



**Lekwa Teemane Local Municipality
(Registration number NW396)
Consolidated Annual Financial Statements
for the year ended 30 June 2024**

Lekwa Teemane Local Municipality

(Registration number NW396)

Consolidated Annual Financial Statements for the year ended 30 June 2024

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (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) Division of Revenue Act (Act 1 of 2007) Local Government: Municipal Finance Management Act (Act no.56 of 2003)
Mayoral committee	
Mayor	Councillor - S.M Mothlabi Councillor M.M Pilane (Speaker) Councillor J.M Dabampe - Portfolio Committee Chairperson - Finance, Corporate Services and Good Governance Councillor L. D. Legabe - Portfolio Committee Chairperson - Community Services and Local Development and Infrastructure and Town Planning.
Councillors	Councillor T.H Setsetse: Municipal Public Accounts Committee Councillor M.E Mongalane Councillor E.G Letebele Councillor M.A Seneke Councillor A. Nel Councillor K.L Duiker Councillor T. Gerber Councillor M.S Hossain (Whip) Councillor W. Adams Councillor T. Komane
Grading of local authority	Grade 3
Chief Finance Officer	Mr. TC Moseki
Accounting Officer	Mr KJ Leseisane
Auditors	Auditor's/Accountant's name Registered Auditors
Legal representative	Lizel Venter Attorneys Jafta Incorporated De Swartdt Vogel Kgomo Attorneys Kuaho Attorneys Sibeko Incorporated Adv Toka Machabaphala Ngwane Attorneys Rangwako Attorneys De Swart Myambo Hlahla Attorneys Z. Sikunyana Attorneys, A.F Van Wyk Attorneys

Lekwa Teemane Local Municipality

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
LGSETA	Local Government Services Sector Education & Training Authority
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
SALGA	South African Local Government Association

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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 consolidated annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the consolidated 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 consolidated annual financial statements and was given unrestricted access to all financial records and related data.

The consolidated 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 consolidated 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 economic entity and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, there 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 economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity 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 consolidated 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 economic entity's cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, he is satisfied that the economic entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

Although the is primarily responsible for the financial affairs of the municipality, they are supported by the economic entity's external auditors. I would like to bring to your attention the following material matters to your attention: I certify that the salaries, allowances and benefits of councillors as disclosed in note 37 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The external auditors, being the Auditor-General of South Africa, are responsible for independently reviewing and reporting on the economic entity's consolidated annual financial statements. The consolidated annual financial statements have been examined by the economic entity's external auditors and their report is presented on page 4.

The consolidated annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved on 30 September 2024 and were signed on its behalf by:

Accounting Officer
Date

Lekwa Teemane Local Municipality

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Consolidated Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2024	2023	2024	2023
Assets					
Current Assets					
Inventories	3	903 934	1 146 926	903 934	1 146 926
Sanlam Limited listed shares	12	63 749	45 980	63 749	45 980
Trade and other receivables from exchange transactions	4&6	161 063 632	126 700 437	161 063 632	126 700 437
Receivables from non-exchange transactions	5&6	66 226 643	61 076 206	66 226 643	61 076 206
Long-term debtors		63 606	91 755	63 606	91 755
Cash and cash equivalents	7	5 693 908	21 027 020	5 505 004	20 935 267
		234 015 472	210 088 324	233 826 568	209 996 571
Non-Current Assets					
Investment property	9	493 824 400	462 744 966	493 824 400	462 744 966
Property, plant and equipment	11	345 273 647	321 136 667	345 260 630	321 096 303
Intangible assets	10	290 836	367 825	290 015	365 376
Heritage assets	8	170 000	170 000	170 000	170 000
Investments in controlled entities	67	-	-	20 100	20 100
Long-term debtors		598 898	617 843	598 898	617 843
		840 157 781	785 037 301	840 164 043	785 014 588
Total Assets		1 074 173 253	995 125 625	1 073 990 611	995 011 159
Liabilities					
Current Liabilities					
Finance lease obligation	63	2 347 500	2 047 527	2 347 500	2 047 527
Payables from exchange transactions	15	906 791 902	730 928 569	903 739 021	728 039 043
VAT payable	16	6 261 108	12 486 594	6 300 653	12 519 045
Consumer deposits	17	1 806 521	1 737 352	1 806 521	1 737 352
Employee benefit obligation	18	1 142 000	1 308 150	1 142 000	1 308 150
Unspent conditional grants and receipts	19	180	17 125 883	180	17 125 883
Provisions	20	2 124 445	1 807 304	2 124 445	1 807 304
		920 473 656	767 441 379	917 460 320	764 584 304
Non-Current Liabilities					
Other Financial liabilities	13	12 583 875	11 053 213	12 583 875	11 053 213
Financial liabilities	14	20 476 784	18 323 744	20 476 784	18 323 744
Finance lease obligation	63	638 761	2 986 261	638 761	2 986 261
Employee benefit obligation	18	23 715 000	23 179 134	23 715 000	23 179 134
Provisions	20	16 377 270	14 507 263	16 377 270	14 507 263
		73 791 690	70 049 615	73 791 690	70 049 615
Total Liabilities		994 265 346	837 490 994	991 252 010	834 633 919
Net Assets		79 907 907	157 634 631	82 738 601	160 377 240
Share capital / contributed capital		-	-	20 100	20 100
Total Net Assets		-	-	20 100	20 100

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Statement of Financial Performance

Figures in Rand	Economic entity		Controlling entity		
	2024	2023	2024	2023	
Revenue					
Revenue from exchange transactions					
Sale of Goods and Rendering of Services	22	612 201	414 270	612 201	414 270
Service charges - Electricity	21	96 273 831	86 634 593	96 273 831	86 634 593
Services charges - Waste Management	21	14 256 779	12 564 999	14 256 779	12 564 999
Services charges -Waste Water Management	21	17 451 355	16 034 795	17 451 355	16 034 795
Services charges - Water	21	21 810 471	16 985 481	21 810 471	16 985 481
Rental of facilities and equipment	23	297 144	22 642	297 144	22 642
Interest earned from receivables	27	61 322 487	54 187 468	61 322 487	54 187 468
Agency services	24	2 431 601	2 523 762	2 431 601	2 523 762
Licences and permits	25	575 489	710 232	575 489	710 232
Operational revenue	28	1 160 804	919 900	1 160 804	919 900
Interests on investments	26	859 995	340 371	783 995	340 371
Total revenue from exchange transactions		217 052 157	191 338 513	216 976 157	191 338 513
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	32	41 599 489	36 506 104	41 599 489	36 506 104
Property rates - penalties imposed	32	24 714 023	35 154 743	24 714 023	35 154 743
Transfer revenue					
Government grants & subsidies	33	117 949 832	105 074 372	117 949 832	105 074 372
Fines, Penalties and Forfeits	34	731 869	658 217	731 869	658 217
Total revenue from non-exchange transactions		186 855 213	179 158 436	184 995 213	177 393 436
Total revenue		403 907 370	370 496 949	401 971 370	368 731 949
Expenditure					
Employee related costs	35	(87 273 422)	(77 043 914)	(86 061 873)	(75 910 740)
Remuneration of councillors	36	(7 071 960)	(7 198 673)	(7 071 960)	(7 026 812)
Depreciation and amortisation	37	(24 276 660)	(24 785 347)	(24 247 684)	(24 744 268)
Finance costs	39	(35 791 641)	(48 386 920)	(35 791 641)	(48 386 920)
Debt Impairment	40	(148 078 417)	(101 762 423)	(148 078 417)	(101 762 423)
Bulk purchases	41	(76 665 441)	(55 056 194)	(76 665 441)	(55 056 194)
Contracted services	42	(35 672 739)	(29 864 336)	(35 672 739)	(29 864 336)
Transfers and Subsidies	65	(1 650 805)	(1 040 000)	(1 650 805)	(1 040 000)
Inventory consumed	43	(76 366 527)	(22 211 239)	(76 366 527)	(22 211 239)
Operational costs	46	(22 915 939)	(23 528 544)	(22 132 376)	(22 881 643)
Total expenditure		(515 763 551)	(390 877 590)	(513 739 463)	(388 884 575)
Operating deficit		(111 856 181)	(20 380 641)	(111 768 093)	(20 152 626)
Gain (loss) on disposal of assets and liabilities		968 841	(116 443)	968 841	(116 443)
Fair value adjustments	31	31 097 203	13 347 579	31 097 203	13 347 579
Actuarial gains/losses	18	2 409 982	5 997 107	2 409 982	5 997 107
Impairment loss	38	(66 128)	(302 883)	(66 128)	(302 883)
Inventories losses/write-downs		(222 101)	71 298	(222 101)	71 298
		34 187 797	18 996 658	34 187 797	18 996 658
Deficit for the year		(77 668 384)	(1 383 983)	(77 580 296)	(1 155 968)

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus/ deficit	Total net assets
Economic entity		
Opening balance as previously reported	239 437 818	239 437 818
Adjustments		
Correction of errors	(78 494 302)	(78 494 302)
Balance at 01 July 2022 as restated*	158 221 010	158 221 010
Changes in net assets		
Correction of errors	4 224 220	4 224 220
Surplus(Loss) for the year	17 872 339	17 872 339
Net income (losses) recognised directly in net assets	22 096 559	22 096 559
Total recognised income and expenses for the year	22 096 559	22 096 559
Total changes	22 096 559	22 096 559
Balance at 01 July 2023	184 545 584	184 545 584
Changes in net assets		
Prior year adjustments Note 51	(22 890 850)	(22 890 850)
Net income (losses) recognised directly in net assets	(22 890 850)	(22 890 850)
Total recognised income and expenses for the year	(22 890 850)	(22 890 850)
Surplus or (Loss) for the year	(77 668 384)	(77 668 384)
Total changes	(100 559 234)	(100 559 234)
Balance at 30 June 2024	79 986 350	80 006 350
Note(s)	68	
Controlling entity		
Opening balance as previously reported	239 437 818	239 437 818
Adjustments		
Surplus (Loss) for the year	(78 494 302)	(78 494 302)
Balance at 01 July 2022	160 943 516	160 943 516
Changes in net assets		
Prior year adjustments	4 224 220	4 224 220
Surplus(Loss) for the year	18 100 354	18 100 354
Net income (losses) recognised directly in net assets	22 324 574	22 324 574
Total recognised income and expenses for the year	22 324 574	22 324 574
Total changes	22 324 574	22 324 574
Opening balance as previously reported	187 268 090	187 268 090
Adjustments		
Correction of errors	(22 890 850)	(22 890 850)
Balance at 01 July 2023 as restated*	160 377 240	160 377 240
Changes in net assets		
Surplus (Loss) for the year	(77 580 296)	(77 580 296)
Net income (losses) recognised directly in net assets	(77 580 296)	(77 580 296)
Total recognised income and expenses for the year	(77 580 296)	(77 580 296)
Total changes	(77 580 296)	(77 580 296)
Balance at 30 June 2024	82 796 944	82 796 944
Note(s)	68	

Cash Flow Statement

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
Cash flows from operating activities				
Receipts				
Sale of goods and rendering of services	268 409 851	112 999 708	268 409 851	112 999 708
Grants	109 876 053	87 679 280	109 876 053	87 679 280
Interest income	859 995	340 371	783 995	340 371
Other receipts	24 153 417	2 524 097	24 153 417	2 524 097
	<u>403 299 316</u>	<u>203 543 456</u>	<u>403 223 316</u>	<u>203 543 456</u>
Payments				
Employee costs	(96 549 109)	(82 417 654)	(95 337 560)	(81 112 619)
Suppliers	(239 191 355)	(25 418 839)	(238 564 053)	(25 024 490)
Finance costs	(35 791 641)	(48 386 920)	(35 791 641)	(48 386 920)
	<u>(371 532 105)</u>	<u>(156 223 413)</u>	<u>(369 693 254)</u>	<u>(154 524 029)</u>
Net cash flows from operating activities	<u>31 767 211</u>	<u>47 320 043</u>	<u>33 530 062</u>	<u>49 019 427</u>
Cash flows from investing activities				
Purchase of property, plant and equipment	(50 426 778)	(41 086 771)	(50 426 778)	(41 086 771)
Proceeds from sale of property, plant and equipment	1 218 020	2 009 378	1 218 020	2 009 378
Purchase of investment property	-	(881 755)	-	(881 755)
Proceeds from sale of investment property	-	74 344	-	74 344
Purchase of other intangible assets	(156 000)	(1 255 263)	(156 000)	(1 255 263)
Net cash flows from investing activities	<u>(49 364 758)</u>	<u>(41 140 067)</u>	<u>(49 364 758)</u>	<u>(41 140 067)</u>
Cash flows from financing activities				
Repayment of financial liabilities	2 153 040	-	2 153 040	-
Finance lease payments	(12 847 527)	-	(12 847 527)	-
Net cash flows from financing activities	<u>(10 694 487)</u>	<u>2 017 848</u>	<u>(10 694 487)</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	<u>(28 292 034)</u>	<u>8 197 824</u>	<u>(26 529 183)</u>	<u>7 879 360</u>
Cash and cash equivalents at the beginning of the year	21 027 020	874 042	20 935 267	847 903
Cash and cash equivalents at the end of the year	<u>(7 265 014)</u>	<u>9 071 866</u>	<u>(5 593 916)</u>	<u>8 727 263</u>

The accounting policies on pages 14 to 45 and the notes on pages 46 to 107 form an integral part of the consolidated annual financial statements.

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Lekwa Teemane Local Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Original budget	Budget Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
Controlling entity					
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Sale of Goods and Rendering of Services	540 000	-	540 000	612 201	72 201
Service charges - Electricity	120 847 000	(12 083 000)	108 764 000	96 273 831	(12 490 169)
Services charges - Waste Management	12 696 000	-	12 696 000	14 256 779	1 560 779
Services charges -Waste Water Management	16 217 000	-	16 217 000	17 451 355	1 234 355
Services charges - Water	17 905 000	7 273 000	25 178 000	21 810 471	(3 367 529)
Rental of facilities and equipment	16 000	-	16 000	297 144	281 144
Interest earned from receivables	46 293 000	4 316 000	50 609 000	61 322 487	10 713 487
Agency services	3 314 000	-	3 314 000	2 431 601	(882 399)
Licences and permits	-	-	-	575 489	575 489
Operational revenue	98 000	-	98 000	1 160 804	1 062 804
Interests on investments	56 000	-	56 000	783 995	727 995
Total revenue from exchange transactions	217 982 000	(494 000)	217 488 000	216 976 157	(511 843)
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	37 511 000	11 856 000	49 367 000	41 599 489	(7 767 511)
Property rates - penalties imposed	27 898 000	(7 652 000)	20 246 000	24 714 023	4 468 023
Transfer revenue					
Government grants & subsidies	70 136 000	12 458 000	82 594 000	117 949 832	35 355 832
Fines, Penalties and Forfeits	236 000	-	236 000	731 869	495 869
Total revenue from non-exchange transactions	135 781 000	16 662 000	152 443 000	184 995 213	32 552 213
Total revenue	353 763 000	16 168 000	369 931 000	401 971 370	32 040 370
Expenditure					
Employee costs	(88 435 000)	-	(88 435 000)	(86 061 873)	2 373 127
Remuneration of councillors	(6 236 000)	(823 000)	(7 059 000)	(7 071 960)	(12 960)
Depreciation and amortisation	(23 071 000)	-	(23 071 000)	(24 247 684)	(1 176 684)
Impairment loss/ Reversal of impairments	-	-	-	(66 128)	(66 128)
Finance costs	(2 097 000)	-	(2 097 000)	(35 791 641)	(33 694 641)
Debt Impairment	(132 340 000)	(19 981 000)	(152 321 000)	(148 078 417)	4 242 583
Bulk purchases	(64 909 000)	-	(64 909 000)	(76 665 441)	(11 756 441)
Contracted Services	(17 960 000)	383 000	(17 577 000)	(35 672 739)	(18 095 739)
Transfers and Subsidies	(1 000 000)	-	(1 000 000)	(1 650 805)	(650 805)
Inventory consumed	(3 352 000)	129 000	(3 223 000)	(76 366 527)	(73 143 527)
Operational costs	(12 281 000)	311 000	(11 970 000)	(22 132 376)	(10 162 376)
Total expenditure	(351 681 000)	(19 981 000)	(371 662 000)	(513 805 591)	(142 143 591)
Operating deficit	2 082 000	(3 813 000)	(1 731 000)	(111 834 221)	(110 103 221)
Gain on disposal of assets and liabilities	-	-	-	968 841	968 841
Fair value adjustments	-	-	-	31 097 203	31 097 203
Actuarial gains/losses	-	-	-	2 409 982	2 409 982
Inventories losses/write-downs	-	-	-	(222 101)	(222 101)

