 000
Plaintiff is claiming for an amount of R21 934, 48 for damages suffered for the repairs on her vehicle following a collision with a pothole at Hoffman Galeng Street.	21 934	21 943
Municipality was summoned base on delict for damages to a motor vehicles that was involved in a collision with a pothole.	62 357	62 357
Municipality was summoned for an amount of R72127,90 based on delict for a collision between a motor vehicle and a pothole.	72 127	72 127
Naledi was summoned herein for damages to a damages to a vehicle that drove through a pothole.	16 090	16 090
Municipality as well as sub contractor was summoned based on delict for a structure that was removed and secondly due to the fact that the plaintiff makes the averment that he was assaulted by the sub contractor.	171 000	171 000
In this matter the plaintiff claimed an amount of R17 490,64. The matter is opposed and we did defend and asked for certain information.	17 491	17 491
GM Molale-Plaintiff claiming an amount of R175 653,16 for damages suffered as a result of collision with a pothole.	175 653	175 653
Plaintiff, Mr. Makwati suing the municipality and Municipal Manager for defamation of character.	1 500 000	1 500 000
VANDANEX (PTY) LTD // NALEDI LM Plaintiff alleges that the Municipality was over-paid when applications for clearance certificates were made.	262 249	262 249
Naledi LM/ African Hotel Dev. PTY LTD t/a Onomo Hotel Durban-Plaintiff summoned the Municipality for certain accomodation in Durban which is supposed and wee filed a plea in this regards. Since filing the plea on 25/2/21 nothing further has transpired.	-	25 000
Naledi LM/ Karenza Erasmus-The Municipality was summoned herein for an amount of R8059,85. The claim is based on delict in that was alleged that the Municipality did not maintain the roads and as a result of a pothole the plaintiff sustained	-	8 060
Naledi LM/ Joherda Electrical Contractors- The Plaintiff instituted action against the Municipality for an amount of R105 147,80 for services rendered.	105 148	-
Malankane Engineers is claiming an amount of R1 219 910,25 plus interest and costs from the Municipality.	-	1 219 910
Naledi LM/ Vryburg Truck & Auto CC- Plaintiff instituted action against the Municipality for a total amount of R399 000,00 plus interest and costs.	-	399 000
Telkom SA SOC-Damages to cables that was damaged by Municipality however since the plea was filed on 11/8/15 nothing transpired.	-	31 619
NALEDI LM/ LEEMAT CONSOLIDATED. Municipality was summoned for R2 107 232,25	2 107 232	2 107 232
Kelesite Beauty Baatege & 3 others Claims for damages arising from loss of livestock owing to contaminated sewage water.	-	4 041 960
Plaintiff claiming for an amount of R100 000.00,allegedly for damages suffered as a result of being unlawfully arrested by members of Naledi Traffic. Matter is beingdefended.	100 000	-
Plaintiff suing the Municipality for a total amount of R400 000.00allegedly for damages suffered as a result of beingassaulted by	400 000	-
	8 418 690	16 637 897

Naledi Local Municipality

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Figures in Rand	2024	2023
45. Contingencies (continued)		
Contingent assets		
NALEDI LM and MT Segapo/ F. Pestana & Best ever Trading 542 CC-In this matter summons was issued against Pestana and Best Ever Trading. The amounts claimed herein is Claim A- R5 102 774,45, Claim B- R496 155,68,	5 598 930	5 598 930
Naledi Local Municipality / Erante Consultants CC. The plaintiff instituted action against the Municipality and claimed an amount of R250 000,00, R642 954,97, R704 559,65 and R13 012 181,20 . The matter was defended in 2012 and the defendant also filed a counterclaim for an amount of R 192 000	-	192 000
	5 598 930	5 790 930

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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46. Related parties

Relationships	
Accounting Officer	Refer to Accounting Officer's report
Members of Key Management	Refer to Employee Related Cost Note 32
Councilors	Refer to Note 33
Close family member of key management	DM Bareng (Daughter to Bareng AN
Management entity providing key management services	Name
	Name

Related party balances

Salaries paid to related parties of Councilors and Key Management

DM Bareng (Daughter to Bareng AN)	226 111	194 792
AG Groep (Elder brother to CJ Groep)	498 914	480 703
Q Groep (Twin Brother to CJ Groep)	310 319	160 596