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Original budget	Budget Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
	-	-	-	34 253 925	34 253 925
Deficit before taxation	2 082 000	(3 813 000)	(1 731 000)	(77 580 296)	(75 849 296)
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	2 082 000	(3 813 000)	(1 731 000)	(77 580 296)	(75 848 296)

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Original budget	Budget Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
Statement of Financial Position					
Assets					
Current Assets					
Inventories	3 062 000	129 000	3 191 000	903 934	(2 287 066)
Investments	42 000	(42 000)	-	63 749	63 749
Trade and other receivables from exchange transactions	285 746 000	(1 215 000)	284 531 000	161 063 632	(123 467 368)
Receivables from non-exchange transactions	109 669 000	-	109 669 000	66 226 643	(43 442 357)
VAT receivable	16 559 000	(102 000)	16 457 000	(6 300 653)	(22 757 653)
Long-term debtors	-	-	-	63 606	63 606
Cash and cash equivalents	12 998 000	419 000	13 417 000	5 505 004	(7 911 996)
	428 076 000	(811 000)	427 265 000	227 525 915	(199 739 085)
Non-Current Assets					
Investment property	448 594 000	-	448 594 000	493 824 400	45 230 400
Property, plant and equipment	301 478 000	37 665 000	339 143 000	345 260 630	6 117 630
Intangible assets	53 000	-	53 000	290 015	237 015
Heritage assets	170 000	-	170 000	170 000	-
Investments in controlled entities	20 100	-	20 100	20 100	-
Trade and other receivables from exchange transactions	13 799 000	-	13 799 000	-	(13 799 000)
Long-term debtors	3 450 000	-	3 450 000	598 898	(2 851 102)
	767 564 100	37 665 000	805 229 100	840 164 043	34 934 943
Total Assets	1 195 640 100	36 854 000	1 232 494 100	1 067 689 958	(164 804 142)
Liabilities					
Current Liabilities					
Other Financial liabilities	1 680 000	-	1 680 000	-	(1 680 000)
Finance lease obligation	-	-	-	2 347 500	2 347 500
Payables from exchange transactions	608 150 000	(1 077 000)	607 073 000	903 739 021	296 666 021
VAT payable	25 745 000	(722 000)	25 023 000	-	(25 023 000)
Consumer deposits	1 730 000	-	1 730 000	1 806 521	76 521
Employee benefit obligation	-	-	-	1 142 000	1 142 000
Unspent conditional grants and receipts	1 000 000	1 126 000	2 126 000	180	(2 125 820)
Provisions	4 587 000	-	4 587 000	2 124 445	(2 462 555)
	642 892 000	(673 000)	642 219 000	911 159 667	268 940 667
Non-Current Liabilities					
Other Financial liabilities	-	-	-	12 583 875	12 583 875
Financial liabilities	-	-	-	20 476 784	20 476 784
Finance lease obligation	-	-	-	638 761	638 761
Employee benefit obligation	-	-	-	23 715 000	23 715 000
Provisions	17 792 000	-	17 792 000	16 377 270	(1 414 730)
	17 792 000	-	17 792 000	73 791 690	55 999 690
Total Liabilities	660 684 000	(673 000)	660 011 000	984 951 357	324 940 357
Net Assets	534 956 100	37 527 000	572 483 100	82 738 601	(489 744 499)

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Original budget	Budget Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
Net Assets					
Net Assets Attributable to Owners of Controlling Entity					
Reserves					
Accumulated surplus	530 610 000	41 505 000	572 056 653	82 738 596	(489 318 057)

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Original budget	Budget Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
Cash Flow Statement					
Cash flows from operating activities					
Receipts					
Taxation	20 631 000	9 483 000	30 114 000	-	(30 114 000)
Sale of goods and services	113 119 000	(22 231 000)	90 888 000	-	(90 888 000)
Grants	86 976 000	37 445 000	124 421 000	-	(124 421 000)
Interest income	56 000	-	56 000	-	(56 000)
Other receipts	2 102 000	-	2 102 000	-	(2 102 000)
	222 884 000	24 697 000	247 581 000	-	(247 581 000)
Payments					
Suppliers and Employees	(196 269 000)	3 095 000	(193 174 000)	-	193 174 000
Finance costs	(2 097 000)	-	(2 097 000)	-	2 097 000
Transfers and Subsidies	(1 000 000)	-	(1 000 000)	-	1 000 000
	(199 366 000)	3 095 000	(196 271 000)	-	196 271 000
Net cash flows from operating activities	23 518 000	27 792 000	51 310 000	-	(51 310 000)
Cash flows from investing activities					
Purchase of property, plant and equipment	(16 298 000)	(36 596 000)	(52 894 000)	-	52 894 000
Net increase/(decrease) in cash and cash equivalents	(28 292 034)	-	(28 292 034)	-	(28 292 034)
Cash and cash equivalents at the beginning of the year	21 027 020	-	21 027 020	-	21 027 020
Cash and cash equivalents at the end of the year	(7 265 014)	-	(7 265 014)	-	(7 265 014)

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Significant Accounting Policies

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

1. Significant accounting policies

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

1.1 Basis of preparation

The consolidated 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 consolidated 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 consolidated annual financial statements are presented in South African Rand, which is the functional currency of the economic entity.

1.3 Going concern assumption

These consolidated annual financial statements have been prepared based on the expectation that the economic entity 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 Interests in other entities

1.6 Significant judgements and sources of estimation uncertainty

In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated 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 consolidated annual financial statements. Significant judgements include:

In the process of applying its accounting policies, and in preparing the consolidated annual financial statements, management is required to make various judgements, including estimates and assumptions, that may affect the determination of the reporting framework, affect amounts represented in the consolidated annual financial statements and as well as 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 consolidated annual financial statements. Significant judgements include:

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Significant Accounting Policies

1.6 Significant judgements and sources of estimation uncertainty (continued)

Trade and other receivables

The economic entity assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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

Available-for-sale financial assets

The municipality follows the guidance of GRAP Standard to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the economic entity is the current bid price.

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

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the economic entity 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 key assumptions considered may change which may then impact our estimations and may then require a material adjustment to the carrying value of the assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, 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 service delivery assets are inherently uncertain and complex. Thus, they could materially change over time and entails consideration of some information that may be subjective in nature. They are significantly affected by a number of factors such as the political environment and direction taken by provincial or national government, prevailing social conditions and needs, together with economic factors such as inflation and interest rates.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

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Significant Accounting Policies

1.6 Significant judgements and sources of estimation uncertainty (continued)

Expenditure

The economic entity recognises the expenses incurred on an accrual basis.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for movable and immovable assets based on the information available at each reporting date. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives. Thus, management considers such changes as change in accounting estimates as the useful lives, residual values (if any) and depreciation would have been based on information available at the previous reporting dates. Should the information show that there was an error at inception in considering the available facts, such changes are considered as a change in accounting policy thus a prior period error.

Regarding fully depreciated assets, management usefull live versus the economic life principle to determine whether there is need to reassess the usefull life of such assets. If the assets have reached their economic life, fully depreciated assets continue to be measured as such and assesses whether disclosure of the fact that it has fully depreciated assets still in use is necessary

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, which include discount rates, expected rates of return on assets future salary increases, mortality rates and future pension increases. Due to long-term nature of these plans, such estimates are subject to signiaficant uncertainty. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

Effective interest rate

The municipality uses the prime interest rate plus a reasonable adjustment to discount future cash flows, where necessary.

In addition to this, where Investment Certificates were not received, management estimated the amount of interest due or earned on the investment, based on the available data

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 opening balance and closing balance of the allowance for doubtful debts balance.

Classification as investment property

The municipality regulary reviews its property portolio and determine which items of land and buildings are held to earn rental revenue or for capital appreciation. Land and building fulfilling these requirements have been classified as investment property, whilst the remainder of the portfolio have either been classified as property, plant and equipment or inventory depending on management's intention in dealing with these properties.

Accounting by principals and agent

The economic entity makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied based on agrements between the municipality and the respective entities.

Additional information is disclosed in Note 60.

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Significant Accounting Policies

1.6 Significant judgements and sources of estimation uncertainty (continued)

Depreciation and Carrying Value of items of Property, Plant and Equipment

The estimation of useful lives of assets is based on management's judgement. Management considers the impact of factors such as technology, service requirements and /or required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of the useful lives, and what their condition will be at that time.

Further, when the municipality fully complied with GRAP Standards to determine the value of the assets, where the cost amounts were not available, management use the current market values of similar assets and adjusted that using condition assessment. Condition assessment is based on management's judgement.

Water Inventory and Cost of Purifying Water

Water Inventory: The amount of water in the municipality's reservoirs is based on management judgement. Management make use of engineers to perform these estimates.

Cost of Purifying Water: This is also based on management judgement by reference to the market researches available adjusted by inflation rates (CPI), if the research was conducted more than a year ago. Reference is also made to Water Processing Bodies.

Consumables - Allowance for slow moving, damaged and obsolete inventory 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.

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 economic entity, and the cost or fair value of the investment property can be measured reliably.

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

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

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.

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Significant Accounting Policies

1.7 Investment property (continued)

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, further criteria is used to distinguished investment property from owner-occupied property and from property held for sale in the ordinary course of operations, depending on the nature of the scenarion.

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

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 economic entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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Significant Accounting Policies

1.8 Property, plant and equipment (continued)

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.

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	15 - 40 years
Plant and machinery	Straight-line	3 -15 years
Furniture and fixtures	Straight-line	5 -10 years
Motor vehicles	Straight-line	6 -7 years
Office equipment	Straight-line	3 -10 years
IT equipment	Straight-line	2 -10 years
Electrical Infrastructure	Straight-line	15 - 70 years
Roads, Pavements, Bridges and Storm water networks	Straight-line	3 - 80 years
Sanitation & Other Community assets	Straight-line	6 - 11 years
Graveyard sites	Straight-line	15 - 40 years
Recreational facilities	Straight-line	10 - 40 years
Sports facilities	Straight-line	15 - 50 years
Landfill Sites	Straight-line	20 - 30 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 economic entity assesses at each reporting date whether there is any indication that the economic entity 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 economic entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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.

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Significant Accounting Policies

1.8 Property, plant and equipment (continued)

Assets which the economic entity 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 economic entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

1.9 Site restoration and dismantling cost

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

Management measures the asset using the cost model. Changes in the liability are treated as follows:

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

1.10 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 economic entity 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 economic entity; and
- the cost or fair value of the asset can be measured reliably.

The economic entity 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.

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Significant Accounting Policies

1.10 Intangible assets (continued)

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.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, not internally generated	Straight-line	1- 10 years

Intangible assets are derecognised:

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

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

1.11 Heritage assets

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

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 economic entity's operations that is shown as a single item for the purpose of disclosure in the consolidated 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.

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Significant Accounting Policies

1.11 Heritage assets (continued)

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

Recognition

The economic entity 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 economic entity, 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 is carried at its cost less any accumulated impairment losses.

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

Impairment

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

Transfers

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

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

Derecognition

The economic entity 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).

1.12 Investments in controlled entities

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

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

1.13 Financial instruments

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

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Significant Accounting Policies

1.13 Financial instruments (continued)

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

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

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

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

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

- 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 entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

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

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.

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.

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1.13 Financial instruments (continued)

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

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

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.

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1.13 Financial instruments (continued)

Classification

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

Financial Assets	Category
Receivables from exchange and non-exchange transactions	Financial asset measured at amortised cost
Cash and Cash Equivalents	Financial asset measured at amortised cost
Money Market Investments	Financial asset measured at amortised cost
Other financial asset	Financial asset measured at amortised cost
Held to Maturity Investments	Financial asset measured at Fair Value

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

Financial Liabilities	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Bank overdraft and borrowings	Financial liability measured at amortised cost
Concessionary loan	Financial liability measured at amortised cost
Ordinary Loan	Financial liability measured at amortised cost
Other financial liability	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

1.14 Consumer Debtors

Recognition

The economic entity recognises consumer debtors as follows:

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

Initial measurement

The economic entity initially measures consumer debtors at their transaction amount.

Subsequent measurement

The economic entity measures consumer debtors after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

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

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1.13 Financial instruments (continued)

Impairment losses

The economic entity assesses at each reporting date whether there is any indication that a consumer debtors, or a group of statutory receivables, may be impaired.

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

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

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

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

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

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

Derecognition

The economic entity derecognises a consumer debtor, or a part thereof, when:

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

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

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

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1.13 Financial instruments (continued)

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

1.15 Statutory receivables

Recognition

The economic entity recognises statutory receivables as follows:

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

Initial measurement

The economic entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Impairment losses

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

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

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

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

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

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

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1.14 Consumer Debtors (continued)

1.14 Statutory receivables (continued)

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

Derecognition

The economic entity derecognises a statutory receivable, or a part thereof, when:

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

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

1.16 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 - lessor

The economic entity recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the economic entity's net investment in the finance lease.

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 14%.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges are included in other long term payables. The interest element of the finance cost is charged to the Statement of Financial Performance over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term. The municipality will not incur a foreign currency lease liability other than that allowed by the MFMA (Act 56 of 2003).

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

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1.16 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

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

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

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

Operating leases - lessee

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

1.17 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 economic entity 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 formula. The same cost formula is used for all inventories having a similar nature and use to the economic entity.

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

1.18 Cash and cash equivalents

Cash comprises cash on hand and money market deposits 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.

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1.18 Cash and cash equivalents (continued)

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.

1.19 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 economic entity; or
- the number of production or similar units expected to be obtained from the asset by the economic entity.

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

Identification

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

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

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

Value in use

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

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

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1.19 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the economic entity:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

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

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

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1.19 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

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1.19 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

1.20 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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 economic entity; or
- the number of production or similar units expected to be obtained from the asset by the economic entity.

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

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

Service units approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

Redesignation

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

1.21 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an economic entity after deducting all of its liabilities.

1.22 Provisions and contingencies

Provisions are recognised when:

- the economic entity 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.

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1.22 Provisions and contingencies (continued)

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

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 50.

- 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.

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1.22 Provisions and contingencies (continued)

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 1.19 and 1.20.

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.

1.23 Capital Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.24 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.

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1.24 Revenue from exchange transactions (continued)

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

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

Measurement

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

Sale of goods

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

- the economic entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the economic entity 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 economic entity; 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 economic entity;
- 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.

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1.24 Revenue from exchange transactions (continued)

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.

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.

1.25 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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1.25 Revenue from non-exchange transactions (continued)

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.

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.

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Significant Accounting Policies

1.25 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Taxation revenue are not grossed up for the amount of tax expenditures.

Transfers

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

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

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

Fines

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

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

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

Bequests

Bequests that satisfy the definition of an asset 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.

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.

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1.25 Revenue from non-exchange transactions (continued)

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.

Concessionary loans received

A concessionary loan is a loan granted to or received by a property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

1.26 Value Added Tax

The municipality accounts for Value Added Tax (VAT) in its financial records on an accrual basis (invoice basis). However, payments to SARS are accounted for on a cash or payment basis. The municipality is liable to account for VAT at the standard rate of 15% in terms of section 7(1) of the VAT Act in respect of supply of goods or services, except where the suppliers are specifically zero-rated in terms of section 11, exempted in terms of section 12 of VAT Act or scoped out for VAT purpose. The municipality accounts for VAT on a monthly basis.

1.27 Finance income and expenses

Finance income is recognised on a time proportion basis using the effective interest method. It is recognised as it accrues in the surplus or deficit for the year. Dividends income is also recognised in the surplus or deficit on the date the municipality has a right to receive payment, which in the case of quoted shares is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit and loss and impairment losses recognised on financial assets.

1.28 Borrowing costs

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

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

1.29 Accounting by principals and agents

Identification

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

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

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

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Significant Accounting Policies

1.29 Accounting by principals and agents (continued)

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 an 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.

Recognition

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

1.30 Comparative figures

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

When accounting errors have been identified in the current financial year, the correction is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly. When there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly.

1.31 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.32 Fruitless and wasteful expenditure

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

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

1.33 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).

1.34 Segment Information

A segment is an activity of a Municipality:

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1.34 Segment Information (continued)

- 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.

1.35 Gratuities

The municipality provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

1.36 Budget information

Economic Entity is 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 economic entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

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

The consolidated 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.

1.37 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.

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.

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

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1.37 Related parties (continued)

Management are those persons responsible for planning, directing and controlling the activities of the economic entity, including those charged with the governance of the economic entity 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 economic entity.

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

1.38 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 economic entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The economic entity 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.

1.39 Donations and Contributions

Revenue from donations is recognised as revenue when: (1) it is probable that the economic benefits or services potential associated with the transaction will flow to the municipality, (2) the amount of revenue can be measured reliably, (3) any restrictions associated with the donation have been met.

Revenue from donations is measured at the fair value of the considerations received or receivable which is the cash amount received or where the donation is in the form of Property, Plant and Equipment, the fair value of the property, plant and equipment received or receivable.

1.40 Consumer deposit

Consumer deposits are charged when new water and/or electricity accounts are opened. The amounts vary per consumer and are approved by Council as part of the tariff structure.

The consumer deposits are refunded to the the customers when the water and/or electricity accounts are closed with the municipality.

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity'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

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the economic entity'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:
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3. Inventories

Consumable stores	835 466	1 057 567	835 466	1 057 567
Water for distribution	68 468	89 359	68 468	89 359
	903 934	1 146 926	903 934	1 146 926

Inventories recognised as an expense during the year	3 270 670	1 542 307	3 270 670	1 542 307
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Inventory pledged as security

There were no Inventories pledged as security.

Water for distribution

Opening balance	89 071	89 071	89 071	89 071
Water valuation adjustments	(20 603)	288	(20 603)	288
Closing balance	68 468	89 359	68 468	89 359

4. Trade and other receivables from exchange transactions

Deposits	577 461	492 541	577 461	492 541
Operating Lease Receivable	38 931	13 972	38 931	13 972
Agency fees Receivable	3 288 268	281 178	3 288 268	281 178
Consumer debtors - Electricity	51 362 962	39 054 956	51 362 962	39 054 956
Consumer debtors - Water	43 995 802	37 526 058	43 995 802	37 526 058
Consumer debtors - Waste Management	26 172 338	20 986 898	26 172 338	20 986 898
Consumer debtors - Waste Water Management	34 063 827	27 180 279	34 063 827	27 180 279
Consumer debtors - Property Rental Debtors	1 564 043	1 164 555	1 564 043	1 164 555
	161 063 632	126 700 437	161 063 632	126 700 437

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
4. Trade and other receivables from exchange transactions (continued)				
Trade and other receivables pledged as security				
There are no receivables from exchange transactions that were pledged as security.				
5. Receivables from non-exchange transactions				
Traffic Fines	2 553 919	2 244 619	2 553 919	2 244 619
Government grants and subsidies	-	5 532 303	-	5 532 303
Consumer debtors - Property Rates	63 672 724	53 299 284	63 672 724	53 299 284
	66 226 643	61 076 206	66 226 643	61 076 206
Statutory receivables included in receivables from non-exchange transactions above are as follows:				
Traffic Fines	2 553 919	2 244 619	2 553 919	2 244 619
Consumer debtors - Property Rates	63 672 724	53 299 284	63 672 724	52 943 421
Grants	-	-	-	5 532 303
	66 226 643	55 188 040	66 226 643	61 076 206
Net Receivables from non-exchange transactions above	119 540	-	62 637 399	23 930 797
Total receivables from non-exchange transactions	66 226 643	61 076 206	66 226 643	61 076 206

There were no trade and other receivables pledged as security during the year under review and prior year.

Receivables from non-exchange transactions past due but not impaired

Receivables from non-exchange transactions which are less than 2 months past due are not considered to be impaired. At 30 June 2024, 41 280 939 (2023: 115 142 110) were past due but not impaired.

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

1 month past due	4 959 047	5 361 238	4 959 047	5 361 238
2 months past due	4 514 540	6 152 972	4 514 540	6 152 972

Receivables from non-exchange transactions impaired

As of 30 June 2024, receivables from non-exchange transactions of 253 238 464 (2023: 220 841 316) were impaired and provided for.

The ageing of these receivables is as follows:

Over 3 months	-	-	253 238 464	220 841 316
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Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	35 841 316	20 500 997	220 841 316	205 500 997
Provision for impairment	32 397 148	15 340 319	32 397 148	15 340 319
	68 238 464	35 841 316	253 238 464	220 841 316

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
6. Consumer debtors disclosure				
Gross balances				
Consumer debtors - Property Rates	316 151 696	273 259 732	316 151 696	273 259 732
Consumer debtors - Electricity	256 939 037	200 559 312	256 939 037	200 559 312
Consumer debtors - Water	220 083 790	193 065 947	220 083 790	193 065 947
Consumer debtors - Waste Management	130 924 025	108 012 519	130 924 025	108 012 519
Consumer debtors - Waste Water Management	170 307 004	139 837 254	170 307 004	139 837 254
Consumer debtors - Sundry	10 883 225	9 067 278	10 883 225	9 067 278
	1 105 288 777	923 802 042	1 105 288 777	923 802 042
Less: Allowance for impairment				
Consumer debtors - Property Rates	(252 478 972)	(219 960 448)	(252 478 972)	(219 960 448)
Consumer debtors - Electricity	(205 576 075)	(161 504 356)	(205 576 075)	(161 504 356)
Consumer debtors - Water	(176 087 988)	(155 539 889)	(176 087 988)	(155 539 889)
Consumer debtors - Waste Management	(104 751 687)	(87 025 621)	(104 751 687)	(87 025 621)
Consumer debtors - Waste Water Management	(136 243 177)	(112 656 975)	(136 243 177)	(112 656 975)
Consumer debtors - Sundry	(9 319 182)	(7 902 723)	(9 319 182)	(7 902 723)
	(884 457 081)	(744 590 012)	(884 457 081)	(744 590 012)
Net balance				
Consumer debtors - Rates	63 672 724	53 299 284	63 672 724	53 299 284
Consumer debtors - Electricity	51 362 962	39 054 956	51 362 962	39 054 956
Consumer debtors - Water	43 995 802	37 526 058	43 995 802	37 526 058
Consumer debtors - Waste Management	26 172 338	20 986 898	26 172 338	20 986 898
Consumer debtors - Waste Water Management	34 063 827	27 180 279	34 063 827	27 180 279
Consumer debtors - Sundry	1 564 043	1 164 555	1 564 043	1 164 555
	220 831 696	179 212 030	220 831 696	179 212 030
Property Rates				
Current (0 -30 days)	7 950 367	5 361 238	7 950 367	5 361 238
31 - 60 days	4 514 540	6 152 792	4 514 540	6 152 792
61 - 90 days	4 518 599	4 405 030	4 518 599	4 405 030
91 - 120 days	9 859 627	4 314 540	9 859 627	4 314 540
121 - 365 days	289 667 270	253 339 072	289 667 270	253 339 072
Less: Allowance for impairment	(253 238 464)	(220 841 316)	(253 238 464)	(220 841 316)
	63 271 939	52 731 356	63 271 939	52 731 356
Electricity				
Current (0 -30 days)	11 926 033	7 741 354	11 926 033	7 741 354
31 - 60 days	6 881 201	5 427 489	6 881 201	5 427 489
61 - 90 days	6 316 526	4 613 568	6 316 526	4 613 568
91 - 120 days	10 566 831	4 456 935	10 566 831	4 456 935
121 - 365 days	220 021 836	178 762 953	220 021 836	178 762 953
Less: Allowance for impairment	(206 194 477)	(162 151 127)	(206 194 477)	(162 151 127)
	49 517 950	38 851 172	49 517 950	38 851 172

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
6. Consumer debtors disclosure (continued)				
Water				
Current (0 -30 days)	5 313 934	2 826 087	5 313 934	2 826 087
31 - 60 days	2 853 676	4 901 356	2 853 676	4 901 356
61 - 90 days	3 444 770	3 652 663	3 444 770	3 652 663
91 - 120 days	7 077 058	3 099 894	7 077 058	3 099 894
121 - 365 days	202 056 388	178 950 912	202 056 388	178 950 912
Less: Allowance for impairment	(176 617 686)	(156 162 774)	(176 617 686)	(156 162 774)
	44 128 140	37 268 138	44 128 140	37 268 138
Waste Management				
Current (0 -30 days)	3 436 846	2 213 824	3 436 846	2 213 824
31 - 60 days	2 092 247	2 555 467	2 092 247	2 555 467
61 - 90 days	2 235 477	1 892 072	2 235 477	1 892 072
91 - 120 days	4 350 802	1 859 238	4 350 802	1 859 238
121 - 365 days	119 202 485	99 719 311	119 202 485	99 719 311
Less: Allowance for impairment	(105 066 795)	(87 374 130)	(105 066 795)	(87 374 130)
	26 251 062	20 865 782	26 251 062	20 865 782
Waste Water Management				
Current (0 -30 days)	4 372 844	2 792 594	4 372 844	2 792 594
31 - 60 days	2 620 976	3 288 904	2 620 976	3 288 904
61 - 90 days	2 797 512	2 459 134	2 797 512	2 459 134
91 - 120 days	5 573 024	2 418 055	5 573 024	2 418 055
121 - 365 days	155 440 490	129 161 131	155 440 490	129 161 131
Less: Allowance for impairment	(136 653 016)	(113 108 128)	(136 653 016)	(113 108 128)
	34 151 830	27 011 690	34 151 830	27 011 690
Sundry (Property Rental Debtors)				
Current (0 -30 days)	152 530	27 713	152 530	27 713
31 - 60 days	85 667	82 342	85 667	82 342
61 - 90 days	47 782	35 916	47 782	35 916
91 - 120 days	2 385 491	51 004	2 385 491	51 004
121 - 365 days	5 843 608	5 912 187	5 843 608	5 912 187
Less: Allowance for impairment	(6 355 253)	(4 934 537)	(6 355 253)	(4 934 537)
	2 159 825	1 174 625	2 159 825	1 174 625
Reconciliation of allowance for impairment				
Balance at beginning of the year	(744 572 012)	(669 801 926)	(744 572 012)	(669 801 926)
Contributions to allowance	139 553 677	(74 770 086)	139 553 677	(74 770 086)
	(605 018 335)	(744 572 012)	(605 018 335)	(744 572 012)

Collection rate of consumer receivables

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	5 557 565	20 896 757	5 370 862	20 807 205
Short-term deposits	136 235	130 155	134 142	128 062
Other cash and cash equivalents	108	108	-	-
	5 693 908	21 027 020	5 505 004	20 935 267

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
FNB - Main- 63008107963	5 370 862	20 807 205	399 128	5 370 862	20 807 205	399 128
ABSA BANK - Current Account - 405924-4467	-	-	-	-	-	331 088
NEDBANK - Fixed Deposit - 091452129997	28 106	26 863	25 366	28 106	26 863	25 366
NEDBANK - Fixed Deposit - 85865739997	21 362	20 449	19 358	21 362	20 449	19 358
NEDBANK - Fixed Deposit - 8779207/9998	82 054	78 130	78 130	82 054	78 130	78 130
NEDBANK - Fixed Deposit - 8779207/9997	2 263	2 611	2 611	2 263	2 611	2 611
ABSA BANK - Call Account - 9064509639	9	9	9	9	9	9
Total	5 504 656	20 935 267	524 602	5 504 656	20 935 267	855 690

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Figures in Rand

8. Heritage assets

Economic entity

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	170 000	-	170 000	170 000	-	170 000

Controlling entity

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	170 000	-	170 000	170 000	-	170 000

Reconciliation of heritage assets 2024

Historical monuments

Opening balance	Total
170 000	170 000

Reconciliation of heritage assets Controlling entity - 2023

Historical monuments

Opening balance	Total
170 000	170 000

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9. Investment property

Economic entity	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	493 824 400	-	493 824 400	462 744 966	-	462 744 966

Controlling entity	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	493 824 400	-	493 824 400	462 744 966	-	462 744 966

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property	462 744 966	31 079 434	493 824 400

Reconciliation of investment property - Controlling entity - 2023

	Opening balance	Additions	Disposals	Fair value adjustments	Total
Investment property	448 594 294	881 755	(74 344)	13 343 261	462 744 966

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Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

9. Investment property (continued)

Pledged as security

No Investment property is pledged as security:

Details of valuation

Investment property valuations were conducted by Eagilwe Property Consulting and Asset Management at fair value, based on the comparable sales and depreciated replacement cost methods. Vacant land and farms were valued using comparable sales method and leased buildings, the depreciated replacement cost method was followed. The valuations were performed before the submission of the financial statements to reflect the fair values as at the end of the financial year - 30 June 2024.

A material fair value adjustment was made to the Investment property balance to ensure fair presentation as at year end. The fair values of undeveloped land and residential properties were based on comparative market prices after intensive market surveys and research. Gains and losses arising from a change or re-measurement to fair values were recognised in the profit or loss section.

Eagilwe Property Consulting and Asset Management's independent professional valuers who hold a professional registration with the South African Council for the Property Valuers Profession (SACPVP).

During the current year a fair value adjustment was recognised amounting to R 31,079,434 (2023: R14,150,672) have been recognised in the statement of financial performance.

A register of all investment properties is kept at the premises of the municipality for inspection

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Notes to the Consolidated Annual Financial Statements

Figures in Rand

10. Intangible assets

Economic entity

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3 731 598	(3 440 762)	290 836	3 575 598	(3 207 773)	367 825

Controlling entity

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3 714 976	(3 424 961)	290 015	3 558 976	(3 193 600)	365 376

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software, other	365 376	156 000	(231 361)	290 015

Reconciliation of intangible assets - Controlling entity - 2023

	Opening balance	Additions	Amortisation	Total
Computer software, other	555 228	1 255 263	(1 445 115)	365 376

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Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

10. Intangible assets (continued)

Pledged as security

There are no intangible assets pledged as security:

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Notes to the Consolidated Annual Financial Statements

Figures in Rand

11. Property, plant and equipment

Economic entity

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	18 794 609	-	18 794 609	18 794 609	-	18 794 609
Buildings	7 566 256	(4 621 349)	2 944 907	7 290 132	(4 366 862)	2 923 270
Leasehold property	292 991 832	(189 020 588)	103 971 244	292 991 832	(178 061 579)	114 930 253
Plant and machinery	2 533 442	(1 660 254)	873 188	833 950	(430 037)	403 913
Furniture and fixtures	4 852 291	(3 958 672)	893 619	4 186 371	(3 436 580)	749 791
Motor vehicles	15 734 941	(11 663 155)	4 071 786	13 443 530	(9 675 729)	3 767 801
Office equipment	14 213	(13 209)	1 004	14 213	(11 774)	2 439
IT equipment	3 294 553	(2 000 916)	1 293 637	2 090 360	(1 104 374)	985 986
Computer software	165 665 452	(85 440 878)	80 224 574	165 665 452	(77 898 966)	87 766 486
Community	31 841 810	(13 238 115)	18 603 695	31 841 810	(12 156 133)	19 685 677
Other property, plant and equipment	13 604 876	(8 514 008)	5 090 868	12 605 304	(7 882 107)	4 723 197
Bins and containers	88 504 419	-	88 504 419	49 441 299	-	49 441 299
Other property, plant and equipment	16 004 343	-	16 004 343	11 056 614	-	11 056 614
Landfill site	5 561 588	(3 189 660)	2 371 928	5 561 588	(1 335 797)	4 225 791
Water network	1 789 731	(159 905)	1 629 826	1 789 731	(110 190)	1 679 541
Total	668 754 356	(323 480 709)	345 273 647	617 606 795	(296 470 128)	321 136 667

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Notes to the Consolidated Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Controlling entity

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	18 794 609	-	18 794 609	18 794 609	-	18 794 609
Buildings	7 566 256	(4 621 349)	2 944 907	7 290 132	(4 366 862)	2 923 270
Infrastructure - Roads, Pavement, Bridges and Storm Water	292 991 832	(189 020 588)	103 971 244	292 991 832	(178 061 579)	114 930 253
Plant and machinery	2 408 231	(1 535 380)	872 851	708 739	(316 436)	392 303
Office furniture and equipment	4 747 051	(3 859 729)	887 322	4 081 131	(3 348 161)	732 970
Motor vehicles	15 734 941	(11 663 155)	4 071 786	13 443 530	(9 675 729)	3 767 801
IT equipment	3 226 025	(1 937 767)	1 288 258	2 021 832	(1 045 340)	976 492
Infrastructure - Electricity	165 665 452	(85 440 878)	80 224 574	165 665 452	(77 898 966)	87 766 486
Community Assets	31 841 810	(13 238 115)	18 603 695	31 841 810	(12 156 133)	19 685 677
Landfill sites	13 604 876	(8 514 008)	5 090 868	12 605 304	(7 882 107)	4 723 197
WIP - Roads, Pavements & Stormwater	88 504 419	-	88 504 419	49 441 299	-	49 441 299
Work In Progress - Community Assets	16 004 343	-	16 004 343	11 056 614	-	11 056 614
Leased Assets - Printers	5 561 588	(3 189 660)	2 371 928	5 561 588	(1 335 797)	4 225 791
Water Infrastructure	1 789 731	(159 905)	1 629 826	1 789 731	(110 190)	1 679 541
Total	668 441 164	(323 180 534)	345 260 630	617 293 603	(296 197 300)	321 096 303