Remuneration of management

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

46. Related parties (continued)

Management class: Councillors

2024

	Basic salary	Travelling allowance	Telephone allowance	Contributions to UIF,SDL, Medical and Pension fund	Housing allowance	Total
Name						
Mayor	671 531	32 640	42 600	51 681	193 399	958 382
Speaker	482 622	240 000	42 600	37 594	-	802 816
MMC	2 134 917	-	127 800	-	-	1 972 076
Other Concillors	3 678 261	68 544	550 200	127 283	205 922	4 630 210
	6 967 331	341 184	763 200	216 558	399 321	8 363 484

2023

	Basic salary	Travelling allowance	Telephone allowance	Contributions to UIF,SDL, Medical and Pension fund	Housing allowance	Total
Name						
Mayor	683 016	32 640	40 800	48 716	193 399	1 006 314
Speaker	492 395	240 000	40 800	41 520	-	814 715
MMC	2 107 831	-	122 400	21 472	-	2 251 703
Other concillors	2 330 156	68 544	495 906	1 572 247	205 922	4 672 775
	5 613 398	341 184	699 906	1 683 955	399 321	8 745 507

Naledi Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand

46. Related parties (continued)

Management class: Executive management

2024

	Basic salary	Bonuses	Rural Allowance	Telephone allowance	Contributions to UIF,SDL, Medical and Pension fund	Acting Allowance	Travel Allowance	Total
Name								
Mr MT Segapo- MM	1 226 436	-	59 278	-	282 699	-	-	1 568 413
Mr KM Maruping- CFO	1 063 463	94 455	45 399	9 000	14 248	-	-	1 226 565
Mrs D Munyai- Act Tech	182 263	-	11 209	2 225	35 217	23 986	48 000	302 900
Mr SN Mongale - Tech Dir	940 734	94 455	34 004	6 750	12 531	-	-	1 088 474
Mr TN Appolus - CS	858 115	94 455	45 399	9 000	215 754	-	-	1 222 723
Mr OP Mokopo	-	-	-	-	-	7 521	-	7 521
Miss ME Makgahlela	1 063 463	94 455	45 399	9 000	14 476	22 836	-	1 249 629
	5 334 474	377 820	240 688	35 975	574 925	54 343	48 000	6 666 225

2023

	Basic salary	Bonus	Rural allowance	Telephone allowance	Contributions to UIF,SDL, Medical and Pension fund	Acting allowance	Total
Name							
MM	913 068	-	35 188	-	133 846	-	1 082 102
CFO	1 063 463	94 455	45 339	9 000	14 248	-	1 226 505
Community Ser	1 063 463	94 455	45 339	9 000	14 248	-	1 226 505
Corporate Service	860 475	94 455	45 339	9 000	213 193	-	1 222 462
Technical services	1 063 463	94 455	45 339	9 000	14 745	49 686	1 276 688
	4 963 932	377 820	216 544	36 000	390 280	49 686	6 034 262

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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47. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At amortised cost	Total
Other financial assets	37 633 091	37 633 091
Trade and other receivables from exchange transactions	95 135 304	95 135 304
Other receivables from non-exchange transactions	13 257 855	13 257 855
	146 026 250	146 026 250

Financial liabilities

	At amortised cost	Total
Other financial liabilities	11	11
Trade and other payables from exchange transactions	1 199 124 084	1 199 124 084
	1 199 124 095	1 199 124 095

2023

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	77 287 236	77 287 236
Other receivables from non-exchange transactions	47 756 647	47 756 647
Cash and cash equivalents	6 701 191	6 701 191
	131 745 074	131 745 074

Financial liabilities

	At amortised cost	Total
Other financial liabilities	994 145	994 145
Trade and other payables from exchange transactions	1 023 079 051	1 023 079 051
	1 024 073 196	1 024 073 196

48. Risk management

Financial risk management

Liquidity risk

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

Naledi Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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48. Risk management (continued)

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	2024	2023
Receivables from exchange transactions	151 022 820	80 476 024
Receivables from non-exchange transactions	48 385 010	52 399 509
Cash and Cash Equivalent	240 652 611	7 827 120