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Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	18 794 609	-	-	-	-	18 794 609
Buildings	2 923 270	276 124	-	(254 487)	-	2 944 907
Infrastructure - Roads,pavement,bridges and stormwater	114 930 253	-	-	(10 959 009)	-	103 971 244
Plant and machinery	392 303	511 239	(4 699)	(25 288)	(705)	872 851
Office furniture and equipment	732 970	446 760	(68 611)	(199 772)	(24 026)	887 322
Motor vehicles	3 767 801	1 400 727	(2 317)	(1 073 834)	(16 812)	4 071 786
IT Equipment	976 492	809 318	(173 552)	(286 205)	(37 795)	1 288 258
Infrastructure - Electricity	87 766 486	-	-	(7 541 912)	-	80 224 574
Community Assets	19 685 677	-	-	(1 124 525)	-	18 603 695
Landfill Site	4 723 197	999 572	-	(631 901)	-	5 090 868
WIP - Roads, Pavements & StormWater	49 441 299	37 226 660	-	-	-	88 504 419
WIP - Community Assets	11 056 614	8 756 378	-	-	-	16 004 343
Leased Assets - Printers	4 225 791	-	-	(1 853 863)	-	2 371 928
Water Infrastructure	1 679 541	-	-	(49 715)	-	1 629 826
	321 096 303	50 426 778	(249 179)	(24 000 511)	(79 338)	345 260 630

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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 received	Transfers	Depreciation	Impairment loss	Total
Land	18 794 609	-	-	-	-	-	-	18 794 609
Buildings	3 403 137	-	-	-	-	(266 744)	(213 123)	2 923 270
Infrastructure - Roads,pavement,bridges and stormwater	125 911 117	-	-	-	-	(10 980 864)	-	114 930 253
Plant and machinery	423 234	-	-	-	-	(30 931)	-	392 303
Office furniture and equipment	1 440 980	9 700	(387 864)	-	-	(329 846)	-	732 970
Motor vehicles	3 700 324	919 900	-	-	-	(852 423)	-	3 767 801
IT Equipment	836 172	395 672	(116 443)	-	-	(280 318)	-	976 492
Infrastructure - Electricity	89 465 967	-	-	5 652 300	-	(7 351 782)	-	87 766 486
Community Assets	20 972 851	-	-	-	-	(1 197 388)	(89 786)	19 685 677
Landfill site	7 100 989	-	(1 621 514)	-	-	(756 278)	-	4 723 197
WIP - Roads, Pavements & Stormwater	25 120 685	24 320 614	-	-	-	-	-	49 441 299
WIP - Community Assets	2 300 236	8 756 377	-	-	-	-	-	11 056 614
Work In Progress - Electricity	4 530 466	1 121 834	-	-	(5 652 300)	-	-	-
Leased Assets - Printers	-	5 561 588	-	-	-	(1 335 797)	-	4 225 791
Water network	1 729 256	-	-	-	-	(49 715)	-	1 679 541
	305 730 023	41 085 685	(2 125 821)	5 652 300	(5 652 300)	(23 432 086)	(302 909)	321 096 303

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

11. Property, plant and equipment (continued)

Pledged as security

There are no fixed assets pledged as security.

Land

The municipality has land that is registered in its name at the deeds office as at 30 June 2024. There is a total of 7 887 stands still registered in the name of the municipality but occupied by private individuals, these stands are in the process of being transferred to the occupants, with the majority being RDP houses.

Work in progress

The following projects are taking longer than anticipated due to the following reasons:

Projects:

The following is the list of projects taking longer than expected to complete:

- Construction of Boitumelong Taxi Rank, Construction of Utlwanang Taxi Rank and Boitumelong Multi-Purpose Hall - Funding from CoGTA takes longer than anticipated at times while the municipality is expected to settle claims with contractors/consultants and subsequently claim from CoGTA; as a result this leads to delays in the projects. .
- Construction of Roads, Paving and Stormwater Utlwanang Ext 5- The contract with the contractor was terminated during the period leading to delays in completion of the project.

Expenditure incurred to repair and maintain property, plant and equipment

Contracted services	10 337 578	9 851 060	10 337 578	9 851 060
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12. Investments

Designated at fair value

Sanlam Limited listed shares	63 749	45 980	63 749	45 980
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Sanlam limited listed shares

Lekwa Teemane Local Municipality holds 788 shares in Sanlam Limited, as at 30 June 2024 the shares were trading at R80,92 (2023: R58,35). The increase in share price resulted in recognising a fair value adjustment gain for the current year in the statement of financial position of R17,769 (2023: (R4,318)). The nature of the investment is not speculative but to keep the investment for more than twelve months.

Current assets

Designated at fair value	63 749	45 980	63 749	45 980
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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
13. Other Financial Liabilities				
Designated at Amortised cost				
Dr Ruth Mompoti District Municipality	(12 583 875)	(11 053 213)	(12 583 875)	(11 053 213)
Dr Ruth Mompoti District Municipality				
The amount relates to funds advanced by Dr Ruth Mompoti District Municipality (DRMDM) in relation to the payment of salaries. The municipality is to pay the loan in three equal instalments of R1 000 000 from 30 April until 30 June 2017. Failure to pay the loan at the end of 30 June 2017 will accrue cumulating interest at 15% per annum. As at 30 June 2024 the municipality have failed to honour the terms and conditions of the agreement, a cumulative interest has been accrued amounting to R 4 135 688 (2023: R3 204 943). There are no repayment terms agreed with the District Municipality to recover from the defaulted periods and no plans to repay the loan together with accrued interest.				
Another loan was received from Dr Ruth Mompoti District municipality on the 30 June 2024 amounting to R 3 500 000 at no interest. The interest expense of R 41 191 (2023: R 5 614,58) was accrued using the prime rate in the current year. The funds were advanced to the municipality with no terms.				
14. Financial Liabilities				
At amortised cost				
Concessionary Loan - Long term Portion	20 476 784	18 323 744	20 476 784	18 323 744
This relates to a performance guarantee that was awarded to Lekwa Teemane local municipality by CIGICELL. The performance guarantee is interest free and is payable in 18 equal monthly instalments of R1,222,222.00 commencing on the 30 April 2019. The amount received was discounted at an imputed interest rate taking into account the applicable terms and conditions. As at 30 June 2024 the municipality defaulted in repaying the agreed monthly instalments which resulted in an interest charged amounting to R159 309 (2023: R1 795 639). There are no renegotiated terms to remedy the default situation by the municipality. The municipality will make repayment terms in consideration of the available funds.				
Non-current liabilities				
At amortised cost	20 476 784	18 323 744	20 476 784	18 323 744
Financial liabilities at amortised cost				
Nominal value of concessionary loans				

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
15. Payables from exchange transactions				
Trade payables	876 545 735	701 576 913	873 492 418	698 698 831
Debtors with Credit balances	7 413 155	7 704 464	7 413 155	7 704 464
Accrued leave pay	7 586 432	7 132 144	7 586 868	7 120 700
Retentions	5 859 258	3 867 692	5 859 258	3 867 692
Unallocated Deposit	9 387 322	10 647 356	9 387 322	10 647 356
	906 791 902	730 928 569	903 739 021	728 039 043
16. VAT payable				
Tax refunds payables	6 261 108	12 486 594	6 300 653	12 519 045
17. Consumer deposits				
Electricity	1 736 523	1 685 449	1 736 523	1 685 449
Water	46 208	30 767	46 208	30 767
Housing rental	23 790	21 136	23 790	21 136
	1 806 521	1 737 352	1 806 521	1 737 352
18. Employee benefit obligations				
Defined benefit plans - General information				
Defined benefit plan - Post Employment Medical Benefit Plan				
The plan is a post employment medical benefit.				
The municipality operates a funded post employment health care defined benefit plan for qualifying employees. Employees of the municipality are members of different medical aid schemes such as Bonitas, Key Health and SAMWUMed.				
The municipality's post-employment health care plan consists of entitlement by eligible employees to receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement.				
Continuation members and their eligible dependants receive either a 60% or 70% subsidy. All 60% post-employment subsidies are subject to a maximum subsidy. The maximum subsidy was assumed to be R 5,541 (2023: R 4,873) per principal member per month for the year ending 30 June 2024, and has been assumed to increase annually on 1 July at 75% of salary inflation. No other post employment benefits are provided to these employees. As at the balance sheet date, the members of the medical aid entitled to the post employment medical aid scheme subsidy were 107 (2023: 116) in service members and 19 (2023: 20) pensioners.				
The most recent actuarial valuation of the benefit plan was carried out for the year ended 30 June 2024 by Arch Actuarial Consulting. The present value of the defined benefits obligation and the the related current services cost and past services costs were measured using the Projected Unit Credit Method. The post-employment health care benefit is not a funded arrangement i.e. there is no plan asset in place to meet this defined benefit obligation.				
Defined benefit plan - Long Service Award				
The Municipality offers employees LSA for every five years of service completed, from ten years of service to 45 years of service, inclusive.				
In the month that each "completed service" milestone is reached, the employee is granted an LSA. Working days awarded are valued at 1/250th of annual earnings per day.				
The Municipality uses employees' basic salary to determine the Rand value of LSA. The Projected Unit Credit Method is used to value the LSA employee benefit obligation. The long service award benefit is not a funded arrangement i.e. there is no plan asset in place to meet this defined benefit obligation.				

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	2024	2023	2024	2023

18. Employee benefit obligations (continued)

Carrying value - Long Service Award

Present value of the defined benefit obligation-wholly unfunded	(3 664 796)	(3 977 637)	(3 664 796)	(3 977 637)
Present value of the defined benefit obligation-partly or wholly funded	(287 226)	(310 217)	(287 226)	(310 217)
Fair value of plan assets	(364 049)	(275 395)	(364 049)	(275 395)
Actuarial gains/losses	205 351	820 676	205 351	820 676
Effect of changes in foreign exchange rates	493 133	493 133	493 133	493 133
	(3 617 587)	(3 249 440)	(3 617 587)	(3 249 440)

Carrying value - Post employment medical benefit plan

Present value of the defined benefit obligation-wholly unfunded	(24 932 772)	(22 971 477)	(24 932 772)	(22 971 477)
Present value of the defined benefit obligation-partly or wholly funded	(831 903)	(789 238)	(831 903)	(789 238)
Fair value of plan assets	(2 596 773)	(2 463 624)	(2 596 773)	(2 463 624)
Fair value of reimbursement rights	1 987 777	1 068 203	1 987 777	1 068 203
Actuarial gains/losses	5 503 974	223 364	5 503 974	223 364
	(20 869 697)	(24 932 772)	(20 869 697)	(24 932 772)

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

Present value of the defined benefit obligation-partly or wholly funded	1 105 764	1 119 129	1 105 764	1 119 129
- Return on plan assets, excluding amounts included in net interest	77 018	(5 997 107)	77 018	(5 997 107)
	1 105 764	1 119 129	1 105 764	1 119 129

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	- %	- %	12,20 %	12,78 %
Consumer price inflation	- %	- %	6,19 %	6,84 %
Salary increase rate	- %	- %	7,69 %	8,34 %
Normal Retirement age (years)	- %	- %	65,00 %	65,00 %
Average retirement age	- %	- %	62,00 %	63,00 %
Age between husband and wife (Active members) (years)	- %	- %	5,00 %	5,00 %
Pensioner PA	- %	- %	90,00 %	90,00 %
Mortality during employment (Active members SA)	- %	- %	90,00 %	85,00 %

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
19. Unspent conditional grants and receipts				
Unspent conditional grants and receipts comprises of:				
Unspent conditional grants and receipts				
Municipal Infrastructure Grant (MIG)	-	4 594 080	-	4 594 080
Energy Efficiency Demand Side Management	-	73 803	-	73 803
EWP Grant	180	-	180	-
Unspent grants 8	-	12 458 000	-	12 458 000
	180	17 125 883	180	17 125 883
Movement during the year				
Balance at the beginning of the year	16 150 883	26 660 883	16 150 883	26 660 883
Receipts during the year	-	61 995 706	-	61 995 706
Income recognition during the year	(16 150 703)	(71 530 706)	(16 150 703)	(71 530 706)
	180	17 125 883	180	17 125 883

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
19. Unspent conditional grants and receipts (continued)				
Financial Management Grant				
Current year-receipts	3 100 000	3 100 000	3 100 000	3 100 000
Conditions met and transferred to revenue	(3 100 000)	(3 100 000)	(3 100 000)	(3 100 000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Municipal Infrastructure Grant Management Grant				
Balance at the beginning of the period	4 594 080	9 461 746	4 594 080	9 461 746
Current year-receipts	15 714 000	16 300 000	15 714 000	16 300 000
Conditions met and transferred to revenue	(15 714 000)	(11 632 666)	(15 714 000)	(11 632 666)
Funds returned to treasury - Current year	(4 594 080)	(5 514 000)	(4 594 080)	(5 514 000)
Funds returned to treasury - Prior year	-	(4 021 000)	-	(4 021 000)
	<u>-</u>	<u>4 594 080</u>	<u>-</u>	<u>4 594 080</u>
Disaster Relief Grant				
Balance at the beginning of the period	12 458 000	-	12 458 000	-
Current year-receipts	-	12 458 000	-	12 458 000
Conditions met and transferred to revenue	(12 458 000)	-	(12 458 000)	-
	<u>-</u>	<u>12 458 000</u>	<u>-</u>	<u>12 458 000</u>
Provincial Infrastructure Grant				
Balance at the beginning of the period	(5 532 303)	-	(5 532 303)	-
Current year-receipts	26 113 432	22 436 403	26 113 432	22 436 403
Conditions met and transferred to revenue	(20 581 129)	(27 968 706)	(20 581 129)	(27 968 706)
	<u>-</u>	<u>(5 532 303)</u>	<u>-</u>	<u>(5 532 303)</u>
Expanded Public Works Programme				
Current year-receipts	950 000	1 270 000	950 000	1 270 000
Conditions met and transferred to revenue	(949 820)	(1 270 000)	(949 820)	(1 270 000)
	<u>180</u>	<u>-</u>	<u>180</u>	<u>-</u>
Sports, Arts, Culture and Library Grant				
	-	899 000	-	899 000
	-	(899 000)	-	(899 000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Energy Efficiency Demand Side Management Grant (EEDSM)				
Balance at the beginning of the period	73 803	73 803	73 803	73 803
Funds returned to treasury	(73 803)	-	(73 803)	-
	<u>-</u>	<u>73 803</u>	<u>-</u>	<u>73 803</u>

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Figures in Rand	Economic entity		Controlling entity		
	2024	2023	2024	2023	
20. Provisions					
Landfil sites	20.1	16 377 271	14 507 263	16 377 271	14 507 263
13th Cheque Provision		2 124 445	1 807 304	2 124 445	1 807 304
		<u>18 501 716</u>	<u>16 314 567</u>	<u>18 501 716</u>	<u>16 314 567</u>

Reconciliation of provisions - 2024

	Opening Balance	Additions	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	1 807 304	-	-	2 124 445
Enviromental rehabilitation	14 507 263	870 435	999 572	16 377 270
13th Cheque Provision	-	317 141	-	-
	<u>16 314 567</u>	<u>1 187 576</u>	<u>999 572</u>	<u>18 501 715</u>

Reconciliation of provisions - Controlling entity - 2023

	Opening balance	Additions	Reversed during the year	Interest charges	Total
Environmental rehabilitation	-	-	-	-	1 807 304
Enviromental rehabilitation	14 581 860	-	(1 621 514)	1 754 459	14 507 263
13th Cheque Provision	1 679 729	127 575	-	-	-
	<u>16 261 589</u>	<u>127 575</u>	<u>(1 621 514)</u>	<u>1 754 459</u>	<u>16 314 567</u>

Non-current liabilities	16 377 270	14 507 263	16 377 270	14 507 263
Current liabilities	2 124 445	1 807 304	2 124 445	1 807 304
	<u>18 501 715</u>	<u>16 314 567</u>	<u>18 501 715</u>	<u>16 314 567</u>

Lekwa Teemane council operates two disposal sites namely; Christiana and Bloemhof. In terms of the Environmental Conservation Act No. 73 of 1989, the municipality is required to rehabilitate such land upon closure of the dumping sites. Provision based on best estimate has been provided.

20.1 Landfill Sites

Opening Balance	14 507 263	14 581 860	14 507 263	14 581 860
Increases (Passage of Time/Discounted Rate)	870 436	1 546 917	870 436	1 546 917
Reversals -Adjustment for change in discount rate	999 572	(1 621 514)	999 572	(1 621 514)
Closing Balance	<u>16 377 271</u>	<u>14 507 263</u>	<u>16 377 271</u>	<u>14 507 263</u>

Lekwa Teemane council operates two disposal sites namely; Christiana and Bloemhof. In terms of the Environmental Conservation Act No. 73 of 1989, the municipality is required to rehabilitate such land upon closure of the dumping sites. Provision based on best estimate has been provided.

Environmental rehabilitation provision

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
20. Provisions (continued)				
<p>The operation of landfill sites results in an obligation to rehabilitate the landfill sites and prevent any further pollution after closure thereof in terms of section 28 of the National Environmental Management Act, 107 of 1998., Environmental Conservation Act, Act number 73 of 1989 or the Waste Management licenses issued under section 50 of the National Environmental Management: Waste Act, No 59 of 2008.</p> <p>GRAP 19 provides for the recognition, measurement and disclosure of provision or assets.</p> <p>The municipality's landfill sites have an estimated remaining useful life of 5 (2023: 6 years) (Bloemhof) and 10 (2023: 11 years) (Christiana). The estimated costs of closure and rehabilitation of the landfill sites is R8,336,509 (2023: R7,341,324) for the Bloemhof landfill site and R8,040,762 (2023: R7,165,939) for the Christiana landfill site which have been discounted at a net discount rate of 6%.(2023:5,25%).</p>				
21. Service charges				
Water	17 451 355	16 034 795	17 451 355	16 034 795
Electricity	96 273 831	86 634 593	96 273 831	86 634 593
Waste Management	14 256 779	12 564 999	14 256 779	12 564 999
Waste Water Management	21 810 471	16 985 481	21 810 471	16 985 481
	149 792 436	132 219 868	149 792 436	132 219 868
22. Sale of Goods and Rendering of Services				
Sale of goods	606 795	408 645	606 795	408 645
23. Rental of facilities and equipment				
Premises				
Rental of farms and municipality properties	297 144	22 642	297 144	22 642
24. Agency services				
Agency Services - North West department of transport	2 431 601	2 523 762	2 431 601	2 523 762
Agency Services - North West provincial department of transport				
25. Licences and permits				
Licences and permits	575 489	710 232	575 489	710 232
26. Interests on investments				
Short-term investments and call accounts	783 995	340 371	783 995	340 371
Interest received - other	76 000	-	-	-
	859 995	340 371	783 995	340 371

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
27. Interest earned from receivables				
Electricity	19 682 124	16 624 904	19 682 124	16 624 904
Water	17 713 384	16 274 242	17 713 384	16 274 242
Water Management	10 924 956	9 048 092	10 924 956	9 048 092
Waste Water Management	13 002 023	12 240 230	13 002 023	12 240 230
	61 322 487	54 187 468	61 322 487	54 187 468
28. Operational income				
Other income	1 160 804	919 900	1 160 804	919 900
29. Operational revenue				
Handling and administartion fees	1 160 804	919 900	1 160 804	919 900
30. Actuarial gain				
Actuarial gains/losses	2 409 982	5 997 107	2 409 982	5 997 107
31. Fair value adjustments				
Investment property (Fair value model)	31 097 203	13 347 579	31 097 203	13 347 579
32. Property rates				
Rates received				
Business and Commercial	40 447 142	32 182 407	40 447 142	32 182 407
Organs of State	666 541	632 994	666 541	632 994
Small holdings and farms	10 071 716	11 291 456	10 071 716	11 291 456
Less: Income forgone	(9 585 910)	(7 600 753)	(9 585 910)	(7 600 753)
	41 599 489	36 506 104	41 599 489	36 506 104
Property rates - penalties imposed	24 714 023	35 154 743	24 714 023	35 154 743
	66 313 512	71 660 847	66 313 512	71 660 847
Valuations				

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2022. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0,012538 - (2023: - R0,01190694 is applied to property valuations to determine assessment rates. Rebates of 49% (2023: 48%) are granted to residential and state property owners.

Rates are levied on an annual basis with the final date for payment being Monday, 30 September 2024 (Saturday, 30 September 2023). Interest at 11% per annum (2023: 11%), is levied on rates outstanding two months after due date.

The new general valuation will be implemented on 01 July 2027.

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
33. Government grants & subsidies				
Operating grants				
Equitable share	65 146 883	60 204 000	65 146 883	60 204 000
Expanded Public Works Programmes	949 820	1 270 000	949 820	1 270 000
Financial Management Grant	3 100 000	3 100 000	3 100 000	3 100 000
Sports, Arts, Culture and Library Grant	-	899 000	-	899 000
	69 196 703	65 473 000	69 196 703	65 473 000
Capital grants				
Municipal Infrastructure Grant	15 714 000	11 632 666	15 714 000	11 632 666
Provincial Infrastructure Grant (PIG)	20 581 129	27 968 706	20 581 129	27 968 706
Municipal Disaster Relief Grant	12 458 000	-	12 458 000	-
	48 753 129	39 601 372	48 753 129	39 601 372
	117 949 832	105 074 372	117 949 832	105 074 372
Conditional and Unconditional				
Included in above are the following grants and subsidies received:				
Conditional grants received	52 802 949	44 870 372	52 802 949	44 870 372
Unconditional grants received	65 146 883	60 204 000	65 146 883	60 204 000
	117 949 832	105 074 372	117 949 832	105 074 372
Equitable Share				
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.				
Municipal Infrastructure Grant (MIG)				
Balance unspent at beginning of year	4 594 080	9 461 746	4 594 080	9 461 746
Current-year receipts	15 714 000	16 300 000	15 714 000	16 300 000
Transferred to revenue	(15 714 000)	(21 167 666)	(15 714 000)	(21 167 666)
Less: amount set-off against equitable share	(4 594 080)	-	(4 594 080)	-
	-	4 594 080	-	4 594 080
Energy Efficiency Demand Side Management Grant (EEDSM)				
Balance unspent at beginning of year	73 803	73 803	73 803	73 803
Conditions met - transferred to revenue	(73 803)	-	(73 803)	-
	-	73 803	-	73 803
Conditions still to be met - remain liabilities (see note 19).				
EPWP				
Current-year receipts	950 000	1 270 000	950 000	1 270 000
Conditions met - transferred to revenue	(949 820)	(1 270 000)	(949 820)	(1 270 000)
	180	-	180	-
Conditions still to be met - remain liabilities (see note 19).				

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

33. Government grants & subsidies (continued)

Purpose of the grant is to incentivise the municipality to expand work creation efforts through the use of labour intensive delivery methods (roads maintenance and the maintenance of buildings, low traffic volume roads and rural roads, basic services infrastructure, including water and sanitation reticulation (excluding built infrastructure), other economic and social infrastructure, tourism and cultural industries, waste management, parks and beautification, sustainable land-based livelihoods, social services programmes, community safety programmes) in line with Expanded Public Works Programme guidelines.

Municipal Disaster Relief Grant (MDRG)

Balance unspent at beginning of year	12 458 000	12 458 000	12 458 000	12 458 000
Current-year opening balance	-	-	12 458 000	-
Transferred to revenue	(12 458 000)	-	(12 458 000)	-
	<u>-</u>	<u>12 458 000</u>	<u>-</u>	<u>12 458 000</u>

Finance Management Grant

Current-year receipts	3 100 000	3 100 000	3 100 000	3 100 000
Transferred to revenue	(3 100 000)	(3 100 000)	(3 100 000)	(3 100 000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.

Sports, Arts, Culture and Library Grant

Current-year receipts	-	899 000	-	899 000
Transferred to revenue	-	(899 000)	-	(899 000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Government Grant (PIG)

Current-year receipts	27 968 706	27 968 706	27 968 706	27 968 706
Transferred to revenue	(27 968 706)	(27 968 706)	(27 968 706)	(27 968 706)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Grant 15

Conditions still to be met - remain liabilities (see note 19).

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

34. Fines, Penalties and Forfeits

Municipal Traffic Fines	<u>731 869</u>	<u>658 217</u>	<u>731 869</u>	<u>658 217</u>
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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
35. Employee related costs				
Basic	53 842 599	47 821 354	52 898 481	46 997 809
13th Cheaque	4 812 869	4 008 072	4 748 585	3 947 082
Medical aid - company contributions	3 909 722	2 722 585	3 909 722	2 722 585
UIF	443 406	424 842	424 854	405 694
Pension contributions	10 566 883	9 729 954	10 566 883	9 729 954
Leave pay provision charge	466 168	740 423	466 168	740 423
Bargaining Council	23 636	23 297	23 636	23 297
Overtime payments	4 539 055	4 077 727	4 539 055	4 077 727
Long-service awards	281 757	350 700	281 757	350 700
Acting allowances	480 036	541 885	480 036	541 885
Car allowance	4 776 811	3 917 606	4 776 811	3 917 606
Housing benefits and allowances	190 835	244 682	190 835	244 682
Leave Encashment	902 961	596 515	902 961	596 515
Group Insurance	8 485	7 862	8 485	7 862
Cellphone allowance	205 850	168 550	205 850	168 550
Standby allowances	1 619 754	1 420 369	1 619 754	1 420 369
Shift Allowance	18 000	18 000	18 000	18 000
	87 088 827	76 814 423	86 061 873	75 910 740

Remuneration of Municipal Manager

Basic salary	-	-	505 023	175 420
Car allowance	-	-	190 783	91 892
Cellphone allowance	-	-	12 000	4 500
Contributions to UIF, Medical and Pension Funds	-	-	73 127	10 411
Non pensionable allowance	-	-	13 560	-
Other allowances	-	-	33 430	-
	-	-	827 923	282 223

Mrs BS Qunqisa was appointed as the Municipal manager by Council and her 5 year term began on 01 October 2023

Remuneration of Chief Finance Officer

Basic salary	-	-	759 982	662 337
Acting Allowance	-	-	-	14 883
Car allowance	-	-	212 016	155 250
Cellphone allowance	-	-	12 650	10 200
Non-pensionable allowance	-	-	11 865	-
Housing allowance	-	-	5 332	12 141
	-	-	1 001 845	922 888

Mr T.C Moseki was appointed on permanent basis by Council as the CFO on 1 December 2023

Remuneration of Corporate Service Director (Acting Municipal Manager)

Basic salary	-	-	729 042	759 344
Car allowance	-	-	232 996	243 126
Acting Allowance	-	-	29 056	-
Cellphone allowance	-	-	7 800	8 400
Housing allowance	-	-	4 800	4 800
Non-pensionable allowance	-	-	20 340	20 340
Contributions to UIF, Medical and Pension Funds	-	-	2 037	2 125
	-	-	1 026 071	1 038 135

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	2024	2023	2024	2023

35. Employee related costs (continued)

Mr. KJ Leseisane was appointed on permanent basis by council as the Executive Director: Corporate Services on the 3rd July 2023. He is currently acting as the Accounting Officer since the 15 of May 2024.

Remuneration of Technical Services

Basic salary	-	-	663 370	-
Car Allowance	-	-	118 735	-
Non-pensionable allowance	-	-	18 645	-
Contributions to UIF, Medical and Pension Funds	-	-	144 010	-
Cellphone allowance	-	-	13 200	-
	<u>-</u>	<u>-</u>	<u>957 960</u>	<u>-</u>

Mr. MZ Duba was appointed on permanent basis by council as the Executive Director: Technical Services on the 3rd of July 2023

Remuneration of Community Services

Basic salary	-	-	102 962	-
Car Allowance	-	-	37 649	-
Cellphone allowance	-	-	2 400	-
Contributions to UIF, Medical and Pension Funds	-	-	28 126	-
Non-pensionable allowance	-	-	3 390	-
	<u>-</u>	<u>-</u>	<u>174 527</u>	<u>-</u>

Mr. J Sparks was appointed on permanent basis by council as the Executive Director: Community Services on the 1st May 2024 on permanent basis.

36. Remuneration of councillors

Mayor	1 318 397	946 150	1 318 397	946 150
Mayoral Committee Members	2 471 915	2 874 596	2 471 915	2 874 596
Councillors	3 281 648	3 206 066	3 281 648	3 206 066
	<u>7 071 960</u>	<u>7 026 812</u>	<u>7 071 960</u>	<u>7 026 812</u>

In-kind benefits

The Mayor full-time. He is provided with an office and secretarial support at the cost of the Council.

37. Depreciation and amortisation

Property, plant and equipment	24 276 660	23 340 232	24 247 684	23 299 153
Intangible assets	-	1 445 115	-	1 445 115
	<u>24 276 660</u>	<u>24 785 347</u>	<u>24 247 684</u>	<u>24 744 268</u>

38. Impairment loss

Impairments

Property, plant and equipment	66 128	302 883	66 128	302 883
The condition of the assets were assessed to be poor or very poor and this led to the impairment of the assets.]	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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	2024	2023	2024	2023
39. Finance costs				
Trade and other payables	27 689 126	41 649 922	27 689 126	41 649 922
Financial liability Instruments	8 102 515	6 736 998	8 102 515	6 736 998
	35 791 641	48 386 920	35 791 641	48 386 920
40. Debt impairment				
Bad debts written off	148 078 417	101 762 423	148 078 417	101 762 423
41. Bulk purchases				
Electricity - Eskom	76 665 441	55 056 194	76 665 441	55 056 194
Distribution loss - Electricity				
The municipality incurred a distribution loss for during the current year mainly due to illegal connections of the network and bridging of meters by consumers. During the year a total 7 084 126 (2023: 5 648 42) kilowatts per hour were lost, amounting to R 8,539,072 (2023:R 6,808,500). This represents 23 % (2023: 17%) of total electricity purchases for the year. The amount is included in bulk purchases for electricity.				
Distribution loss - Purified Water				
The municipality incurred distribution losses when rendering water services to consumers. major losses are due to leaking pipes from old infrastructure. during the year teh losses amounted to 3660846 (2023:2161645) kilo liters amounting to R1,893,894 (2023: R1,227,670)				
42. Contracted services				
Outsourced Services				
Burial Services	74 640	56 974	74 640	56 974
Security Services	7 432 436	8 200 207	7 432 436	8 200 207
Consultants and Professional Services				
Business and Advisory	12 591 967	2 701 871	12 591 967	2 701 871
Infrastructure and Planning	7 746 434	7 022 903	7 746 434	7 022 903
Legal Cost	5 903 281	8 136 130	5 903 281	8 136 130
Contractors				
Catering Services	93 710	99 396	93 710	99 396
Distribution of Electricity by Others	155 988	134 373	155 988	134 373
Employee Wellness	-	81 510	-	81 510
Transportation	-	21 000	-	21 000
Removal of Hazardous Waste	1 674 283	3 409 972	1 674 283	3 409 972
	35 672 739	29 864 336	35 672 739	29 864 336
43. Inventory consumed				
Material and stores issued	3 244 670	1 542 307	3 244 670	1 542 307
Water consumed	72 972 965	20 668 932	72 972 965	20 668 932
	76 217 635	22 211 239	76 217 635	22 211 239

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	2024	2023	2024	2023
44. Gain or loss on disposal of assets and liabilities				
Property, plant and equipment	968 841	(116 443)	968 841	(116 443)
45. Inventory (losses) surplus				
Inventories losses/write-downs	(222 101)	71 298	(222 101)	71 298
46. Operational costs				
Accommodation	812 832	192 824	812 832	192 824
Advertising	316 222	652 051	316 222	652 051
Auditors remuneration	6 668 948	8 323 977	6 300 015	7 839 863
Bank charges	516 371	453 761	512 835	449 795
Consumables	3 522	10 607	-	-
Hire	286 136	1 223 206	286 136	1 223 206
Insurance	2 336 567	1 704 644	2 320 230	1 685 771
Computer expenses	6 154 130	2 239 723	6 153 311	2 239 186
Fuel and oil	1 739 822	2 120 536	1 739 822	2 120 536
Postage and courier	1 380	3 487	1 380	3 487
Printing and stationery	149 430	42 318	147 299	40 184
Protective clothing	692 049	839 965	692 049	839 965
Research and development costs	309 114	29 298	-	-
Skills development levy	485 642	436 218	485 642	436 218
Staff welfare	12 450	3 154	12 450	3 154
Subscriptions and membership fees	681 662	955 670	667 771	940 977
Telephone and fax	-	1 686 298	-	1 682 959
Transport and freight	2 505	-	2 505	-
Travel - local	965 831	1 198 722	903 711	1 124 241
IT Expenses	14 731	-	14 731	-
Mayor bursary	240 000	595 000	240 000	595 000
Expense 8	3 160	4 859	-	-
Computer consumables	523 435	812 226	523 435	812 226
	22 915 939	23 528 544	22 132 376	22 881 643
47. Auditors' remuneration				
Fees	6 668 948	8 323 977	6 300 015	7 839 863