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

Market risk

Interest rate risk

49. Prior period errors

1. Standby allowance was understated by R888 442.00 due to mapping issues which was subsequently corrected, this resulted in the restatement of employee related cost.
2. Depreciation was understated by an amount of R36 015.00 as a result of an error during the posting of depreciation on the system
3. Finance cost was understated by an amount of R600 317.00 as a result of the journals that did not filter through to the trial balance during the finalisation of the AFS in the prior year.
4. A correction of error was made to the Debt impairment as a result of journals that could not filter to the Trial balance during 2022/23 financial year resulting in an understatement of R79 380 898.00.
5. Contracted services was understated by an amount R548 557.00 in 2022/23 financial year.
6. Receivables from exchange transaction was overstated by R58 282 508.00 this was due to the errors under debt impairment as well as journals that did not filter through to the Trial balance during the year under review

Naledi Local Municipality

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Notes to the Annual Financial Statements

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

7. Receivables from non-exchange transactions was overstated by R108 356 447.00 as a results of errors from traffic fines debt, understatement of debt impairment and own billing reversal for property rates which were not posted correctly.

8. Cash and Cash Equivalent was oversated by R17 078 255.00 due to transactions that did not pull through upon finalisation of the Annual Financial Statements in the prior year.

9. Propety Plant and Equipment was overstated by R180 206.00 in the prior year as a results of differences between the Asst register the General Ledger.

10. VAT Payable was understated by R1 456 001.00 in the prior year to due journals not pulling to the TB during preparation of the AFS.

11. Trade payables was overstated by R44 452 814.00 in the prior year as journals that were not in the TB upon finalisation of the AFS.

12. Consumer deposit was overstated ith R34 712 in the prior year.

13. Municipality erreneously reported some of the amounts in the annual financial statements that were different from the balances per trial balance and supporting schedules. This was due to incorrect mapping of account on caseware and missalignment of caseware and financial systems journal during finalisation of the preparation of Annual financial statements.

14. Municipality 's own properties were incorrectly billied in the previous periods for services charges and propertety rates .Receivables from Municipality's own properties were recognised in the books and partly impaired at the reporting periods. Furthermore the statement of net asset contained mathematical casting errors.

Statement of Financial Position

Decrease in Depat impairment Property, plant and equipment	-	(7 118 095)
Decrease in VAT payables	-	52 593 735
Accumulated Surplu	-	(45 475 640)

50. Prior-year adjustments

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

Statement of financial position

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand			2024	2023	
50. Prior-year adjustments (continued)					
2023					
	Note	As previously reported	Correction of error	Re-classification	Restated
Inventories		321 606	(712)	-	320 894
Receivables from Exchange Transaction		138 352 470	(61 065 234)	-	77 287 236
Receivables from non-exchange transactions		160 755 954	(112 999 307)	-	47 756 647
Cash and cash equivalents		24 905 344	(18 204 153)	-	6 701 191
Biological assets		2 403 530	-	-	2 403 530
Heritage assets		1 532 001	-	-	1 532 001
Investment properties		65 301 000	43 100 000	-	108 401 000
Property, plant and equipment		603 892 277	3 965 738	-	607 858 015
Other financial liabilities		(994 145)	-	-	(994 145)
Trade payables		(920 998 363)	9 648 399	67 793 830	(843 556 134)
Retentions		(8 681 116)	-	-	(8 681 116)
Advance payments		(50 135 589)	(9 886 786)	-	(60 022 375)
Accrued leave pay		(22 086 796)	7 046 583	-	(15 040 213)
Accrued bonus		(4 158 150)	(207 879)	-	(4 366 029)
Unallocated deposit		(75 076 005)	7 786 319	-	(67 289 686)
Salary Clearing and Control		-	43 670 332	(67 793 830)	(24 123 498)
VAT Payables		(48 793 277)	58 116 050	-	9 322 773
Consumer deposits		(6 576 162)	34 156	-	(6 542 006)
Employee benefits obligations		(60 397 378)	(711 622)	-	(61 109 000)
Unspent conditional grants		(2 058 865)	2 046 617	-	(12 248)
Provisions		(50 499 218)	-	-	(50 499 218)
Revaluation reserve		(9 097 171)	6 627 086	-	(2 470 085)
Accumulated deficit		262 088 053	21 034 256	-	283 122 309
		-	(157)	-	(157)

Statement of financial performance

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand		2024	2023		
50. Prior-year adjustments (continued)					
2023					
	Note	As previously reported	Correction of error	Re-classification	Restated
Services charges -Prepaid electricity		70 372 803	-	-	70 372 803
Services charges - Conventional Electricity		59 466 489	(3 955 625)	3 889	55 514 753
Services charges -Sale of water		29 116 637	(806 920)	47 021	28 356 738
Service charges - Waste Water Management		26 428 100	(358 071)	34 363	26 104 392
Services charges -Waste management		24 304 949	(39 829)	-	24 265 120
Rental of facilities and equipment		1 880 212	-	-	1 880 212
Sales of Goods and Rendering of Services		-	-	1 316 585	1 316 585
Licence and permits		1 488 049	4 905 648	-	6 393 697
Interest earned - Outstanding debtors		33 725 402	-	-	33 725 402
Interest earned -External investment		766 618	-	-	766 618
Operational revenue		3 053 334	-	(1 396 608)	1 656 726
Property rates		78 806 376	(13 438 624)	-	65 367 752
Interest on Property rates		7 745 123	-	-	7 745 123
Fines, Penalties and Forfeits		33 257 600	-	-	33 257 600
Government grants & subsidies		119 302 572	(11 611)	-	119 290 961
Public contributions and donations		2 250 000	-	-	2 250 000
Employee relate costs		(232 905 933)	7 243 255	-	(225 662 678)
Remuneration of concillors		(8 421 462)	(324 045)	-	(8 745 507)
Depreciation and amortisation		(34 931 343)	919 311	-	(34 012 032)
Finance costs		(66 324 951)	(3 775 711)	-	(70 100 662)
Debt impairment		(18 024 550)	(86 594 893)	-	(104 619 443)
Bulk purchases		(114 873 379)	-	-	(114 873 379)
Inventory consumed		-	-	(8 004 643)	(8 004 643)
Fair value adjustments		(273 599)	-	-	(273 599)
Actuarial gains		7 743 184	(668 184)	-	7 075 000
Transfers and subsidies		-	-	(54 111)	(54 111)
Loss on sale of assets and liabilities		(768 501)	1	-	(768 500)
Contracted services		(60 517 288)	(464 911)	-	(60 982 199)
General expenditure		(45 411 656)	(2 062 193)	8 053 504	(39 420 345)
Surplus for the year		(82 745 214)	(99 432 402)	-	(182 177 616)

51. Unauthorised expenditure

Opening balance as previously reported	470 312 146	413 597 886
Add: Unauthorised expenditure - current	28 207 203	72 749 062
Add: Unauthorised expenditure - prior period	-	(16 034 802)
Closing balance	498 519 349	470 312 146

52. Fruitless and wasteful expenditure

Opening balance as previously reported	282 943 264	224 823 632
Add: Fruitless and wasteful expenditure identified - current	4 082 149	58 119 632
Closing balance	287 025 413	282 943 264

Naledi Local Municipality

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Figures in Rand		2024	2023
52. Fruitless and wasteful expenditure (continued)			
Details of fruitless and wasteful expenditure			
Eskom bulk accounts	Under investigation	54 302 346	26 357 236
SARS penalties and interests	Under investigation	600 317	454 882
DBSA - Interest on late payments	Under investigation	352 654	810 587
COIDA - Interest on late payments	Under investigation	386 604	270 362
Auditor General - Interest on late payments	Under investigation	1 638 448	874 555
Department of water and sanitation	Under investigation	213 154	209 757
Eskom small accounts - interest on late payments	Under investigation	77 000	120 476
Other creditors - Interest on late payments	Under Investigation	549 107	69 699
		58 119 630	29 167 554

Disciplinary steps taken/criminal proceedings

No investigation has been finalised hence no disciplinary steps have been taken.

53. Irregular expenditure

Opening balance as previously reported	413 252 937	342 876 316
Add: Correction of error	15 703 214	-
Add: Irregular expenditure - current	112 115 843	44 029 658
Add: Irregular expenditure - Prior period	-	26 346 963
Closing balance	541 071 994	413 252 937

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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53. Irregular expenditure (continued)

Incidents/cases identified/reported in the current year include those listed below:

Competitive bidding processes not followed to the satisfaction of the SCM Policy and other applicable legislation	106 783 590	89 041 581
Three written quotations not invited	-	11 814 058
Payments done in excess of prescribed remuneration thresholds for political office bearers	-	70 699
Payments on in excess of the variation as prescribed by legislation	5 332 253	245 204
	112 115 843	101 171 542