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
48. Cash generated from operations				
Deficit	(77 668 384)	(1 383 983)	(77 580 296)	(1 155 968)
Adjustments for:				
Depreciation and amortisation	24 276 660	24 785 347	24 247 684	24 744 268
(Loss) gain on sale of assets and liabilities	(968 841)	116 443	(968 841)	116 443
Fair value adjustments	(31 097 203)	(13 347 579)	(31 097 203)	(13 347 579)
Impairment deficit	66 128	302 883	66 128	302 883
Debt impairment	148 078 417	101 762 423	148 078 417	101 762 423
Movements in retirement benefit assets and liabilities	369 716	-	369 716	-
Movements in provisions	2 187 148	1 732 707	2 187 148	1 732 707
Inventory losses or write-downs	(222 101)	71 298	(222 101)	71 298
Other non-cash items	3 373 415	(974 651)	3 373 415	(974 651)
Changes in working capital:				
Inventories	242 992	(71 586)	242 992	(71 586)
Trade and other receivables from exchange transactions	(34 363 195)	(56 812 726)	(34 363 195)	(56 812 726)
Consumer debtors	(148 078 417)	(101 762 423)	(148 078 417)	(101 762 423)
Other receivables from non-exchange transactions	(5 150 437)	(37 145 409)	(5 150 437)	(37 145 409)
Payables from exchange transactions	175 863 333	106 186 225	175 699 978	105 924 444
VAT	(6 225 486)	17 994 162	(6 218 392)	18 003 391
Unspent conditional grants and receipts	(17 125 703)	7 590 334	(17 125 703)	7 590 334
Consumer deposits	69 169	41 578	69 169	41 578
	33 627 211	49 085 043	33 530 062	49 019 427
49. Financial instruments disclosure				
Categories of financial instruments				
2024				
Financial assets				
Investments - Sanlam shares	63 749	45 980	63 749	45 980
Investments in controlled entities	-	-	20 100	20 100
Trade and other receivables from exchange transactions	3 904 660	12 724 100	3 904 660	12 724 100
Receivables from non-exchange transactions	2 553 919	62 637 399	2 553 919	62 637 399
Consumer debtors	220 940 207	143 423 203	220 940 207	143 423 203
Cash and cash equivalents	5 505 004	20 935 267	5 505 004	20 935 267
	232 967 539	239 765 949	232 987 639	239 786 049
Financial liabilities				
Financial Liabilities	23 529 665	19 354 730	20 476 784	16 465 204
Other financial liabilities	12 583 875	10 682 494	12 583 875	10 682 494
	36 113 540	30 037 224	33 060 659	27 147 698

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	2024	2023	2024	2023

50. Contingencies

The litigation claims are in progress against the municipality relating to various matters who alleges that the municipality have infringed on certain laws and regulations, and they are seeking damages totaling amount of R10 133 663 (2023:R189 281 060)

The municipal lawyers and management considers the likelihood of the actions against the municipality being successful is unlikely, and the cases should be resolved within the reasonable period possible.

Contingent assets

The municipality has litigation claim in progress relating to various matters and the municipality is seeking damages totaling amount of R 0 (2023: R60 000 000.00). .

The following is the nature and financial implication of the cases

Sedibeng Water – The municipality sued Sedibeng water for the electricity bill owed to the municipality.	-	60 000 000	-	60 000 000
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Contingent liabilities

The litigation claims are in progress against the municipality relating to various matters who alleges that the municipality ave infringed on certain laws and regulations, and they are seeking damages totaling amount of R10 133 663 (2023:R189 281 060).

The municipal lawyers and management considers the likelihood of the actions against the municipality being successful is unlikely, and the cases should be resolved within the reasonable period possible

The following is the nature and financial implication of the cases

Contingent liabilities

1. Henry Bhikhoo vs Lekwa -Teemane Municipality	1 000 000	1 000 000	1 000 000	1 000 000
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Case details: Civil Case

The Plaintiff is suing the Municipality R1.9 million after his son was bitten by the dog owned the Caretaker in Municipal Property (Boitumelong Stadium)The matter is ongoing.Pre trial conference was held in November 2021.Plaintiffs have applied to join the then caretaker as a defendant also.If it is granted, then parties ,inclusive of the then care taker, would have to do another pre trial. The plaintiff has not yet advanced the matter, as the plaintiff is the dominis litis, we cannot advance the matter on his behalf. Plaintiff has applied for a trial date and notice of set down. Matter was heard in August 2023 whereupon a postponement was granted for respondent to amend its plea and apply for joinder of BDO ADVISORY SERVICES V LTLM attorney have been instructef to proceed to defend the Municipality

	1 468 846	2 185 000	1 468 846	2 185 000
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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
50. Contingencies (continued)				
Minister of Water and Sanitation - Civil Case - The department sued Lekwa Teemanemunicipality for abstraction of water from Vaal River. Thematter have been referred to North West High Court on the 09 December2019 and still ongoing.	-	173 884 237	-	173 884 237
5. ELVIS LEBITSA//LEKWA-TEEMANE LOCAL MUNICIPALITY	1 000 000	1 300 000	1 000 000	1 300 000
Applicant seeking damages of about R1M from the Municipality after his incomplete house structure was allegedly unlawfully demolished by the Municipality. We have entered a notice of intention to defend and will soon file our plea.				
3. IKGOPOLENG ELVIN TLHABAKI OBO GONTALFETSE SHADEY BUFFEL// MEC FOR EDUCATION NORTH WEST AND LEKWA-TEEMANE LOCAL MUNICIPALITY	5 800 000	5 800 000	5 800 000	5 800 000
The plaintiff is suing both the Education Department and the Municipality for R5 MILLION after a school child allegedly during school hours fell in an open water reservoir adjacent to the school. Matter ongoing we are opposing the matter as we are of the view that water infrastructure like reservoirs are the responsibility of the District Municipality as the Water Services AuthorityMatter ongoing- palintiff to advance the matter				
6. RJJ Projects//Lekwa-Teemane Local Municipality	-	717 699	-	717 699
Plantiff sued Municipality for R717 699.00 outstanding fees,for work done.The plaintiff had a project of supply and installation of high mast lights in Boitumelong.They did not connect it due to non payment by Municipality. Municipality entered into a payment agreement but at some point defaulted. Currently, we are working at finalising the total amount outstanding, so that a proposal be tabled as to how it will be paid and that they complete the installation so that the light be functional A settlement proposal has been submitted and we are awaiting a response				
7. Russia Langa attorneys // Lekwa- Teemane Local Municipality	703 817	-	703 817	-
The attorney represented us in the VEC Electrical matter and was lackadaisical and negligent in dealing with the matter as the appeal that he noted lapsed. He then invoiced the Municipality for R650 000 as work done.He did not even submit a breakdown of the figures, despite being requested to do so. He then is suing us .We have filed our notice to oppose				

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
50. Contingencies (continued)				
8. HWC van Zyl v Lekwa-Teemane Local Municipality	161 000	-	161 000	-
Plaintiff served us with summonses alleging that she incurred damages of R161000,00 when her vehicle collided with another one after ewerving to avoid a pothole. The claim is vague as it lacks fundamental information: where did the accident occur, there is no evidence attached of the alleged pothole, no police report. A memo was submitted that the matter be defended. Matter defended and they have not advanced the matter since we filed our opposing papers				
Lekwa- Teemane Local Municipality/ /	-	77 804	-	77 804
MohaumulutsiCivils Ref: MrKgomo/ BK. L0008/ CIV				
Lekwa- Teemane Local Municipality / / Mochobo Executive Guard Ref: MrKgomo/ KA. L00016/ CIV	-	3 658 706	-	3 658 706
Lekwa- Teemane Local Municipality/ / Robbyn Boerdery Ref: Mr Kgomo/KA. L0002/ CIV	-	124 650	-	124 650
DDP Valuers (PTY)LTD	-	532 964	-	532 964
	10 133 663	189 281 060	10 133 663	189 281 060

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	2024	2023	2024	2023

51. Related parties

Relationships
Controlled Agency Lekwa Teemane Development Agency

Related party balances

Investments in controlled entities

Lekwa Teemane Development Agency	20 100	20 100
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Related party transactions

Administration fees paid to on behalf of the Agency

Lekwa Teemane Development Agency (Pty) Ltd	1 860 000	1 765 000
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Key management information

Class	Description	Number
Municipal Manager Until April 2024	Mrs BS Qunqisa	1
Mayoral committee	Refer below/mayoral committee on general information	3
Municipal Manager (Effective May until June 2024)	Mr. KJ Leseisane	1
Mayor	S.M Mothlabi	1
Councillors	Refer below/mayoral committee on general information	14

Remuneration of management

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Figures in Rand

51. Related parties (continued)

Management class: Councillors

2024

Name	Basic salary	Backpay	Cellphone allowance	Internet allowance	Total
Mayor	906 340	51 422	42 200	3 719	1 003 681
Speaker	725 073	41 875	42 200	3 719	812 867
Chief Whip	347 131	23 661	38 600	3 402	412 794
MMC	861 403	81 492	84 400	7 438	1 034 733
Other Councillors and MPAC	3 807 885	-	-	-	3 807 885
	6 647 832	198 450	207 400	18 278	7 071 960

2023

Name	Basic salary	Cellphone Allowance	Internet Allowance	Total
Mayor	901 750	40 800	3 600	946 150
Speaker	724 988	40 800	3 600	769 388
MMC	2 080 047	163 200	14 400	2 257 647
Other Councillors	2 206 039	326 400	28 800	3 053 627
	5 912 824	571 200	50 400	7 026 812

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Figures in Rand

51. Related parties (continued)

Management class: Executive management

2024

Name	Basic Salary	Telephone Allowances	3G Cards	Car Allowance	S&T	Contributions to UIF, Pension, Medical	Acting Allowance	Housing Allowance	Total
Gunqisa BS	479 455	12 000	3 600	190 000	22 873	73 127	35 751	-	816 806
Leseisane KJ	666 648	12 000	3 600	222 865	23 447	-	24 848	-	953 408
Duba MZ	576 653	12 000	3 600	108 087	102 522	126 100	-	-	928 962
Moseki T	759 982	7 200	3 600	212 000	7 031	708	11 865	5 332	1 007 718
Sparks JB	48 625	40 800	3 600	-	27 437	-	-	-	120 462
Miss Marian Chitima	606 074	-	-	40 068	-	-	-	-	646 142
	3 137 437	84 000	18 000	773 020	183 310	199 935	72 464	5 332	4 473 498

2023

Name	Basic salary	Telephone Allowances	Car Allowance	Post-employment benefits	Acting	Bonus and performance related payments	Total
Forane KT	-	25 900	52 500	-	14 769	-	93 169
Mbonani N	175 420	-	-	10 411	-	96 392	282 223
Laastele B	-	40 700	-	-	7 984	-	48 684
Lesie MS	-	14 800	-	-	8 176	-	22 976
Moseki TC	-	-	-	-	14 883	-	14 883
Mr.Khotso Sekhobo (Chairman)	43 733	14 957	-	-	-	-	58 690
Mr Fabian Maseng	37 445	-	-	-	-	-	37 445
Mr. Sparks (Interim Programme Manager)	37 445	-	-	-	-	-	37 445
Miss Marian Chitima	585 880	46 594	-	-	-	-	632 474
Ms Unathi Mbeki	31 200	-	-	-	-	-	31 200

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Notes to the Consolidated Annual Financial Statements

Figures in Rand

51. Related parties (continued)

911 123	142 951	52 500	10 411	45 812	96 392	1 259 189
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52. Prior Period Error Note

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

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	2024	2023	2024	2023
52. Prior Period Error Note (continued)				
Controlling entity - 2023				
	As previously reported	Correction of error	Re-classification	Restated
Inventories	1 146 926	-	-	1 146 926
Investments	45 980	-	-	45 980
Receivables from exchange transaction	12 724 100	(26 393 941)	147 102 671	133 432 830
Receivables from non-exchange transactions	62 637 399	(5 518 478)	-	68 416 600
VAT Receivables	10 974 596	14 093 499	-	25 068 095
Consumer debtors	143 423 203	-	(143 423 203)	-
Long-term debtors	3 679 468	-	(3 679 468)	-
Cash and cash equivalents	20 935 267	-	-	20 935 267
Investment property	461 937 555	807 411	-	462 744 966
Property, plant and equipment	320 510 255	320 510	-	321 273 394
Intangible assets	460 820	(286 332)	-	174 488
Heriatge assets	170 000	-	-	170 000
Investments in controlled entities	20 100	-	-	20 100
Finance lease liabilities	(5 033 789)	-	5 033 789	-
Payable from exchange transactions	(753 977 202)	(13 441 854)	(6 672 345)	(774 091 401)
Consumer deposits	(1 737 352)	-	-	(1 737 352)
Employee benefit obligation	(24 487 284)	-	-	(24 487 284)
Unspent conditional grants and receipts	(26 660 883)	9 535 000	-	(17 125 883)
Other financial liabilities	(10 682 494)	(370 719)	-	(11 053 213)
Financial liabilities	(16 465 204)	(1 858 540)	-	(18 323 744)
Provisions	(16 353 371)	-	1 638 556	(14 714 805)
Accumulated surplus	(183 268 090)	(5 875 989)	-	(189 144 079)
Other receivables - Prepaid Electricity	-	17 249 118	-	17 249 118
	-	(11 740 315)	-	3

Statement of financial performance

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
52. Prior Period Error Note (continued)				
Controlling entity - 2023				
	As previously reported	Correction of error	Re-classification	Restated
Service charges - Electricity	87 633 959	(2 008 611)	-	85 625 348
Service charges - Water	16 437 969	(90 000)	-	16 347 969
Service charges - Waste Management	12 203 467	-	-	12 203 467
Service charges - Sewerage and sanitation	15 566 652	-	-	15 566 652
Sale of Goods	299 376	-	77 862	377 238
Renewing of services	77 862	-	(77 862)	-
Rental of facilities and equipment	22 642	-	-	22 642
Agency services	2 523 762	-	-	2 523 762
Licence and permits	710 232	-	-	710 232
Operational income	966 160	-	-	966 160
Interest earned from receivables	340 371	-	-	340 371
Interest earned on investment	53 650 581	196 516	-	54 187 468
Property rates	35 575 862	-	-	35 575 863
Property rates - interest	35 691 629	(536 886)	-	35 154 743
Government grants & subsidies	99 560 372	5 514 000	-	105 074 372
Traffic fines	658 217	-	-	658 217
Actuarial gains	5 997 107	-	-	5 997 107
Fair value adjustments	13 347 579	-	-	13 347 579
Employee related costs	(76 990 363)	1 079 623	-	(75 910 740)
Remuneration of councillors	(7 026 812)	-	-	(7 026 812)
Depreciation and amortisation	(25 052 702)	233 838	-	(24 818 864)
Impairment losses	(302 883)	-	-	(302 883)
Finance costs	(44 610 744)	(3 776 176)	-	(48 386 920)
Debt impairment	(75 814 300)	-	-	(75 814 300)
Bulk purchases	(75 475 552)	-	-	(75 475 552)
Contracted services	(29 787 890)	(76 446)	-	(29 864 336)
Loss on disposal of assets	(504 308)	387 865	-	(116 443)
Inventory consumed	(1 542 307)	-	-	(1 542 307)
Operational costs	(25 965 584)	657 213	1 040 000	(25 309 371)
Transfers and subsidies	-	-	(1 040 000)	(1 040 000)
Surplus for the year	18 190 354	1 580 936	-	19 070 662

Errors

Lekwa Teemane Local Municipality

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

52. Prior Period Error Note (continued)

Prior year errors				
<p>During the current year, it was identified that the municipality did not reduce unspent conditional grant liability that was revert back to National treasury against equitable share grant, Instead the amount was incorrectly reduced from equitable share grant revenue resulting in overstatement of unspent conditional grant liability and understatement of grant and</p>				
Decrease in unspent conditional grant				9,535,000.00
Increase in Accumulated surplus			-	4,021,000.00
Increase in revenue			-	5,514,000.00
<p>During the current year, it was identified that the Municipality incurred significant cash deficit from the money collected on behalf of North West department of road and transport in terms of principal agent relationship between two parties .A liability was not recognised in the books of the Municipality for the cash that was not paid to the department. Subsequently</p>				
General expenses (losses due to cash deficit)				970,585.32
Decrease in accumulated surplus				5,186,623.68
Decrease in receivables from exchange transactions (6 438 387-281178)			-	6,157,209.00
<p>IT was discovered that the debtors with credit balance reported in the prior year was incorrectly stated in the Annual financial sttatement because of the following :</p>				
<p>(a) Incorrect journal was processed against consumer receivables and debtors with credit balance in the prior year. This was as a results of indigent customers receiving more relief than the amount of revenue billed.The opeing balance of indigent debtors with credit balance in 2022/23FY was R 1 716 662 and increased by R1 396 036.85 during the year , hence the</p>				
Decrease Trade payables from exchange transactions(debtors with credit balance)				1,305,826.68
Service Charges (3 112 699-1 716 662)			-	1,396,036.85
Decrease in accumulated surplus (3112699-1305827-1 716 662)				90,210.17

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

52. Prior Period Error Note (continued)

During the current year it was identified that the municipality did not calculate and accrue interest on financial liability in line with the signed agreement

Increase in finance cost			1,858,540.00	
Increase in financial liabilities			-	1,858,540.00

During the current year it was identified that receivables from Cigicell was fully impaired in 2023 financial year even though Municipality owes Cigicell amount that is more than the receivable. The amount receivable may be recovered against the liability to Cigicell

Increase in other receivables-Prepaid electricity Cigicell			17,249,118.00	
Decrease in Debt impairment			-	17,249,118.00

During the current year, it was identified that sale of goods was overstated by mapping the cash and cash equivalents account in revenue

Decrease in sale of goods			9,228.00	
Increase in in accummulated surplus			-	9,228.00

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	2024	2023	2024	2023

52. Prior Period Error Note (continued)

During the current year it was identified that provision for doubtful debts was not correctly calculated	
Increase in debt impairment	25,948,123.16
Decrease in receivables from exchange transactions decrease in debtors from property rates	- 7,696,257.13
Decrease in receivables from exchange transactions - Electricity	- 5,650,920.72
Decrease in receivables from exchange transactions - Water	- 5,442,228.35
Decrease in receivables from exchange transactions - Sanitation	- 3,941,786.16
Decrease in receivables from exchange transactions - Refuse	- 3,044,963.59
Decrease in receivables from exchange transactions - Sundry	- 171,967.20
During the current year, it was identified that consumer debtors balance was not included in receivables from exchange transactions	
Consumer debtors	- 143,423,203.00
Receivables from exchange transactions	143,423,203.00
During the current year, it was noted that indigent write-offs were duplicated and this resulted in an understatement of	
Decrease in debtors with credit balance	3,112,699.45
Increase in sale of electricity	- 715,271.28
Increase in sale of water	- 637,512.01
Increase in revenue from waste management	- 361,531.47
Increase in revenue from sewage and sanitation charges	- 468,143.12
Increase in revenue from property rates	- 930,241.57

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	2024	2023	2024	2023

52. Prior Period Error Note (continued)

Reclassifications

Due to 2023/2024 amendments to MSCOA - Presentation of Financial Statements, the entity changed its terminology of "General Expenses" to "Operational costs", "Other income" to "Operational revenue". This amendment became effective for periods beginning on or after 1 July 2023.

The following reclassifications adjustment occurred:

1. Transfers to Development Agency of R 1 040 000 were incorrectly classified as Operational costs in order to comply with the MSCOA presentation.

2. Accrued Bonus were incorrectly classified as Provision. The classification as Provisions were not correct as the municipality's leave policy allows employees to a leave cash payout when they resign. The accrued bonus have been reclassified into Payables from exchange transactions.

Segment Reporting

[Segment reporting previously reported, included non reporting segment such as governance.

55. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Governance and administration	Community and Public Safety	Economic and Environmental Services	Trading Services	Unallocated	Total
Revenue						
Revenue from exchange transactions	20 610 222	100 504	3 892 211	131 752 047	-	156 354 984
Revenue from non-exchange transactions	54 690 000	44 870 372	-	35 575 862	-	135 136 234
Interest income	340 371	-	-	89 342 210	-	89 682 581
Total segment revenue	75 640 593	44 970 876	3 892 211	256 670 119	-	381 173 799
Entity's revenue						381 173 799
Expenditure						
Total Segment expenditure	83 686 803	19 742 477	3 409 972	75 475 552	79 588 756	261 903 560
Depreciation and Amortization	-	25 052 702	-	-	-	25 052 702
Impairment loss on assets	-	302 883	-	-	-	302 883
Debt Impairment	-	-	-	58 565 181	-	58 565 181
Total segment expenditure	83 686 803	45 098 062	3 409 972	134 040 733	79 588 756	345 824 326
Total segmental surplus/(deficit)						35 349 473

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Prior year segment reporting

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Figures in Rand	Economic entity		Controlling entity		Total	
	2024	2023	2024	2023		
52. Prior Period Error Note (continued)						
55. Segment information (continued)						
Segment surplus or deficit, assets and liabilities						
2023						
	Governance and administration	Community and Public Safety	Economic and Environmental Services	Trading Services	Unallocated	Total
Revenue						
Revenue from exchange transactions	20 610 222	100 504	3 892 211	131 752 047	-	156 354 984
Revenue from non-exchange transactions	54 690 000	44 870 372	-	35 575 862	-	135 136 234
Interest income	340 371	-	-	89 342 210	-	89 682 581
Total segment revenue	75 640 593	44 970 876	3 892 211	256 670 119	-	381 173 799
Entity's revenue						381 173 799
Expenditure						
Total Segment expenditure	83 686 803	19 742 477	3 409 972	75 475 552	79 588 756	261 903 560
Depreciation and Amortization	-	25 052 702	-	-	-	25 052 702
Impairment loss on assets	-	302 883	-	-	-	302 883
Debt Impairment	-	-	-	58 565 181	-	58 565 181
Total segment expenditure	83 686 803	45 098 062	3 409 972	134 040 733	79 588 756	345 824 326
Total segmental surplus/(deficit)						35 349 473

Fruitless and wasteful expenditure

There was an omission of fruitless and wasteful balance emanating from prior year resulting in the understatement of the opening balance by R40,073,977 in the prior year (2023). Updated fruitless register shows that it should have been reported as R112,654,870

Fruitless and wasteful expenditure

Opening balance as previously reported	111 391 101	72 580 969	111 314 738	72 580 893
Add: Fruitless and wasteful expenditure identified - current	46 399 081	38 733 845	46 369 817	38 733 845
Less: Amount written-off by council	(111 314 738)	-	(111 314 738)	-
Less: Amount written off - current	(46 369 817)	-	(46 369 817)	-
	105 627	111 314 814	-	111 314 738

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

53. Risk management

Financial risk management

Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Controlling entity

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	10 682 494	-	-	-
Financial Liabilities	16 465 204	-	-	-
Trade and other payables	897 958 674	-	-	-
At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	9 710 561	-	-	-
Financial Liabilities	16 305 896	-	-	-
Trade and other payables	722 655 695	-	-	-

Credit risk

Financial instruments	-	-	-	-
Financial assets				
Investments - Sanlam shares	63 749	45 980	63 749	45 980
Investments in controlled entities	-	-	20 100	20 100
Trade and other receivables from exchange transactions	3 904 660	12 724 100	3 904 660	12 724 100
Receivables from non-exchange transactions	2 553 919	62 637 399	2 553 919	62 637 399
Consumer debtors	220 940 207	143 423 203	220 940 207	143 423 203
Cash and Cash Equivalents	5 505 004	20 935 267	5 505 004	20 935 267
	-	-	-	20 100
Financial liabilities	23 529 665	19 518 085	20 476 784	16 465 204
Other financial liabilities	12 583 875	10 682 949	12 583 875	10 682 949

Cash and cash equivalents: A significant amount of cash is held with FNB, who are the municipality's main bankers.

54. Events after the reporting date

Council wrote off unauthorised, fruitless, and irregular expenditure after 30 June 2024. This is an adjusting event since balances were that existed at year end were written-off before the AFS are authorised for issue.

Unauthorised expenditure balance was reduced by R744,526,455 resulting a closing balance of R354,729,514.

Irregular expenditure balance was reduced by R11,646,085 resulting in closing balance of R251,485,585

Fruitless and wasteful balance was reduced by R197,758,532 resulting in closing balance of R105,627.

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	2024	2023	2024	2023
55. Unauthorised expenditure				
Opening balance as previously reported	905 076 392	775 808 082	905 076 392	775 808 082
Add: Unauthorised expenditure - current	194 179 577	129 268 310	194 179 577	129 268 310
Less: Amount written-off by council	(744 526 455)	-	(744 526 455)	-
Closing balance	354 729 514	905 076 392	354 729 514	905 076 392
56. Fruitless and wasteful expenditure				
Opening balance as previously reported	111 391 101	72 657 256	111 314 738	72 580 893
Add: Fruitless and wasteful expenditure identified - current	46 399 081	38 733 845	46 369 817	38 733 845
Less: Amount written-off by council	(111 314 738)	-	(111 314 738)	-
Less: Amount written off - current	(46 369 817)	-	(46 369 817)	-
Closing balance	105 627	111 391 101	-	111 314 738

Fruitless and wasteful expenditure is presented inclusive of VAT

Total Fruitless & Wasteful Expenditure for the year ended 30 June 2024 R 0

Based on the work performed, Fruitless and wasteful expenditure are accurate and complete.

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

56. Fruitless and wasteful expenditure (continued)

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R157,684,555 - from the total fruitless and wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

57. Irregular expenditure

Opening balance as previously reported	251 492 786	202 297 403	243 573 971	196 371 603
Add: Irregular expenditure - current	-	17 025 187	-	15 032 172
Add: Irregular expenditure - correction of prior period error	-	32 170 196	-	32 170 196
Add: Irregular expenditure - current	11 638 886	-	9 614 798	-
Less: Amount written-off by council	(11 646 085)	-	(11 646 085)	-
Closing balance	251 485 587	251 492 786	241 542 684	243 573 971

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	2024	2023	2024	2023	
57. Irregular expenditure (continued)					
Incidents/cases identified/reported in the current year include those listed below:					
	Disciplinary steps taken/criminal proceedings				
Overvaal Motors	No Contract/SLA and Not registered on CSD	-	-	1 294 111	1 189 504
H2 Enterprise	No Contract/SLA and Not registered on CSD	-	-	124 788	150 696
Execl Topstop T/A Dessert General Trading	No Contract/SLA and Not registered on CSD	-	-	-	903 808
Setshabelo Trading 720 BK	No Contract/SLA and Not registered on CSD	-	-	-	-
A J ingenieurswerke	Not registered on csd	-	-	-	83 605
Mofato Enterprise (Pty) Ltd	Paupers Funeral, 1 quotation sourced out, more than R2000.00 3 quotes should be sourced out	-	-	-	-
TSU transportation spares	deviation memo attached but Not Registered on CSD	-	-	-	117 287
Hydraulic 2000cc	1 quotation sourced out, more than R2000.00 3 quotes should be sourced out	-	-	-	-
Grace Funeral Parlour	Paupers Funeral, 1 quotation sourced out, more than R2000.00 3 quotes should be sourced out	-	-	-	-
Park Boulevard two T/A Trevors	1 quotation sourced out, more than R2000.00 3 quotes should be sourced out	-	-	-	3 660
Wheels & Tyre (Pty)Ltd	3 quotations sourced out for more than 30 000.00	-	-	-	7 800
Nonki C Travels	Paupers Funeral, 1 quotation sourced out, more than R2000.00 3 quotes should be sourced out	-	-	-	-
ST Naledi Funerals CC	Car Rental, No contact or SLA	-	-	-	161 241
Thabethe & Co	Paupers Funeral, 1 quotation sourced out, more than R2000.00 3 quotes should be sourced out	-	-	-	-
Oageng funeral services	Exceptional case where it is impractical to follow SCM process	-	-	-	17 906
Oranje Toyota Klerksdorp	Evaluation and adjudication criteria applied in evaluating and adjudicating the bids are the same as those indicated in the original bid documentations.	-	-	5 014 827	4 398 317
Sempro Consulting (Pty) Ltd	The winning bidder's account for municipal rates and taxes and municipal service charges were not in arrears for more than 3 months at the time of awarding the contract.	-	-	-	-
Mojalefa phoofolo funeral home					

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Figures in Rand	Economic entity.		Controlling entity			
	2024	2023	2024	2023		
57. Irregular expenditure (continued)						
Rekathusa funeral Ganyesa Ltd for (Building Works)		Evaluation and adjudication criteria applied in evaluating and adjudicating the bids are the same as those indicated in the original bid documentations.	-	-	-	-
Velezwine Pty Ltd		The winning bidder's account for municipal rates and taxes and municipal service charges were not in arrears for more than 3 months at the time of awarding the contract.	-	-	355 108	676 321
Gaberton investment (pty) ltd		SCM processes were not followed - the suppliers is not having a Contract/ SLA and not registered on CSD	-	-	-	143 673
Harry Tours Logistics (Pty) Ltd for (Building Works)		Evaluation and adjudication criteria applied in evaluating and adjudicating the bids are the same as those indicated in the original bid documentations.	-	-	15 640	62 248
Pule Pilane Trading and Projects (Pty) Ltd		The winning bidder's account for municipal rates and taxes and municipal	-	-	-	-
Basadzi Personnel and Media (Pty) Ltd		The winning bidder's account for municipal rates and taxes and municipal	-	-	-	-
De Swardt Vogel Myambo Kgomo Attorneys Inc		SCM processes were not followed - the suppliers is not having a Contract/ SLA and not registered on CSD	-	-	78 942	210 253
Gaberton Investment (Pty)Ltd		contracts advertised for less than 30 days	-	-	339 849	1 343 689
Lokomotiv (Pty) Ltd		SCM processes were not followed - the suppliers is not having a Contract/ SLA and not registered on CSD	-	-	243 132	929 754
Engineering Aces Consulting Engineers		The winning bidder's account for municipal rates and taxes and municipal service charges were not in arrears for more than 3 months at the time of awarding the contract.	-	-	-	-
Hinterland Holdings (Pty) Ltd		SCM processes were not followed - the suppliers is not having a Contract/ SLA and not registered on CSD	-	-	178 169	28 350
Ikgo Logistics (PTY) LTD		SCM tender processes not followed	-	-	-	-
Matlosana books & Stationery MEG Security		SCM processes were not followed - the suppliers is not having a Contract/ SLA and not registered on CSD	-	-	1 869 129	65 659
Kamata Promotions		SCM tender processes not followed	-	-	-	-
		SCM processes were not followed - the suppliers is not having a Contract/ SLA and not registered on CSD	-	-	-	441 600
		3 quotations sourced out for more than 30 000.00	-	-	-	-
			-	-	-	1 600 000
			-	-	-	37 836

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Figures in Rand	Economic entity.		Controlling entity	
	2024	2023	2024	2023
57. Irregular expenditure (continued)				
KTL HSE CONSULTING				
SCM processes were not followed - the suppliers is not having a Contract/ SLA and not registered on CSD	-	-	-	347 133
Dintle catering transport				
SCM processes were not followed - the suppliers is not having a Contract/ SLA and not registered on CSD	-	-	-	170 156
Construction & projects				
SLA and not registered on CSD	-	-	-	-
Tlhabollo consulting and service pt Ltd				
SCM processes were not followed - the suppliers is not having a Contract/ SLA and not registered on CSD	-	-	-	797 705
Samm and victoria houlding 77 (pty) Ltd				
SCM processes were not followed - the suppliers is not having a Contract/ SLA and not registered on CSD	-	-	101 102	1 141 371
Puthadichaba funeral service				
Paupers Funeral, 1 quotation sourced out, more than R2000.00 3 quotes should be sourced out	-	-	-	2 500
	-	-	9 614 797	15 032 072

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of -R11,646,085 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

58. Additional disclosure in terms of Municipal Finance Management Act

SALGA Contributions

Opening balance	388 075	-	388 075	-
Current year subscription / fee	940 976	862 386	940 976	862 386
Current year fees	23 648	-	23 648	-
Amount paid - current year	(888 075)	(474 311)	(888 075)	(474 311)
	464 624	388 075	464 624	388 075

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	2024	2023	2024	2023
58. Additional disclosure in terms of Municipal Finance Management Act (continued)				
Audit fees				
Opening balance	5 973 067	857 225	5 973 067	857 225
Current year subscription / fee	8 097 502	9 015 842	8 097 502	9 015 842
Amount paid - current year	(2 650 000)	(3 900 000)	(2 650 000)	(3 900 000)
	11 420 569	5 973 067	11 420 569	5 973 067
PAYE and UIF				
Opening balance	7 307 621	16 660 960	7 307 621	16 660 960
Current year subscription / fee	16 342 246	13 481 144	16 342 246	13 481 144
Amount paid - current year	(15 252 032)	(22 834 483)	(15 252 032)	(22 834 483)
	8 397 835	7 307 621	8 397 835	7 307 621
Pension and Medical Aid Deductions				
Opening balance	8 074 538	4 435 775	8 074 538	4 435 775
Current year subscription / fee	20 787 442	20 241 365	20 787 442	20 241 365
Amount paid - current year	(14 296 120)	(16 602 602)	(14 296 120)	(16 602 602)
	14 565 860	8 074 538	14 565 860	8 074 538
VAT				
VAT receivables	(6 261 108)	(12 486 594)	(6 300 653)	(12 519 045)

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	2024	2023	2024	2023
58. 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. Pilane		6 614	149 451	156 065
Cllr. Dabampe		4 045	55 057	59 102
Cllr. Duiker		4 044	12 596	16 640
Cllr. Setsetse		3 348	14 794	18 142
Cllr Seneke		2 936	12 808	15 744
Cllr. Komane		2 507	13 211	15 718
Cllr Nel		8 342	83 366	91 708
Cllr. Hossian		2 925	15 325	18 250
Cllr. Motlhabi		3 187	14 549	17 736
Cllr Adams		9 294	176 298	185 592
Cllr. Greber		837	-	837
Cllr. Legabe		6 995	129 093	136 088
		55 074	676 548	731 622

30 June 2023		Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr. Pilane		7 573	130 969	138 542
Cllr. Dabampe		4 711	43 270	47 981
Cllr. Duiker		3 691	10 205	13 896
Cllr. Setsetse		2 833	5 092	7 925
Cllr. Setsetse		2 664	4 219	6 883
Cllr Seneke		3 312	4 630	7 942
Cllr. Komane		15 239	52 472	67 711
Cllr. Nel		4 961	3 038	7 999
Cllr. Letebele		3 137	5 550	8 687
Cllr. Adams		10 623	161 684	172 307
Cllr. Greber		2 489	-	2 489
Cllr. Legabe		8 066	115 212	123 278
		69 299	536 341	605 640

59. Deviation from supply chain management regulations

Category				
Deviations less than R 200 000	3 633 078	3 629 408	3 633 078	3 629 408
Purchase of capital assets	276 124	-	276 124	-
Repairs and maintenance of Infrastructure	490 170	-	490 170	-
Repairs and maintenance of other fixed assets	556 369	593 397	556 369	593 397
Rental of fixed asset	618 208	1 000 000	618 208	1 000 000
Extension of contracts	890 100	-	890 100	-
	6 464 049	5 222 805	6 464 049	5 222 805

60. Accounting by principals and agents

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

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

60. Accounting by principals and agents (continued)

Details of the arrangement are as follows: Details of the arrangement are as follows:

The municipality has an agreement with the North West Department of Transport in which the municipality administer the licensing and the registration functions on behalf of the department of transport

The municipality receives an agency fees of 20% of the funds received on behalf of the department after the transaction fees as a compensation for the services carried out on behalf of the department. Any resulting differences is paid over to the department. There has not been any changes to the arrangement in the current year. Should the municipality fails to pay over the monies collected, the department will raise a liability as a result of non-payment.

The municipality also has an agreement with Contour wherein Contour sell electricity on behalf of the municipality and charge the municipality a commission of 2.3%.

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is 3 233 994 (2023: 3 205 154).

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
Agency fees	fees received by the municipality for rendering administrative functions on behalf of North West Department of Transport.

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

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

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

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

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

Entity as principal

The resources have been recognised/have not been recognised by the agent in its financial statements.

Fee paid

Fee paid as compensation to the agent	-	-	403 735	31 309
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61. Budget differences

Material differences between budget and actual amounts

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	2024	2023	2024	2023

61. Budget differences (continued)

Statement of comparison of budget and actual amounts explanations

PART A - material variances between budget and actual amounts were disclosed as required by paragraph 12(c) of Grap 24

Financial Performance

Service Charges (Electricity) - The conversion of conventional meters to prepaid has reduced the sales of electricity which impacted on the budgeted sales. This was not considered by the municipality when budgeting for the revenue.

Service Charges (Water) – Prior year figures and trends was used to budget for water, however, the actuals were indicative of higher collections has the amount was adjusted a little bit high during the adjustment budget.

Rental of facilities and equipment - Budget was forecasted using prior year actuals increased by the CPI. Rental is based on the demand for facilities from residents within the municipal area therefore the demand was high and resulted in a higher revenue collection than the forecasted budget.

License and Permits - The municipality did not budget for license and permits income because of the lack of system that manages the process.

Interest received – Payment by customers of outstanding debts for services rendered is slow, resulting in high outstanding debts and interest is charged on overdue accounts.

Property Rates - Payment by customers of outstanding debts for services rendered is slow, resulting in high outstanding debts and interest is charged on overdue accounts

Traffic Fines - The item's budget was low and based on previous year trend plus CPI.

Government grants- Operational - The grants are based on the DORA allocations. The difference is made by capital grants.

Fair Value adjustment - The fair value adjustment is from the remeasurement of the investment property that was not budgeted for.

Finance costs - The also the interest charges on concessionary loan and interest on overdue accounts was not considered during the budget preparations.

Debt impairment - The increase is attributable to the increase in the additional impairment from provision for bad debt
Depreciation and Amortisation - The increase is attributable to the increase in the capital expenditure than budgeted.

Loss on disposal of assets - This is attributable to a write off assets that were not budgeted by the municipality.
Impairment loss – budget was not allocated for the provision of impairment loss.

Bulk purchases - At the budget adjustment date there was little movement in the account resulting the budget was not adjusted and we could not reliably estimate how much is needed as most of the invoices were not yet submitted to finance by Eskom. Bulk of transactions were posted after adjustment budget was approved which caused the overspending.
Contracted services - main contributor to the overspending is legal fees. The account was spending in line with the budget at the adjustment period hence the slight adjustment. Invoices which contributed to the overspending were posted after the adjustment period.

Inventory consumed– The consumables at year end were higher than the budgeted quantity, the municipality did not make provision for water inventory hence the significant difference.

Operational costs – In general the municipality's budget is not funded hence a huge deficit.

Financial Position

Inventories – The consumables at year end were higher than the budgeted quantity.

Investments – The item was budgeted by the municipality, however removed during adjustment budget based on trends.

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	2024	2023	2024	2023

61. Budget differences (continued)

Receivable from exchange transactions – The difference is due to low budget on other receivables, no budget for licences and interest on receivables, which is charged on overdue accounts.

Receivable from non-exchange transactions – The balance relates to the Rates accounts that were budgeted under consumer debtors.

VAT receivables – VAT receivable was budgeted for based on trend

Long-term Debtors – Long-term debtors is low due to some amounts being irrecoverable from the debtors.

Cash and cash equivalents – The closing balance is higher because of the receipt of the equitable share.

Investment property – The valuations of the investment properties were very higher than the actual valuations performed by the valuers of the investment properties at year end.

Property, Plant and Equipment – The additions and the transfers from the completed projects were budgeted to be lower than the actuals.

Other receivables-Prepaid Electricity Cigicell – The CIGICELL debt owed to the municipality is not budgeted due to the disputes that are currently going between the municipality and CIGICELL.

Long term debtors – The number of debtors that entered into payment arrangement with the municipality was significantly lower than budgeted. This is due to the dire economic conditions faced by the customers.

Finance lease obligation – This is a new lease on the IT and printing equipment that was entered into after the budget period.

Trade and Other Payables – The amount owed to the department of water and sanitation was significantly understated during the budgeting process. Hence the significant difference.

Employee benefit obligation – The amount of the employee benefits obligations is only calculated at year end by the actuaries, hence it was not budgeted for.

Unspent conditional grants and receipts - The grant are based on the DORA allocations and at the time of the budgets, the amount of unspent and spent grant could not be established.

Other financial liabilities – The Dr Ruth Mompoti loan has not been repaid over the years and hence it's repayment was not budgeted for.

Financial liabilities - The CIGICELL concessionary loan owed by the municipality is not budgeted due to the disputes that are currently going between the municipality and CIGICELL.

Provisions – The provision for environmental rehabilitation and leave provision was budgeted lower than the actual provision calculated by the environmental experts.

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

61. Budget differences (continued)

62. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of four major functional areas: Community and Public Safety, Trading Services.

The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes..

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources.

The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

The municipality operates in the North West Province. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout North West were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

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

Reportable segment

Trading Services

Community and Public Safety

Goods and/or services

Water and electricity supply, waste management, sanitation and waste management

Community and social services, sport and recreation, public safety and health

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62. Consumer deposits (continued)

Segment surplus or deficit, assets and liabilities

2024

	Community and Public Safety	Trading Services	Non reporting Segments	Total
Revenue				
Revenue from exchange transactions	66 009 423	132 518 919	1 979 362	200 507 704
Revenue from non-exchange transactions	52 941 105	15 714 000	101 286 012	169 941 117
Interest on investment	-	-	20 466 118	20 466 118
Interest on receivables	23 926 979	42 427 408	-	66 354 387
Total segment revenue	142 877 507	190 660 327	123 731 492	457 269 326
Entity's revenue				457 269 326
Expenditure				
Total Segment expenditure	15 857 531	105 863 536	106 853 207	228 574 274
Depreciation and Amortisation	-	-	24 181 157	24 181 157
Interest expense	-	35 791 641	-	35 791 641
Debt Impairment	-	148 078 417	-	148 078 417
Total segment expenditure	15 857 531	289 733 594	131 034 364	436 625 489
Total segmental surplus/(deficit)	127 019 976	(99 073 267)	(7 302 872)	20 643 837
Assets				
Segment assets	1 246 129	121 997 382	3 574 674 393	3 697 917 904
Total assets as per Statement of financial Position				3 697 917 904
Liabilities				
Segment liabilities	1 476 253 129	3 219 000	1 479 472 129	2 958 944 258
Total liabilities as per Statement of financial Position				2 958 944 258

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Figures in Rand

62. Consumer deposits (continued)

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

Controlling entity - 2023

	Community and Public safety	Trading Services	Non Reporting Segment	Total
Revenue				
Revenue from non-exchange transactions	47 719 666	11 632 666	91 272 706	150 625 038
Revenue from exchange transactions	60 012 826	114 472 389	1 596 718	176 081 933
Interest on investments	-	-	35 495 114	35 495 114
Interest on receivables	20 751 435	33 436 032	-	54 187 467
Total segment revenue	128 483 927	159 541 087	128 364 538	416 389 552
Entity's revenue				416 389 552
Expenditure				
Segment Expenditure	15 481 844	104 158 732	103 958 310	223 598 886
Interest expenses	-	48 386 920	-	48 386 920
Depreciation and Amortisation	-	-	17 657 735	17 657 735
Debt Impairment	-	101 762 423	-	101 762 423
Total segment expenditure	15 481 844	254 308 075	121 616 045	391 405 964
Total segmental surplus/(deficit)	113 002 083	(94 766 988)	6 748 493	24 983 588
Assets				
Segment assets	462 744 966	77 986 533	2 580 456 842	3 121 188 341
Total assets as per Statement of financial Position				3 121 188 341
Liabilities				
Segment liabilities	-	36 658 560	1 162 504 848	1 199 163 408
Total liabilities as per Statement of financial Position				1 199 163 408

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62. Consumer deposits (continued)

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

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	2024	2023	2024	2023
63. Finance lease obligation				
Minimum lease payments due				
- within one year	2 613 820	2 613 820	2 613 820	2 613 820
- in second to fifth year inclusive	653 455	3 267 276	653 455	3 267 276
	<u>3 267 275</u>	<u>5 881 096</u>	<u>3 267 275</u>	<u>5 881 096</u>
less: future finance charges	(281 014)	(847 308)	(281 014)	(847 308)
Present value of minimum lease payments	<u>2 986 261</u>	<u>5 033 788</u>	<u>2 986 261</u>	<u>5 033 788</u>
Present value of minimum lease payments due				
- within one year	2 347 500	2 047 527	2 347 500	2 047 527
- in second to fifth year inclusive	638 761	2 986 261	638 761	2 986 261
	<u>2 986 261</u>	<u>5 033 788</u>	<u>2 986 261</u>	<u>5 033 788</u>
Non-current liabilities	638 761	2 986 261	638 761	2 986 261
Current liabilities	2 347 500	2 047 527	2 347 500	2 047 527
	<u>2 986 261</u>	<u>5 033 788</u>	<u>2 986 261</u>	<u>5 033 788</u>

The municipality has leased printers for a period of 3 years (36 months).

- Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality has entered into a finance lease agreement with a third party for the lease of printers. The lease agreement is for a period of 36 months, commencing on 15/05/2023 and expiring on 14/05/2026. The lease shall commence on a month-to-month basis after expiring date until terminated by either the lessee or lessor by giving 30 days notice.

The implicit interest rate for the finance lease 14% (2023:14%) which has been used to discount the minimum lease payments to their present value.

No contingent rent payments or sub-lease income have been recognised during the reporting period.

The lease agreement includes the following terms and conditions:

The lease payments are fixed and are payable monthly in arrears.

The lessee is responsible for maintaining the asset in good condition.

The lease contains no escalation clauses.

No additional guarantees have been provided.

64. Going concern

We draw attention to the fact that the municipality incurred a net loss of (R77,580,296) during the year ended 30 June 2024 and, as of that date, the municipality's current liabilities exceeded its current assets by 82 738 601)

n addition, the municipality owed Eskom R 254,850,449 (2023: R279,702,705) and the Department of Water and Sanitation R 562,716,745 (2023: R497,603,696) as at 30 June 2024, which was long overdue. These events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concerns.

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	2024	2023	2024	2023

64. Going concern (continued)

The municipality's liquidity position is expected to improve in the near future compared to previous financial years. As the municipality has appointed debt collectors to assist with collection of historic debt and defaulting debtors. The municipality is consistently working on decreasing the creditor's book; however, Eskom and water board debt remains a challenge. It should be noted that the municipality is part of the debt relief programme and should it succeed, at least one third of the Eskom debt will be written off. Additional text

65. Transfer and subsidies

Development Agency Assistance	1 650 805	1 040 000	1 650 805	1 040 000
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66. Capital and Operational Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	1 667 378	11 032 276	1 667 378	11 032 276
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Total capital commitments

Already contracted for but not provided for	1 667 378	11 032 276	1 667 378	11 032 276
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Total commitments

Total commitments

Authorised capital expenditure	1 667 378	11 032 276	1 667 378	11 032 276
Authorised operational expenditure	-	-	-	13 175 833
	1 667 378	11 032 276	1 667 378	24 208 109

This committed expenditure relates to property and will be financed by MIG. Operational commitments are not disclosed in the current year to comply with GRAP 19 reporting requirement.

67. Investment in controlled entities

Investments in controlled entities

Name	Determination of ownership interest	Economic Entity		Controlling Entity		Economic Entity Carrying amount 2024	Economic Entity Carrying amount 2023	Controlling Entity Carrying amount 2024	Controlling Entity Carrying amount 2023
		% ownership interest 2024	% ownership interest 2023	% ownership interest 2024	% ownership interest 2023				
Lekwa Teemane Development Agency	100	- %	- %	100,00 %	100,00 %	-	-	20 100	-
Lekwa Teemane Local Municipality Entity 3 [specify] Jurisdiction [specify]	[Specify]	- %	- %	- %	- %	20 100	20 100	-	-
						20 100	20 100	20 100	-
						20 100	20 100	20 100	-

The carrying amounts of controlled entities are shown at cost, net of impairment losses, if any.

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	2024	2023	2024	2023
68. Share capital / contributed capital				
Issued				
Ordinary	100	100	-	-
Share premium	20 000	20 000	-	-
	<u>20 100</u>	<u>20 100</u>	<u>-</u>	<u>-</u>