54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	8 352 712	12 797 866
Current year subscription / fee	2 582 318	2 504 846
Amount paid - current year	(2 100 000)	(6 950 000)
	8 835 030	8 352 712

Audit fees

Opening balance	18 046 937	15 455 425
Current year subscription / fee	7 973 923	5 481 505
Current year Interest on Outstanding	2 048 967	1 638 448
Amount Paid-current year	(11 927 798)	(4 528 441)
	16 142 029	18 046 937

Naledi Local Municipality

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Figures in Rand	2024	2023
54. Additional disclosure in terms of Municipal Finance Management Act (continued)		
PAYE and UIF		
Current year subscription / fee	37 090 433	35 320 118
Amount paid - current year	(37 095 851)	(35 920 435)
Amount paid - Interests and Penalties	-	600 317
	(5 418)	-
Pension and Medical Aid Deductions		
Opening balance	12 102 055	1 562 881
Current year subscription / fee	59 757 849	55 898 096
Amount paid - current year	(48 514 391)	(45 358 922)
	23 345 513	12 102 055

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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

Councillors' arrear consumer accounts

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

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr JA Adonis	282	-	282
Cllr KD Tshite	165	1 295	1 460
Cllr LE Roux	1 143	-	1 143
Cllr CJ Groep	1 496	-	1 496
Cllr J Selotlego	2 364	155 098	157 462
Cllr KG Selotlego	12	2 187	2 199
Cllr AM Mgida	-	80	80
Cllr MZM Moncho	4 906	78 880	83 786
Cllr CM Letshwene	-	6 060	6 060
Cllr MR Morakile	231	10 755	10 986
Cllr MM Maphale	2 364	98 464	100 828
Cllr PGC Gulane	2 399	259 549	261 948
Cllr KS Wilson	2 012	19 503	21 515
Cllr LV Setlhake	6 323	13 229	19 552
Cllr H Van Huyssteen	3 748	1 116	4 864
	27 445	646 216	673 661

30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr JA Adonis	268	-	268
Cllr JA Adonis	2 263	238 342	240 605
Cllr LC Jacobs	-	255	255
Cllr PI Selotlego	2 263	135 488	137 751
Cllr VR Morakile	220	9 353	9 573
Cllr N Tunyiswa	2 263	156 699	158 962
Cllr WH Brits	55 503	3 081 596	3 137 099
Cllr Van Huyssteen H & CB	1 290	-	1 290
Cllr Matshidiso KA	1 373	15 378	16 751
Cllr Mgida AM	-	74	74
Cllr Moncho MZM	2 253	51 566	53 819
	67 696	3 688 751	3 756 447

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

Naledi Local Municipality

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55. 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..

Deviations

Exceptional cases	1 873 950	4 249 121
Emergency	13 497 583	3 764 039
Sole Provider	2 430 845	283 297
	17 802 378	8 296 457

56. Segment information

General information

Identification of segments

The segments were organised based on the type and nature of service delivered by the Municipality. These services are delivered in various municipal departments, which for reporting purposes are allocated to a standardised functional area (guided by mSCOA regulations). Budgets are prepared for each functional area and the budget versus actual amounts are reported on a monthly basis. Information reported about these segments used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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56. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Executive Council	Administration & Corporate Services	Community Services	Municipal Manager	Technical Services	Financial Services	Economic Development	Total
Revenue								
Revenue from exchange transactions	-	-	40 788 542	-	226 927 216	1 431 098	-	269 146 856
Revenue from non exchange transactions	-	254 521	91 072 711	-	36 958 568	149 389 776	-	277 675 576
Interest revenue	-	-	-	-	-	63 032 662	-	63 032 662
Total segment revenue	-	254 521	131 861 253	-	263 885 784	213 853 536	-	609 855 094
Entity's revenue								609 855 094
Expenditure								
Depreciation and Amortisation	-	4 771 698	5 946 212	-	23 584 265	-	-	34 302 175
Impairment loss	-	-	-	-	75 150 315	-	-	75 150 315
Total expenditure	20 502 889	81 994 701	110 398 451	12 673 200	218 817 533	87 093 246	3 786 327	535 266 347
Total segment expenditure	20 502 889	86 766 399	116 344 663	12 673 200	317 552 113	87 093 246	3 786 327	644 718 837
Total segmental surplus/(deficit)	(20 502 889)	(86 511 878)	15 516 590	(12 673 200)	(53 666 329)	126 760 290	(3 786 327)	(34 863 743)
Assets								
Total assets	(17 172 736)	(18 231 209)	(2 198 578)	570 281 888	458 170 057	3 260 005	-	994 109 427
Total assets as per Statement of financial Position								994 109 427
Liabilities								
Total liabilities	487 505 191	357 769 114	163 464	108 344 899	305 680 665	(1 056 557 406)	1 969 221	204 875 148
Total liabilities as per Statement of financial Position								204 875 148

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

56. Segment information (continued)

2023

	Executive Council	Adminisatrion & Council	Community Development	Municipal Manager	Technical Services	Financial Services	Economic Development	Total
Revenue								
Revenue from non-exchange transactions	-	-	36 721 250	-	209 037 455	1 431 098	-	247 189 803
Revenue from exchange transactions	-	-	38 671 432	-	51 982 363	139 207 822	-	229 861 617
Interest revenue	-	-	-	-	-	-	61 064 496	61 064 496
Total segment revenue	-	-	75 392 682	-	261 019 818	140 638 920	61 064 496	538 115 916
Entity's revenue								538 115 916
Expenditure								
Depreciation and amortisation	-	5 346 357	4 513 880	-	24 151 794	-	-	34 012 031
impairment loss	-	-	17 134 352	-	31 331 597	56 153 493	-	104 619 442
Other expenses	25 099 105	52 946 002	86 164 291	35 645 916	192 130 637	65 277 452	3 155 003	460 418 406
Total segment expenditure	25 099 105	58 292 359	107 812 523	35 645 916	247 614 028	121 430 945	3 155 003	599 049 879
Total segmental surplus/(deficit)	(25 099 105)	(58 292 359)	(32 419 841)	(35 645 916)	13 405 790	19 207 975	57 909 493	(60 933 963)
Assets								
Segment assets	(15 851 613)	(1 294 184)	(27 839 425)	(1 765 243)	317 228 894	637 944 207	-	908 422 636
Total assets as per Statement of financial Position								908 422 636

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

57. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated deficit of 6393967 (445 420 089) and that the municipality's total liabilities exceed its assets by 6393967 (441 581 128).

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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57. 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 the municipality will continue to receive grants from National and Provincial Governments as well as continue to levy rates and charge for services provided to consumers. The proceeds are presumed to be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The following indicators have a negative outlook on the going concern of the municipality:

The municipality had a deficit during the year under review. The municipality's current assets to current liability ratio poses a material uncertainty on the municipality's going concern. Non-compliance (30 days) - The municipality is currently not paying all their creditors within the accepted 30 days. This also resulted in fruitless and wasteful expenditure due to interest on overdue creditors account.

Contingent Liabilities – Naledi Local Municipality has disclosed Contingent Liabilities in the 2022/2023 Financial year. Should the outcome of the cases not be favourable to the Municipality this could result in significant Financial Losses to the entity thus casting significant doubt on the entity's ability to continue as a going concern.

Despite the above negative indicators, the municipality is a going concern because of the following:

It is a state entity set up by the Constitution of the Republic of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide these services will prompt National Government intervention to ensure it stays functional and able to deliver basic services and consequently compliance with the Constitution. The municipality is adequately funded by National Government to continue its operations.

Where applicable the municipality may invoke its power to levy additional rates or taxes to enable the municipality to be considered as a going concern even though the municipality will be operational for extended periods with negative net assets.

The municipality is implementing optimal revenue enhancement strategy and credit control and debt collection policy along with cost containment policy to improve liquidity. In line with debt collection management has proposed incentive scheme to encourage consumer payment of services. Management has developed the UIF and W reduction strategy and reviewing the current financial plan for adoption by

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 is in a possession of the Financial Recovery Plan through Section 139 (a) and (c) of the MFMA .

The municipality is in a process of applying for Debt Relief with Eskom which will boost the ability of the municipality to continue as a going concern. At year end the municipality owed Eskom R791 000 000.00

The municipality is in a process of converting conventional meters to smart prepaid meters to assist with boosting collection, this is being done through the INEP programme.

The municipality is in a process of enforcing the Service Level Agreement with Dr Ruth District Municipality to ensure that operational costs relating to Water Services are covered by the District as well as receiving an Agency Fee for service being provided.

58. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:

- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

59. Budget differences

Material differences between budget and actual amounts

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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59. Budget differences (continued)

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

- 59.1 Difference is due to over estimated billing on the budget
- 59.2 Difference is due to under estimated billing on the budget and higher than anticipated consumption from consumers
- 59.3 Difference is due to under estimating the billing on the budget and high consumption from customers
- 59.4 Difference is due to under estimating the billing and higher than anticipated consumption from consumers
- 59.5 Difference is due to under budgeting as the condition of the properties affects the marketability of the properties.
- 59.6 Difference is due to under budgetin due to estimates on inflation increases being used on the interest charged.
- 59.7 Difference is due high turnout in request of Muncial services on recent land related developments in the area.
- 59.8 Difference is due to high turnout on the need for traffic related services by consumers and under budgeting
- 59.9 Difference is due to under budgetin as basis was not entirely realistic
- 59.10 Difference is due to the use of under estimated inflation rates as compared to interest rates used.
- 59.11Difference is due to the under budgeting and actual developments that ocured during the period on property
- 59.12 Difference is due to the Municipality anticipating that the additionally funding will be received.
- 59.13 Difference is due to the high turnout of consumers in need of traffic services and the issuing of fines due to by-policy.
- 59.14 Difference is due the eskom debt relief on interest, AG payment through PT, Coghsta transfer for emergency vehicles
- 59.15 Difference is due to the budgeting for S56 and Cllrs upper limits not implemented during the FY
- 59.16 Difference is due to the Cllr upper limits for prior year being implemented in current year.
- 59.17 Difference is due to cost containment being implemented and the budget savings being experienced.
- 59.18 Difference is due to the depreciation charge on additionally acquired assets during the year that were unforeseen.
- 59.19A Difference is due to the revision of creditor statements on the pension funds on outstanding debt.
- 59.19B Difference is due the adjustments made on receivables thus resuting in the need for impairment on debt not paid.
- 59.20 Difference was due to the tarrif increase as compared to the estimate that was used for budget on bulk purchases.
- 59.21 Difference was due to legal costs the Municipality had to incur in response ot the cases brought against it.
- 59.22 Difference is due to the unforeseen expenditure on repairs of pipes, vehicles that are necessary for service delivery.
- 59.23A Not applicable as the item was not budgeted for.
- 59.23B Not applicable as the item was not budgeted for.
- 59.24 Difference is due to unforeseen repairs and materials items procured to fix assets required for service delivery.
- 59.25 Difference is due to the consumers not adhering to terms of payments for the outstanding debt.
- 59.26 Not budgeted for.
- 59.27 Not budgeted for.
- 59.28 Difference is due to the Municipality not being able to collect the monies for the latest sales on land.
- 59.30 - 34 Differences are as a result of corrections made on FAR and acquisitions of new assets.
- 59.35 Difference is due to the loan being settled.
- 59.36 Difference is due to the rising cost of eskom debt as the anticipated reduction did not materialise.
- 59.37 Difference is due to impairment on debtors being reversed and an adjustment on VAT being effected.
- 59.38 Difference is due to the demand in municipal services for account creations and management.
- 59.39 Not bedgeted for.
- 59.40 Difference is due to the Municipality rapidly spending on its grants than anticipated.
- 59.41 Difference is due to estimates used for valuations on the landfill sites aand other provisions.
- 59.42 Not budgeted for.
- 59.43 Not budgeted for.
- 59.44 Not budgeted for.
- 59.45 Difference is due to estimates not being realistic.

60. Accounting by principals and agents

The entity is a party to a principal-agent arrangement.

Naledi Local Municipality

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60. Accounting by principals and agents (continued)

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

The Municipality acts as an agent for the Department of Transport and Dr Ruth Segomotsi Mompati District Municipality.

The Municipality collects monies for licenses and provincial & national Department of Transport traffic fines and pays over the monies to the department. In terms of the agreement signed, the municipality is entitled to a collection fee of 20% on monies collected and that it with-holds and pays over the 20% remainder to the Department of Transport.

The municipality collects monies paid by customers for Water and Waste Management for its own account. In terms of the agreement signed by the municipality the water and sanitation revenue collected is for the benefit of the WSP and must fund the WSP for expenditures related to such functions.

Naledi Local Municipality

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60. Accounting by principals and agents (continued)

Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

There are no resources held on site on behalf of the Department of Transport.

The DrRSM District Municipality (DRRSM) and Naledi local Municipality (NLM) have entered a Water Services Provider Contract whereby DRRSM acts as the Principal Water Service Authority (WSA) and the NLM act as the Water Services Provider (WSP). The contract was entered into in 2023. The current agreement is valid for a period of two years from 01 July 2023 and expires on 30 June 2025.

The NLM is appointed as the exclusive water services provider within its municipal boundary, and it distributes the water of DRRSM to its customers within the municipal boundary. NLM is responsible for water meter reading, billing, revenue collections and credit control

Naledi local Municipality receives an allocation of the equitable share on indigent relief and no other fee as it keeps the monies collected on the water and sanitation cash collections.

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation on the licenses and permits for the transactions carried out on behalf of the principal is R 6 075 028 (2023: R 6 393 967-) and for the District Municipality's portion of the entire monies were recognised as the per the agreement and were R 55 595 117 (2023: R 54 461 130).

Liabilities and corresponding rights of reimbursement recognised as assets

The Municipality has paid salaries and other expenses in performing the above mentioned function for the Department of Transport at an amount of R 13 813 827.17 and District Municipality at an amount of R 25 009 076 (2023: R 23 132 422)]

Furthermore, The Municipality incurred payables from the services as rendered on behalf of the principal which were [Sedibeng R 33 082 391.37 (2023; R 33 082 391.37) - Legacy cost for water procurement
[Employee related provisions on bonus and leave provision R 1 301 414.68 (2023; R 2 467 964.75)]
Water inventory amounting to R 141 089.60 was also recorded on the books for reporting.

Additional information

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

Category(ies) of revenue received or to be received on behalf of the principal, are:

Categories	Additional details
Water	billing of water usage and charging interest on overdue accounts
Waste water	billing of water usage and charging interest on overdue accounts
Licenses and permits	Issuing of licenses and permits

Category(ies) of expenses paid or accrued on behalf of the principal, are:

Categories	Additional details
Salaries	Employees to render services in the water and sanitation department
Repairs and Maintenance	Repairs of infrastructure for water and waste water services
Service Provider - Sebata	Services for meter readings

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

Water	29 551 097	28 356 738
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60. Accounting by principals and agents (continued)		
Waste water	26 046 699	26 104 392
	55 597 796	54 461 130

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

Amount of expenses accrued on behalf of the principal during the reporting period

Salaries	24 167 161	22 319 392
Repairs and Maintenance	345 297	512 329
Service Provider - Sebata	496 618	300 701
	25 009 076	23 132 422

[The Municipality incurred payables from the services as rendered on behalf of the principal which were

[Sedibeng R 33 082 391.37 (2023; R 33 082 391.37) - Legacy cost for water procurement

[Employee related provisions on bonus and leave provision R 1 301 414.68 (2023; R 2 467 964.75)]

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Reconciliation of the carrying amount of receivables

Water and Sanitation

Opening balance	335 032 965	536 416 054
Revenue that principal is entitled to	55 595 117	54 461 130
Write-offs, settlements or waivers of amounts that reduce the amount that the principal is entitled to	(267 855 157)	(224 972 589)
Cash received on behalf of the principal	(38 649 735)	(45 703 717)
Interest on service charges that the principal is entitled to	16 919 869	14 832 087
	101 043 059	335 032 965

All categories

Opening balance	335 032 965	536 416 054
Revenue that principal is entitled to	55 595 117	54 461 130
Write-offs, settlements or waivers of amounts that reduce the amount that the principal is entitled to	(267 855 157)	(224 972 589)
Cash received on behalf of the principal	(38 649 735)	(45 703 717)
Other	16 919 869	14 832 087
	101 043 059	335 032 965

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]

Fee paid

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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60. Accounting by principals and agents (continued)

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

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]

61. Other 4

Naledi Local Municipality

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Notes to the Annual Financial Statements

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2024

2023

62. Intangible assets

Reconciliation of intangible assets - 2024

63. Impairment loss

[Disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information has otherwise been disclosed:]

The main classes of assets affected by impairment losses are:

The main classes of assets affected by reversals of impairment losses are:

The main events and circumstances that led to the recognition of these impairment losses are as follows:

The main events and circumstances that led to the reversals of these impairment losses are as follows: