



**SEKHUKHUNE**  
District Municipality

Sekhukhune District Municipality  
Financial statements  
for the year ended 30 June 2024  
Auditor General (SA)

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## General Information

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### Legal form of entity

A district municipality in terms of section 1 of the Local Government: Municipal Structures Act 11 of 1998 read with section 155 (1) of the Constitution of the Republic of South Africa of South Africa, Act 108 of 1996.

### Nature of business and principal activities

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

### Mayoral committee

Executive Mayor

Cllr Mokganyetji MJ (Executive Mayor: 1st July 2023 - 16th November 2023)

Cllr Maitula BM (Executive Mayor: 17th November 2023 - 30th June 2024)

Councillors

Cllr Chego KS (Council speaker)

Cllr Phokane K (Chief Whip of council)

Cllr Sefala RE

Cllr Kupa CR

Cllr Ratau MF

Cllr Nkosi SM

Cllr Malatji MN

Cllr Lekwatsipa LR

Cllr Mafefe O

Cllr Leshaba B

Cllr Mohlala MJ

Cllr Mabatane MC

Cllr Mogofe A

Cllr Tladi MD

Cllr Maloba AM

Cllr Machai MJ

Cllr Maelane KM

Cllr Letsela NS

Cllr Magatla LN

Cllr Makobe PA

Cllr Mashegoana MC

Cllr Thokoane KZ

Cllr Mokomane ML

Cllr Mosoane E

Cllr Rankoe TP

Cllr Leokana MD

Cllr Matsomane SD

Cllr Sithole ME

Cllr Nkosi SB

Cllr Maibelo LS

Cllr Mohlamonyane TE

Cllr Mashilo MS

Cllr Malau TS

Cllr Makofane IT

Cllr Ngwatle AT

Cllr MAbelane JM

Cllr Molapo WS

Cllr Tlape MM

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## General Information

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	Cllr Thobejane LM Cllr Mokgoto K Cllr Mgiba NP Cllr Mathipa MP Cllr Makutu TS Cllr Makofane T Cllr Magabe MS Cllr Senong MR Cllr Mosotho MT Cllr Matsetela ML Cllr Komane LM Cllr Kgwedi JL Cllr Tshivhula MP Cllr Mogotji FM
<b>Grading of local authority</b>	Grade 4 Municipality
<b>Accounting Officer</b>	Ms. Rampedi MN (1st July 2023 - 30 September 2023) Mr. Kgwale MM (1st October 2023 - 30 June 2024)
<b>Chief Finance Officer (CFO)</b>	Mr. Nkadameng HL
<b>Registered office</b>	03 West Street Groblersdal 0470
<b>Postal address</b>	Private Bag X8611 Groblersdal 0470
<b>Bankers</b>	Standard Bank
<b>Auditors</b>	Auditor General (SA)

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Index

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

	<b>Page</b>
Accounting Officer's Responsibilities and Approval	4
Audit Committee Report	5
Accounting Officer's Report	6
Statement of Financial Position	7
Statement of Financial Performance	8
Statement of Changes in Net Assets	9
Cash Flow Statement	10
Statement of Comparison of Budget and Actual Amounts	10 - 16
Accounting Policies	17 - 42
Notes to the Financial Statements	43 - 89

### Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
MIG	Municipal Infrastructure Grant
WSIG	Water Services Infrastructure Grant
SALGA	South African Local Government Association

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The municipality is at most dependent on the government grants for continued funding of operations. The 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 accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors. 6.

The financial statements set out on page 8 to 83, which have been prepared on the going concern basis, were approved by the accounting officer on 31 June 2024 and were signed on its behalf by:

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**Accounting Officer  
Designation**

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Audit Committee Report

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We are pleased to present our report for the financial year ended 30 June 2024.

### Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. The meetings held by the audit committee are listed here under:

<b>Name of member</b>	<b>Number of meetings attended</b>
Mr. Mofokeng LS (Chairperson)	12
Ms. Ngoetjana S	11
Adv. Thubakgale L	11
Mr. Manyisane V	12
Mr. MATHabatha M	12

### Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the Municipal Finance Management Act. .

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### The effectiveness of internal control

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

### Evaluation of financial statements

The audit committee has:

- reviewed and discussed the audited financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the financial statements, and are of the opinion that the audited financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

### Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

### Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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**Chairperson of the Audit Committee**

**Date:** \_\_\_\_\_

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Accounting Officer's Report

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

### 1. Review of activities

#### Main business and operations

Net surplus of the 2023/2024 financial year was R 165 619 452.00 as at 30 June 2024 ( 30 June 2023 - R 262 210 064.00 )

### 2. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R 5 063 049 554.00

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the municipality to ensure that all matters of compliance are adhered to so as to ensure that all the conditional and unconditional grants allocated to the municipality are received in full as the municipality is currently grant dependent to fund its operations. The municipality is currently implementing the revenue strategy that is aimed at enhancing its revenue base over time to ensure that there is financial sustainability without having to rely heavily on government grants and subsidies.

The municipality has adopted a voluntary financial recovery plan with the assistance of the National Treasury, the plan is aimed at improving the financial position of the municipality by enhancing its revenue base while also unlocking service delivery backlogs. Implementation of the plan is to be monitored by the provincial treasury on a monthly basis.

### 3. Subsequent events

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

### 4. Accounting policies

The financial statements were prepared in accordance with the prescribed standards of Generally Accepted Accounting Practice (GRAP), including any interpretations of such Statements issued by the Accounting Standard Board as the prescribed by the Municipal Finance Management Act.

### 5. Bankers

The Standard Bank South Africa is the primary banker of the municipality for a period of five years.

### 6. Auditors

Auditor General (SA) will continue in office for the next financial period.

### 7. Provincial and National Treasury

The municipality is required, in terms of section 126(1)(a) of the MFMA, to submit its annual financial statements and those of the Sekhukhune Development Agency to the Auditor General South Africa within two months of the end of the annual financial year.

The financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 30 June 2024 and were signed on its behalf by:

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Accounting Officer  
Designation

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Assets</b>			
Current Assets			
Inventories	10	18 081 243	18 154 154
Other financial assets	5	1 000	1 000
Receivables from non-exchange transactions	11	7 723 137	2 577 805
VAT receivable	12	111 700 905	78 296 838
Prepayments	9	5 090 073	5 105 341
Receivables from exchange transactions	13	47 293 892	34 682 751
Cash and cash equivalents	14	552 691 059	732 695 367
		<b>742 581 309</b>	<b>871 513 256</b>
Non-Current Assets			
Property, plant and equipment	3	5 068 656 220	4 712 518 087
Heritage assets	4	615 316	552 117
		<b>5 069 271 536</b>	<b>4 713 070 204</b>
<b>Total Assets</b>		<b>5 811 852 845</b>	<b>5 584 583 460</b>
<b>Liabilities</b>			
Current Liabilities			
Operating lease liability	6	199 409	483 598
Payables from exchange transactions	7	619 439 174	378 248 146
Consumer deposits	8	5 508 777	5 213 578
Unspent conditional grants and receipts	15	57 482 927	254 103 033
Provisions	16	34 201 000	23 995 000
		<b>716 831 287</b>	<b>662 043 355</b>
Non-Current Liabilities			
Provisions	16	31 972 001	25 110 000
<b>Total Liabilities</b>		<b>748 803 288</b>	<b>687 153 355</b>
<b>Net Assets</b>		<b>5 063 049 557</b>	<b>4 897 430 105</b>
Accumulated surplus		5 063 049 554	4 897 430 105
<b>Total Net Assets</b>		<b>5 063 049 554</b>	<b>4 897 430 105</b>

\* See Note 46 & 45

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	19	71 551 840	104 342 357
Interest received - Debtors		34 069 586	26 068 995
Other income	23	1 082 941	1 404 470
Interest - Investments	24	81 206 793	57 878 945
Fair value adjustments		63 198	-
Actuarial gains		3 009 226	10 290 979
<b>Total revenue from exchange transactions</b>		<b>190 983 584</b>	<b>199 985 746</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants & subsidies	26	1 570 998 704	1 282 065 599
Fines, Penalties and Forfeits	20	9 326	4 428
<b>Total revenue from non-exchange transactions</b>		<b>1 571 008 030</b>	<b>1 282 070 027</b>
<b>Total revenue</b>	17	<b>1 761 991 614</b>	<b>1 482 055 773</b>
<b>Expenditure</b>			
Employee related costs	27	(432 791 920)	(391 822 556)
Remuneration of councillors	28	(17 935 498)	(17 649 118)
Depreciation and amortisation	29	(144 961 078)	(135 410 223)
Impairment loss	30	(7 348 419)	(15 470 661)
Finance costs	31	(5 565 849)	(6 834 076)
Lease rentals on operating lease	21	(45 782 700)	(52 604 272)
Debt Impairment	33	(117 262 131)	(83 091 600)
Bulk purchases	35	(231 345 755)	(142 103 580)
Contracted services	36	(278 941 930)	(128 283 298)
Transfers and Subsidies	25	(10 663 989)	(8 514 290)
Loss on disposal of assets and liabilities		-	(254 480)
Inventories losses/write-downs		(182 086)	(1 482 021)
Actuarial losses		(1 685 611)	-
General Expenses	34	(257 141 202)	(204 506 280)
Repairs and maintenance		(44 763 997)	(31 819 254)
<b>Total expenditure</b>		<b>(1 596 372 165)</b>	<b>(1 219 845 709)</b>
<b>Surplus for the year</b>		<b>165 619 449</b>	<b>262 210 064</b>

\* See Note 46 & 45

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	4 509 391 590	4 509 391 590
Adjustments		
Prior year adjustments 46	125 828 451	125 828 451
<b>Balance at 01 July 2022 as restated*</b>	<b>4 635 220 041</b>	<b>4 635 220 041</b>
Changes in net assets		
Surplus for the year	262 210 064	262 210 064
Total changes	262 210 064	262 210 064
<b>Restated* Balance at 01 July 2023</b>	<b>4 897 430 105</b>	<b>4 897 430 105</b>
Changes in net assets		
Surplus for the year	165 619 449	165 619 449
Total changes	165 619 449	165 619 449
<b>Balance at 30 June 2024</b>	<b>5 063 049 554</b>	<b>5 063 049 554</b>
Note(s)		

\* See Note 46 & 45

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		64 897 690	52 712 473
Grants		1 374 378 598	1 483 803 690
Interest income		81 045 953	57 734 127
Other receipts		1 082 941	1 404 470
		1 521 405 182	1 595 654 760
<b>Payments</b>			
Employee costs		(409 841 447)	(388 476 302)
Suppliers		(765 184 918)	(604 655 197)
Finance costs		(17 935 498)	(17 649 118)
		(1 192 961 863)	(1 010 780 617)
<b>Net cash flows from operating activities</b>	37	<b>328 443 319</b>	<b>584 874 143</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(508 447 627)	(248 096 878)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(180 004 308)</b>	<b>336 777 265</b>
Cash and cash equivalents at the beginning of the year		732 695 367	395 918 102
<b>Cash and cash equivalents at the end of the year</b>	14	<b>552 691 059</b>	<b>732 695 367</b>

The accounting policies on pages 17 to 42 and the notes on pages 43 to 89 form an integral part of the financial statements.

## Statement of Comparison of Budget and Actual Amounts

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

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	109 059 226	(536 666)	<b>108 522 560</b>	71 551 840	<b>(36 970 720)</b>
Interest received (Outstanding debtors)	16 027 930	2 100 000	<b>18 127 930</b>	34 069 586	<b>15 941 656</b>
Other Income	2 286 656	(950 591)	<b>1 336 065</b>	1 082 941	<b>(253 124)</b>
Interest received - investments	26 991 908	42 000 000	<b>68 991 908</b>	81 206 793	<b>12 214 885</b>
Actuarial gains	452 812	-	<b>452 812</b>	3 009 226	<b>2 556 414</b>
<b>Total revenue from exchange transactions</b>	<b>154 818 532</b>	<b>42 612 743</b>	<b>197 431 275</b>	<b>190 920 386</b>	<b>(6 510 889)</b>

\* See Note 46 & 45

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Revenue from non-exchange transactions

### Transfer revenue

Government grants & subsidies	1 118 180 411	(3 013 465)	<b>1 115 166 946</b>	1 089 309 148	<b>(25 857 798)</b>
Fines, Penalties and Forfeits	52 789	(4 000)	<b>48 789</b>	9 326	<b>(39 463)</b>

<b>Total revenue from non-exchange transactions</b>	<b>1 118 233 200</b>	<b>(3 017 465)</b>	<b>1 115 215 735</b>	<b>1 089 318 474</b>	<b>(25 897 261)</b>
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<b>Total revenue</b>	<b>1 273 051 732</b>	<b>39 595 278</b>	<b>1 312 647 010</b>	<b>1 280 238 860</b>	<b>(32 408 150)</b>
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### Expenditure

Personnel	(478 529 270)	14 811 652	<b>(463 717 618)</b>	(432 791 920)	<b>30 925 698</b>
Remuneration of councillors	(19 082 579)	1 800 000	<b>(17 282 579)</b>	(17 935 498)	<b>(652 919)</b>
Depreciation	(99 840 051)	110 000	<b>(99 730 051)</b>	(144 961 078)	<b>(45 231 027)</b>
Impairment of assets	-	-	-	(7 348 419)	<b>(7 348 419)</b>
Finance costs	(105 300)	-	<b>(105 300)</b>	(5 565 849)	<b>(5 460 549)</b>
Lease rentals on operating lease	(52 000 000)	-	<b>(52 000 000)</b>	(45 782 700)	<b>6 217 300</b>
Debt Impairment	-	-	-	(117 262 131)	<b>(117 262 131)</b>
Inventory consumed - Bulk Water Supply	(185 066 733)	(22 200 001)	<b>(207 266 734)</b>	(231 345 755)	<b>(24 079 021)</b>
Contracted Services	(150 768 071)	(21 564 006)	<b>(172 332 077)</b>	(278 941 930)	<b>(106 609 853)</b>
Transfers and Subsidies	(5 306 699)	-	<b>(5 306 699)</b>	(10 663 989)	<b>(5 357 290)</b>
Actuarial losses	-	-	-	(1 685 611)	<b>(1 685 611)</b>
General expenses	(220 048 100)	(722 232)	<b>(220 770 332)</b>	(257 141 202)	<b>(36 370 870)</b>
Repairs and maintenance	-	-	-	(44 763 997)	<b>(44 763 997)</b>

<b>Total expenditure</b>	<b>(1 210 746 803)</b>	<b>(27 764 587)</b>	<b>(1 238 511 390)</b>	<b>(1 596 190 079)</b>	<b>(357 678 689)</b>
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<b>Operating deficit</b>	<b>62 304 929</b>	<b>11 830 691</b>	<b>74 135 620</b>	<b>(315 951 219)</b>	<b>(390 086 839)</b>
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Transfers and subsidies - Capital	551 608 010	(34 451 535)	<b>517 156 475</b>	481 689 556	<b>(35 466 919)</b>
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Fair value adjustments	-	-	-	63 198	<b>63 198</b>
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Inventories losses/write-downs	-	-	-	(182 086)	<b>(182 086)</b>
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	<b>551 608 010</b>	<b>(34 451 535)</b>	<b>517 156 475</b>	<b>481 570 668</b>	<b>(35 585 807)</b>
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<b>Surplus before taxation</b>	<b>613 912 939</b>	<b>(22 620 844)</b>	<b>591 292 095</b>	<b>165 619 449</b>	<b>(425 672 646)</b>
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<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>613 912 939</b>	<b>(22 620 844)</b>	<b>591 292 095</b>	<b>165 619 449</b>	<b>(425 672 646)</b>
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# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

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

#### Revenue from exchange transactions

Service charges - The total approved annual budget on services charges was R 108 522 560 for the 2023/2024 financial year, total annual billing on service charges amounts to R 71 551 840 with a negative variance of R 36 970 720, the budgeted quantities of water supply couldn't be achieved due to breakdowns of the infrastructure network in some areas, disconnections of water supply were also implemented to non-paying customers during the year.

Interest Received (Outstanding Debtors) - The actual interest on outstanding debtors of R 34 069 586.00 was significantly higher than the annual budgeted amount by R 15 941 656 due to the non-payment of the current and old debts by the customers.

Other Income - The actual annual revenue from other income sources of R 1 082 941.00 was less than the annual budgeted income by R 253 124.00 due to the lower quantities of bid documents sold in the 2023/2024 financial year.

Interest Received - Investments - The R 81 205 205.00 actual interest earned from the short-term investments was more than the annual budgeted amount by R 12 213 297.00 as the municipality had more than enough surplus funds to invest throughout the financial year. Cash surplus not currently committed are invested on a short-term basis to earn the municipality interests that are part of the own revenue sources for the municipality.

Actuarial Gains - The R 3 009 226.00 actuarial gains were more than the total budgeted gains by R 2 556 414.00 as per the actuarial estimations of the 30th June 2024 performed by a professional actuary on behalf of the municipality.

#### Revenue from non-exchange transactions

Government Grants & Subsidies - The municipality received in total R 1 570 998 704.00 in government grants and subsidies during the 2023/2024 financial year, the actual amount received was less than the total approved annual budget by R 61 324 717 due to the disapproval of the application to roll-over the spent grants for the 2023/2023 financial year.

Fines and Penalties - The actual revenue from fines and penalties amounts to R 9 326.00 in the 2023/2024 financial year, with about R 39 463.00 under collection as compared to the annual approved budget. The animal impounding programs budgeted for could not be implemented as planned due to the delays in the feasibility studies which were planned for implementation in the current year.

#### Expenditure

Employee related cost - The actual employee related cost was recorded at R 432 791 920.00 for the 2023/2024 financial year, R 30 925 698.00 less than the annual budget due to the vacancies which could not be filled as budgeted for.

Remuneration of councillors - No material variances on the remuneration of councillors for the 2023/2024 financial year.

Finance costs - The actual finance costs incurred amounts to R 5 565 849.00 with a negative variance of R 5 460 549.00 due to the finance costs relating to the actuarial estimations which were not budgeted for in the 2023/2024 financial year.

Operating lease rentals - No material variances on the operating lease rentals reported for the 2023/2024 financial year.

Debt Impairment - R 117 262 131.00 material variance reported in the 2023/2024 financial year, no budget provision for the non-cash item expenditure on provision of doubtful debts in the 2023/2024 financial year as the municipality planned to collect more of the long overdue debts on service charges.

Inventory consumed - The bulk water purchases had a negative variance of R 24 079 021.00 in the 2023/2024 financial year, the municipality did enter into a settlement agreement with the Lepelle Northern Water Board for the settlement of the long outstanding debt on the bulk water account, part of the agreement was that the municipality do settle the previously disputed invoices while maintaining the current balances.

Contracted services - No material variances on contracted services in the 2023/2024 financial year, the repairs and maintenance was budgeted for as contracted services in terms of the Municipal Budgeting and Reporting Regulations.

Transfers and subsidies - No material variances on the transfers and subsidies in the 2023/2024 financial year.

Actuarial losses - There is R 1 685 611.00 expenditure on actuarial losses in the 2023/2024 financial year being the estimated

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

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

actuarial losses as at 30th June 2024. There were no budget provision on actuarial losses as per the actuarial estimations in the prior year.

General expenses - The general expenditure incurred in the 2023/24 financial year amounts to R 257 141 202.00, the municipality budgeted in total R 220 770 332 and a negative variance of R 36 370 870.00 was recorded.

### Current Assets

Inventories - The R 94 482 367.00 variance on inventory was due to the estimated closing stock in water inventory as at 30th June 2024, the municipality did not perform a water inventory count which confirmed the water levels which were lower than the closing estimations.

Other financial assets - No material variances on other financial assets in the 2023/2024 financial year.

Receivables from non-exchange transactions - There is a R 83 967 093.00 material variance on the receivables from non-exchange transactions, the variance is made of the outstanding claims by the provincial Department of Water and Sanitation for the implementation of the Regional Bulk Infrastructure projects and Water Services Infrastructure projects funded through the schedule 6B grants. The municipality did investigate the amounts and concluded based on the findings that the amounts should be impaired as the department did not agree to be owing the municipality, there was no budget provision in the 2023/2024 pending the outcome of the investigations.

VAT receivable - There is a material variance on VAT receivable, the variance is a result of impairment of the long outstanding debtors on service charges based on their payment history and the impairment of the same debtors in the prior year, there is history of the non-payment of accounts by clients which is very historical and the municipality is currently implementing the collection measures to try and collect the long outstanding debts. The accrued receivables on the VAT input also contributed to the variance.

Prepayments - No material variances on prepayments in the 2023/2024 financial year.

Receivables from exchange transactions - There is a R material variance on the receivables from exchange transactions due to the current year expenditure on the provision of long outstanding debts as compared to the expenditure in the prior year. The annual budget on the receivables from exchange transactions did not consider the impairment of the long outstanding debts.

Cash and cash equivalents - The R 364 931 138.00 material variance on the cash balances at year end is due to the lesser amounts of short term investments held by the year end.

### Non-current assets

Property, plant & equipment - The material variance on property, plant & equipment was due to the completed projects which were capitalized and depreciated in the 2023/2024 financial year, the current year additions on work in progress of the infrastructure projects also contributed to the material variance.

### Heritage assets

Mayoral chain - The R 63 197.50 material variance on the mayoral chain was due to the fair value adjustment of the chain as at end of the current year to recognise its appreciation in value during the current year.

### Current liabilities

Operating lease liability - No material variances on the lease liabilities in the 2023/2024 financial year.

Payables from exchange transactions - The R 179 232 201 material variance on payables from exchange transactions was due to the creditor's balances on both the capital projects and bulk water purchases as at end of the 2023/2024 financial year.

Consumer deposits - R 41 229 597.00 material variance on consumer deposits was due to the increase in the deposits related to the service charges not yet allocated as at the end of the 2023/2024 financial year.

Unspent conditional grants and receipts - The R 42 517 073.00 material variance on the unspent conditional grants was as a result of the improvement in the spending on capital grants in the 2023/2024 financial year.

Provisions on long service awards and unused leave - The current portion of the provisions on long service awards and unused

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

leave days had a material variance of R 12 198 329.00 due to the new actuarial estimations on both provisions as at end of the 2023/2024 financial year. No material variance on the long term portion of both long service awards and unused leave days in the 2023/2024 financial year.

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	212 731 334	(99 985 638)	<b>112 745 696</b>	18 081 243	<b>(94 664 453)</b>	
Other financial assets	-	-	-	1 000	<b>1 000</b>	
Receivables from non-exchange transactions	91 582 263	-	<b>91 582 263</b>	7 723 137	<b>(83 859 126)</b>	
VAT receivable	50 850 653	-	<b>50 850 653</b>	111 700 905	<b>60 850 252</b>	
Prepayments	-	-	-	5 090 073	<b>5 090 073</b>	
Receivables from exchange transactions	544 395 263	(401 092)	<b>543 994 171</b>	47 293 892	<b>(496 700 279)</b>	
Cash and cash equivalents	406 789 922	510 830 688	<b>917 620 610</b>	552 691 059	<b>(364 929 551)</b>	
	<b>1 306 349 435</b>	<b>410 443 958</b>	<b>1 716 793 393</b>	<b>742 581 309</b>	<b>(974 212 084)</b>	

##### Non-Current Assets

Property, plant and equipment	3 875 563 470	(24 125 452)	<b>3 851 438 018</b>	5 068 656 220	<b>1 217 218 202</b>	
Intangible assets	1 500 000	-	<b>1 500 000</b>	-	<b>(1 500 000)</b>	
Heritage assets	-	-	-	615 316	<b>615 316</b>	
	<b>3 877 063 470</b>	<b>(24 125 452)</b>	<b>3 852 938 018</b>	<b>5 069 271 536</b>	<b>1 216 333 518</b>	

**Total Assets** **5 183 412 905** **386 318 506** **5 569 731 411** **5 811 852 845** **242 121 434**

#### Liabilities

##### Current Liabilities

Operating lease liability	-	-	-	199 409	<b>199 409</b>	
Payables from exchange transactions	155 000 000	100 000 241	<b>255 000 241</b>	619 439 174	<b>364 438 933</b>	
Consumer deposits	4 209 180	-	<b>4 209 180</b>	5 508 777	<b>1 299 597</b>	
Unspent conditional grants and receipts	100 000 000	-	<b>100 000 000</b>	57 482 927	<b>(42 517 073)</b>	
Provisions	22 002 671	-	<b>22 002 671</b>	34 201 000	<b>12 198 329</b>	
	<b>281 211 851</b>	<b>100 000 241</b>	<b>381 212 092</b>	<b>716 831 287</b>	<b>335 619 195</b>	

##### Non-Current Liabilities

Provisions	32 000 000	-	<b>32 000 000</b>	31 972 001	<b>(27 999)</b>	
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**Total Liabilities** **313 211 851** **100 000 241** **413 212 092** **748 803 288** **335 591 196**

**Net Assets** **4 870 201 054** **286 318 265** **5 156 519 319** **5 063 049 557** **(93 469 762)**

#### Net Assets

##### Net Assets Attributable to Owners of Controlling Entity

##### Reserves

Accumulated surplus	4 870 201 054	286 318 265	<b>5 156 519 319</b>	5 063 049 557	<b>(93 469 762)</b>	
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# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

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

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Sale of goods and services	65 249 109	(135 574)	<b>65 113 535</b>	64 897 690	<b>(215 845)</b>
Grants	1 669 785 000	(39 265 002)	<b>1 630 519 998</b>	1 374 378 598	<b>(256 141 400)</b>
Interest income	22 612 418	46 379 490	<b>68 991 908</b>	81 206 793	<b>12 214 885</b>
Other receipts	2 219 319	1 421 769	<b>3 641 088</b>	1 082 941	<b>(2 558 147)</b>
	<b>1 759 865 846</b>	<b>8 400 683</b>	<b>1 768 266 529</b>	<b>1 521 566 022</b>	<b>(246 700 507)</b>

##### Payments

Suppliers and employee cost	(1 026 187 581)	(132 593 759)	<b>(1 158 781 340)</b>	(1 193 122 703)	<b>(34 341 363)</b>
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<b>Net cash flows from operating activities</b>	<b>733 678 265</b>	<b>(124 193 076)</b>	<b>609 485 189</b>	<b>328 443 319</b>	<b>(281 041 870)</b>
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#### Cash flows from investing activities

Purchase of property, plant and equipment	(593 743 325)	24 125 452	<b>(569 617 873)</b>	(508 447 627)	<b>61 170 246</b>
Proceeds from sale of property, plant and equipment	452 812	-	<b>452 812</b>	-	<b>(452 812)</b>

<b>Net cash flows from investing activities</b>	<b>(593 290 513)</b>	<b>24 125 452</b>	<b>(569 165 061)</b>	<b>(508 447 627)</b>	<b>60 717 434</b>
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Net increase/(decrease) in cash and cash equivalents	140 387 752	(100 067 624)	<b>40 320 128</b>	(180 004 308)	<b>(220 324 436)</b>
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Cash and cash equivalents at the beginning of the year	275 962 309	652 430 005	<b>928 392 314</b>	732 695 367	<b>(195 696 947)</b>
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<b>Cash and cash equivalents at the end of the year</b>	<b>416 350 061</b>	<b>552 362 381</b>	<b>968 712 442</b>	<b>552 691 059</b>	<b>(416 021 383)</b>
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### Reconciliation

#### Cash Flows From Operating Activities

Sale of goods and services - No material variance on the sale of goods and services.

Grants - The R 256 141 400.00 variance on the government grants and subsidies was reported during the 2022/2023 financial year. The municipality's application to roll over 2022/23 unspent conditional grants was not approved and as a result the unspent monies were paid back to the National Treasury.

Interest income - R 12 214 885.00 variance on interest from short-term investments was reported in the 2023/2024 financial year, the municipality has enough cash surplus available for investments on a short term basis during the year.

Other receipts - The receipts from other income sources has a R 2 558 147.00 due to the lower sales of tender center documents.

Payments to suppliers and employees - No material variances on payments to suppliers during the 2023/2024 financial year.

#### Cash Flows From Investing Activities

Purchase of property, plant and equipment - The cash flows from investing activities reported a R 61 170 246.00 during the year, some of the budgeted capital projects could not be implemented as budgeted for.

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Accounting Policies

Figures in Rand	Note(s)	2024	2023
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### 1. Presentation of Financial Statements

The 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 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.

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

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 Significant judgements and sources of estimation uncertainty

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

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

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

The municipality 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.

#### Impairment testing

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

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

## Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Provisions

Provisions were raised and management determined the estimations through the assistance of a qualified professional actuary. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

### 1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for those which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

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

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

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Accounting Policies

### 1.4 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite lifespan
Community assets	Straight-line	15 to 30 years
Machinery and Equipment	Straight-line	2 to 19 years
Transport assets	Straight-line	5 to 15 years
Furniture and office equipment	Straight-line	3 to 10 years
IT equipment	Straight-line	2 to 17 years
Leasehold improvements	Straight-line	5 to 10 years
Infrastructure	Straight-line	5 to 80 years

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

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

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

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

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

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

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

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

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

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

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

### 1.5 Heritage assets

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

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

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

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.5 Heritage assets (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

### Recognition

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

### Initial measurement

Heritage assets are measured at cost.

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

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.5 Heritage assets (continued)

#### Subsequent measurement

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

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

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

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

#### Impairment

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

#### Transfers

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

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

#### Derecognition

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

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

### 1.6 Financial instruments

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

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

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

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

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

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

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

## Accounting Policies

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### 1.6 Financial instruments (continued)

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

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

A financial asset is:

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

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

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

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

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 municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

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

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

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

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

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

- equity instruments or similar forms of unitised capital;

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.6 Financial instruments (continued)

- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an municipality.

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

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

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

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

### Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
VAT receivables	Financial asset measured at amortised cost
Pre-payments	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Trade and other payables	Financial liability measured at amortised cost

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

Class	Category
Interest in the Sekhukhune District Municipality	Measured at fair value

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.6 Financial instruments (continued)

#### Initial recognition

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

#### Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

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

## Accounting Policies

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### 1.6 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Fair value measurement considerations

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

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

#### Reclassification

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

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

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

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

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

#### Gains and losses

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

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

#### Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

## Accounting Policies

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### 1.6 Financial instruments (continued)

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

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

Financial assets measured at cost:

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

### 1.7 Statutory receivables

#### Identification

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

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

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

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

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

#### Recognition

The municipality recognises statutory receivables as follows:

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

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

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

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

#### Impairment losses

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.7 Statutory receivables (continued)

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

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

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

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

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

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

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

### Derecognition

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

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

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

### 1.8 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.

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.8 Leases (continued)

#### Finance leases - lessor

The municipality 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 municipality'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 the interest rate implicit in the lease.

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

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

#### Operating leases - lessor

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

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

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

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

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

#### Operating leases - lessee

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

### 1.9 Inventories

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

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

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

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

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

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

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

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

## Accounting Policies

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### 1.9 Inventories (continued)

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

When inventories are distributed, 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.

### 1.10 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

### 1.11 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

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

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.11 Cash and cash equivalents (continued)

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

### 1.12 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

### Designation

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

The municipality designates an asset or a cash-generating unit as cash-generating when:

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

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

## Accounting Policies

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### 1.12 Impairment of cash-generating assets (continued)

#### Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality 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 municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### Basis for estimates of future cash flows

In measuring value in use the municipality:

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

#### 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 municipality 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.

## Accounting Policies

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### 1.12 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

The municipality 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.

### 1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

## Accounting Policies

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### 1.13 Impairment of non-cash-generating assets (continued)

Useful life is either:

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

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

#### Designation

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

The municipality designates an asset or a cash-generating unit as cash-generating when:

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

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

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

#### Identification

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

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

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

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.13 Impairment of non-cash-generating assets (continued)

#### Reversal of an impairment loss

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

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

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

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

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

### 1.14 Employee benefits

#### Short-term employee benefits

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

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

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.14 Employee benefits (continued)

#### Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

### 1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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.

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.15 Provisions and contingencies (continued)

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

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

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

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

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

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

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

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

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.16 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.

### 1.17 Revenue from exchange transactions

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

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

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

#### Measurement

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

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

#### Sale of goods

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

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

## Accounting Policies

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### 1.17 Revenue from exchange transactions (continued)

#### Rendering of services

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

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

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

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

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

#### Interest, royalties and dividends

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

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

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.

### 1.18 Revenue from non-exchange transactions

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

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

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

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

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

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.18 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

### Recognition

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

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

### Measurement

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

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.

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.18 Revenue from non-exchange transactions (continued)

#### Fines

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

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

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

### 1.19 Investment income

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

### 1.20 Comparative figures

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

### 1.21 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.22 Fruitless and wasteful expenditure

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

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

### 1.23 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).

### 1.24 Revaluation reserve

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

### 1.25 Segment information

A segment is an activity of an entity:

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

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.25 Segment information (continued)

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.

### 1.26 Budget information

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

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

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

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

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

The 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.

### 1.27 Related parties

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

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

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

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

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

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

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

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.27 Related parties (continued)

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

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

### 1.28 Events after reporting date

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

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

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

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

**Notes to the Financial Statements**

Figures in Rand	2024	2023
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**2. New standards and interpretations**

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand

### 3. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	14 460 000	-	14 460 000	14 460 000	-	14 460 000
Plant and machinery	10 187 806	(6 642 233)	3 545 573	9 855 232	(5 140 340)	4 714 892
Furniture and office equipment	10 097 390	(6 162 917)	3 934 473	8 659 276	(5 632 108)	3 027 168
Transport assets	60 347 141	(26 064 782)	34 282 359	55 724 771	(18 764 274)	36 960 497
IT equipment	26 405 170	(16 262 431)	10 142 739	24 255 700	(12 010 606)	12 245 094
Leasehold improvements	7 309 495	(7 087 077)	222 418	7 309 495	(4 796 911)	2 512 584
Roads Infrastructure	66 882 669	(44 770 856)	22 111 813	65 704 027	(43 362 926)	22 341 101
Community assets	26 142 910	(21 065 081)	5 077 829	26 142 911	(20 473 756)	5 669 155
Wastewater network	107 225 528	(50 075 731)	57 149 797	107 225 528	(47 270 324)	59 955 204
Water network	5 013 592 339	(1 248 390 104)	3 765 202 235	4 736 183 540	(1 117 405 015)	3 618 778 525
Assets under construction (WIP)	1 152 526 984	-	1 152 526 984	942 507 508	(10 653 641)	931 853 867
<b>Total</b>	<b>6 495 177 432</b>	<b>(1 426 521 212)</b>	<b>5 068 656 220</b>	<b>5 998 027 988</b>	<b>(1 285 509 901)</b>	<b>4 712 518 087</b>

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	14 460 000	-	-	-	-	-	14 460 000
Plant and machinery	4 714 892	332 574	-	-	(1 484 543)	(17 350)	3 545 573
Furniture and office equipment	3 027 168	2 082 657	-	-	(1 103 505)	(71 847)	3 934 473
Transport assets	36 960 497	4 622 370	-	-	(7 300 508)	-	34 282 359
IT equipment	12 245 094	2 149 469	-	-	(4 241 589)	(10 235)	10 142 739
Leasehold improvements	2 512 584	-	-	-	(2 289 990)	(176)	222 418
Roads Infrastructure	22 341 101	-	1 178 642	-	(1 407 930)	-	22 111 813
Community assets	5 669 155	-	-	-	(512 183)	(79 143)	5 077 829
Wastewater network	59 955 204	-	-	-	(2 558 085)	(247 322)	57 149 797
Water network	3 618 778 525	57 661 905	219 746 894	-	(124 062 743)	(6 922 346)	3 765 202 235
Assets under construction (WIP)	931 853 867	441 598 652	-	(220 925 535)	-	-	1 152 526 984
	<b>4 712 518 087</b>	<b>508 447 627</b>	<b>220 925 536</b>	<b>(220 925 535)</b>	<b>(144 961 076)</b>	<b>(7 348 419)</b>	<b>5 068 656 220</b>

#### Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	14 460 000	-	-	-	-	-	-	14 460 000
Plant and machinery	5 096 848	1 389 109	-	-	-	(1 398 998)	(372 067)	4 714 892
Furniture and office equipment	3 900 806	199 806	-	-	-	(1 019 366)	(54 078)	3 027 168
Transport assets	35 140 604	8 364 014	(254 480)	-	-	(6 284 114)	(5 527)	36 960 497
IT equipment	11 884 797	4 454 229	-	-	-	(3 974 473)	(119 459)	12 245 094
Leasehold improvements	4 812 254	-	-	-	-	(2 294 965)	(4 705)	2 512 584
Roads Infrastructure	23 736 880	-	-	-	-	(1 395 779)	-	22 341 101
Community assets	5 509 653	503 770	-	-	-	(344 268)	-	5 669 155
Wastewater network	59 727 846	1 554 000	-	1 178 642	-	(2 421 212)	(84 072)	59 955 204
Water network	3 490 589 088	16 311 987	-	242 223 725	-	(116 277 048)	(14 069 227)	3 618 778 525
Assets under construction (WIP)	959 936 059	215 320 175	-	-	(243 402 367)	-	-	931 853 867
	<b>4 614 794 835</b>	<b>248 097 090</b>	<b>(254 480)</b>	<b>243 402 367</b>	<b>(243 402 367)</b>	<b>(135 410 223)</b>	<b>(14 709 135)</b>	<b>4 712 518 087</b>

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024	2023
<b>3. Property, plant and equipment (continued)</b>		
<b>Assets subject to finance lease (Net carrying amount)</b>		
Furniture and fixtures	(1)	-
Motor vehicles	-	8 364 014
Leasehold improvements	222 418	2 512 584
	<b>222 417</b>	<b>10 876 598</b>
<b>Property, plant and equipment in the process of being constructed or developed</b>		
<b>Cumulative expenditure recognised in the carrying value of property, plant and equipment</b>		
Infrastructure - Water	1 152 526 984	931 853 867
<b>Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected</b>		
Water Infrastructure - Projects were delayed by protests members of the community.	166 304 665	118 419 793
	<b>166 304 665</b>	<b>118 419 793</b>
<b>Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)</b>		
Water Infrastructure - Projects were previously funded through conditional grants, funded was later withdrawn and the municipality had to source funding from the own revenue sources	143 013 659	134 832 337
The contractor withdrew from the project and there was also no sufficient funding for the project.		
	<b>143 013 659</b>	<b>134 832 337</b>
<b>Expenditure incurred to repair and maintain property, plant and equipment</b>		
<b>Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance</b>		
Repairs and maintenance - Water Infrastructure	44 763 997	31 819 254

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand

### 4. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral Chain	615 316	-	615 316	552 117	-	552 117

#### Reconciliation of heritage assets 2024

	Opening balance	Revaluation increase/(decrease)	Total
Mayoral chain	552 117	63 199	615 316

#### Reconciliation of heritage assets 2023

	Opening balance	Additions	Total
Mayoral chain	-	552 117	552 117

### 5. Other financial assets

#### Residual interest at cost

Investment in Sekhukhune Development Agency	1 000	1 000
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#### Current assets

Residual interest at cost	1 000	1 000
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# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024	2023
<b>5. Other financial assets (continued)</b>		
<b>Financial assets at cost</b>		
<b>Nominal value of financial assets at cost</b>		
The municipality did contact an assessment as at the 30 June 2024 on whether there is an objective evidence that the residual interest in the Sekhukhune Development Agency should be impaired or not, the results of the assessment were not indicative of any objective evidence that there impairment on the residual interest in the entity. Terms and conditions	1 000	1 000
<b>6. Operating lease asset (liability)</b>		
Current liabilities	199 409	483 598
<b>7. Payables from exchange transactions</b>		
Trade payables	358 678 084	151 261 994
Other payables	17 382 306	8 343 277
Retention and sessions	222 083 961	199 638 772
Deposits received	11 557 609	9 884 163
Bonus provision	9 737 214	9 119 940
	<b>619 439 174</b>	<b>378 248 146</b>
<b>8. Consumer deposits</b>		
Water	5 508 777	5 213 578
<b>9. Prepayments</b>		
The municipality is a member of the South African Local Government Association. An annual membership fee is payable in advance for each financial year at a rate of 1% of the total annual employee related cost budget.		
<b>10. Inventories</b>		
Water inventory	1 522 163	1 583 349
Consumable stores	12 562 180	11 366 569
Maintenance materials	3 996 900	5 204 236
	<b>18 081 243</b>	<b>18 154 154</b>
<b>Inventory reconciliation</b>		
Opening balance	18 154 154	18 898 982
Issues (Inventory recognized as expenditure during the year)	(24 003 170)	(24 572 345)
Purchases	24 173 531	25 745 978
Water losses	35 -	(436 440)
Write-down to net realizable value (Fair value less cost to sell)	(182 087)	(1 482 021)
Inventory opening balance adjustments	(61 185)	-
<b>Closing balance</b>	<b>18 081 243</b>	<b>18 154 154</b>

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024	2023
<b>11. Receivables from non-exchange transactions</b>		
Government grants - RBIG Funds	5 747 825	-
Sundry debtors	1 975 312	2 577 805
	<b>7 723 137</b>	<b>2 577 805</b>
<b>Receivables from non-exchange transactions pledged as security</b>		
Receivables from non-exchange transactions were not pledged as security.		
<b>12. VAT receivable</b>		
VAT	111 700 905	78 296 838
<b>Reconciliation</b>		
Balance at the beginning of the year	78 296 839	96 462 540
Add: Net refunds as per VAT receivable	67 234 196	41 077 516
Add: Current year VAT suspense account	54 919 545	48 720 410
Less: Prior-year suspense account	(48 720 409)	(94 257 478)
Less: Payments received from SARS	(84 495 974)	(50 925 471)
Adjustment: Impairment of doubtful debts	44 466 708	37 219 322
	<b>111 700 905</b>	<b>78 296 839</b>
<b>13. Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Water	477 103 669	381 105 264
Waste water	38 093 970	28 824 839
Other	3 775 948	2 964 134
Water consumption from the last readings	2 719 361	5 430 868
	<b>521 692 948</b>	<b>418 325 105</b>
<b>Less: Allowance for impairment</b>		
Water	(451 150 000)	(370 588 702)
Waste water	(22 176 901)	(12 734 981)
Other	(1 072 155)	(318 671)
	<b>(474 399 056)</b>	<b>(383 642 354)</b>
<b>Net balance</b>		
Water	25 953 669	10 516 562
Waste water	15 917 069	16 089 858
Other	2 703 793	2 645 463
Water consumption from the last readings	2 719 361	5 430 868
	<b>47 293 892</b>	<b>34 682 751</b>
<b>Water</b>		
Current (0 -30 days)	13 244 526	49 696 362
31 - 60 days	16 209 543	11 066 319
61 - 90 days	11 089 770	5 890 920
91 - 120 days	12 929 207	6 786 232
121 - 365 days	423 630 623	307 665 431
> 365 days	(438 761 981)	(358 200 683)
	<b>38 341 688</b>	<b>22 904 581</b>

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024	2023
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### 13. Receivables from exchange transactions (continued)

#### Waste water

Current (0 -30 days)	1 460 925	1 332 853
31 - 60 days	1 237 645	923 407
61 - 90 days	1 160 957	800 386
91 - 120 days	1 104 416	770 094
121 - 365 days	33 130 027	24 998 099
> 365 days	(32 195 938)	(22 754 017)
	<b>5 898 032</b>	<b>6 070 822</b>

#### Other

Current (0 -30 days)	31 638	41 660
31 - 60 days	170 036	21 841
61 - 90 days	101 477	121 030
91 - 120 days	133 500	24 336
121 - 365 days	3 339 297	2 755 267
> 365 days	(3 441 138)	(2 687 654)
	<b>334 810</b>	<b>276 480</b>

#### Other (specify)

Current (0 -30 days)	2 719 361	5 430 868
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### Summary of debtors by customer classification

#### Reconciliation of allowance for impairment

Balance at beginning of the year	(383 642 354)	(295 111 659)
Contributions to allowance	(90 756 702)	(80 309 277)
Debt impairment written off against allowance	-	(8 221 418)
	<b>(474 399 056)</b>	<b>(383 642 354)</b>

### 14. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	552 691 059	732 695 367
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### 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
Standard Bank Primary Cheque account: 271149418	8 906 570	34 879 119	23 288 035	6 470 120	1 806 363	6 570 120
FNB Call Account: 62858613980	319 180 975	177 403 537	119 787 946	319 180 975	177 403 537	119 787 946
Standard Bank Call Account: 238890708008	3 612 147	151 855 260	75 092 576	3 613 734	151 855 260	75 092 576
ABSA Call Account: 9368456281	222 446 230	400 722 310	193 621 096	222 446 230	400 722 310	193 621 096
Nedbank Call Account: 03/7881071850/000019	980 000	907 897	844 044	980 000	907 897	844 044
<b>Total</b>	<b>555 125 922</b>	<b>765 768 123</b>	<b>412 633 697</b>	<b>552 691 059</b>	<b>732 695 367</b>	<b>395 915 782</b>

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024	2023
<b>15. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Municipal Infrastructure Grant (MIG)	48 999 224	232 965 189
Expanded Public Works Program (EPWP)	19	19
Water Services Infrastructure Grant (WSIG)	12 620 401	21 984 017
Rural Roads Asset Management System Grant (RRAMS)	627 991	1 467 516
	<b>62 247 635</b>	<b>256 416 741</b>

### Movement during the year

The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024	2023
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### 16. Provisions

#### Reconciliation of provisions - 2024

	Opening Balance	Past service cost	Current service cost	Interest cost	Benefits paid	Actuarial Loss/(Gain)	Total
Unused leave provision	27 074 000	-	2 931 000	2 935 000	(2 149 774)	(3 009 225)	27 781 000
Long service award provision	22 031 000	14 055 000	1 757 000	2 289 000	(3 425 611)	1 685 611	38 392 000
	<b>49 105 000</b>	<b>14 055 000</b>	<b>4 688 000</b>	<b>5 224 000</b>	<b>(5 575 385)</b>	<b>(1 323 614)</b>	<b>66 173 000</b>

#### Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Unused leave provision	29 535 000	3 363 000	(1 926 024)	3 073 000	(6 970 976)	27 074 000
Long service award provision	22 543 000	1 929 000	(1 446 997)	2 326 000	(3 320 003)	22 031 000
	<b>52 078 000</b>	<b>5 292 000</b>	<b>(3 373 021)</b>	<b>5 399 000</b>	<b>(10 290 979)</b>	<b>49 105 000</b>
Non-current liabilities					31 972 001	25 110 000
Current liabilities					34 201 000	23 995 000
					<b>66 173 001</b>	<b>49 105 000</b>

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024	2023
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### 16. Provisions (continued)

#### Long service provision

This is the present value of the total LSA expected to become payable under the employer's current arrangements and based on the assumptions made. This may be regarded as the amount of money that should be set aside in present-day terms to cover all expected LSA for current employees. The Municipality offers employees LSA for every five years of service completed, from ten years of service to 45 years of service. In the month that each "Completed Service" milestone is reached, the employee is granted an LSA. Working days awarded are valued at 1/261th of annual earnings per day. In the month that each "Completed Service" milestone is reached, the employee is granted an LSA. Working days awarded are valued at 1/261th of annual earnings per day.

In estimating the unfunded liability for LSA of the Municipality a number of actuarial assumptions are required.

#### 1. Key Financial Assumptions

Assumption	Value p.a
Discount rate	10.52%
CPI Inflation rate	4.82%
General earnings inflation rate	5.82%

The next general earnings increase was assumed to take place on 1 July 2023.

#### 2. Key Demographic assumptions

Assumption	Value p.a		
Average retirement age	62		
Mortality during employment	SA 85-90		
Withdrawal from service (sample annual rates)	Age	Female	Male
	20	9%	9%
	30	6%	6%
	40	5%	5%
	50	3%	3%
	55	0%	0%

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024	2023
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### 16. Provisions (continued)

#### Unused leave provision

This is the present value of the total Unused Leave benefit expected to become payable under the employer's current arrangements and based on the assumptions made. This may be regarded as the amount of money that should be set aside in present-day terms to cover all expected Unused Leave benefit for current employees. It is apparent that most employees accumulate a portion of their total annual leave allocation, in which case they become entitled to a benefit payable on withdrawal or retirement.

Employees are granted two days ordinary leave per month. This implies that a maximum of 24 days leave can be accumulated in any given year. Employees may accumulate Unused Leave up to a maximum of 48 days after which further leave is forfeited. All Unused Leave at the date of retirement or withdrawal is payable as a cash lump sum. The value of the Unused Leave (the benefit being valued) at the date of receipt is determined as follows:

- Estimated Unused Leave days at date of retirement or withdrawal; multiplied by
- Expected monthly salary at date of retirement or withdrawal; divided by
- 21.67

Employees' leave days are based on basic salary.

In estimating the unfunded liability for Unused Leave benefits of the Municipality a number of actuarial assumptions are required.

#### 1. Key Financial Assumptions

Assumption	Value p.a
Discount rate	11.57%
General salary inflation(long term)	6.66%
Net effective discount rate	4.6%

#### 2. Key Demographic Assumptions

Assumption	Value
Average retirement age	62
Mortality during employment	SA 85-90
Rate of leave accumulation	Appendix A2.4
Withdrawal from service (sample annual rates)	See Table A2.2 of the actuarial

There were no expected reimbursements as at the 30th of June 2024.

### 17. Revenue

Service charges	71 551 840	104 342 357
Interest received (trading)	34 069 586	26 068 995
Other income	1 082 941	1 404 470
Interest received - investment	81 206 793	57 878 945
Government grants & subsidies	1 570 998 704	1 282 065 599
Fines, Penalties and Forfeits	9 326	4 428
Actuarial gains	3 009 226	10 290 979
Fair value adjustments	63 198	-
	<b>1 761 991 614</b>	<b>1 482 055 773</b>

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

Service charges	71 551 840	104 342 357
Interest received (trading)	34 069 586	26 068 995
Other income	1 082 941	1 404 470
Interest received - investment	81 206 793	57 878 945
	<b>187 911 160</b>	<b>189 694 767</b>

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024	2023
<b>17. Revenue (continued)</b>		
The amount included in revenue arising from non-exchange transactions is as follows:		
<b>Taxation revenue</b>		
<b>Transfer revenue</b>		
Government grants & subsidies	1 570 998 704	1 282 065 599
Fines, Penalties and Forfeits	9 326	4 428
Actuarial gains	3 009 226	10 290 979
Fair value adjustments	63 198	-
	<b>1 574 080 454</b>	<b>1 292 361 006</b>
<b>18. Cost of sales</b>		
<b>19. Service charges</b>		
Sale of water	55 379 163	89 545 013
Sewerage and sanitation charges	16 172 677	14 797 344
	<b>71 551 840</b>	<b>104 342 357</b>
<b>20. Fines, Penalties and Forfeits</b>		
Building Fines	9 326	4 428
<b>21. Lease rentals on operating lease</b>		
<b>Premises</b>		
Contractual amounts	32 638 944	41 000 964
<b>Equipment</b>		
Contractual amounts	13 143 756	11 603 308
	<b>45 782 700</b>	<b>52 604 272</b>
The municipality did not enter into any sublease contracts with another party, as a result there were no future minimum sublease payments expected to be received under non-cancellable sublease payments as at the 30th of June 2024.		
<b>Significant Leasing Arrangements</b>		
(i) The contingent rentals are based on the variable units of consumables as per the rental agreement.		
(ii) The existence and terms of renewal or purchase options and escalations clauses.		
- Operating lease contracts exist for the duration of the lease term as per the lease agreement, unless otherwise terminated before expire date. Extensions on operating lease contracts are implemented within the provisions of the supply chain management regulations in applicable to local government. Escalations and purchase options on operating leases are implemented through the contract management of the municipality.		
<b>Future minimum payments</b>		
Not later than one year	24 432 902	22 255 961
Later than one year but not later than five years	21 939 133	24 448 219
	<b>46 372 035</b>	<b>46 704 180</b>
<b>22. Other revenue</b>		
Other income - (rollup)	1 082 941	1 404 470
<b>23. Other income</b>		
Other income	1 082 941	1 404 470

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024	2023
<b>24. Investment revenue</b>		
<b>Interest revenue</b>		
Short term investments	77 045 262	54 255 839
Primary bank account	4 161 531	3 623 106
	<b>81 206 793</b>	<b>57 878 945</b>
<b>25. Transfer and subsidies</b>		
<b>Other subsidies</b>		
Sekhukhune District Development Agency Grants	10 663 989	8 514 290

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024	2023
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### 26. Government grants & subsidies

#### Operating grants

Equitable share	1 065 825 000	989 171 905
Expanded Public Works Program	15 355 000	13 009 981
Finance Management Grant	2 400 000	2 400 000
RRAMS	1 883 771	983 484
LG SETA	3 845 377	2 790 804
	<b>1 089 309 148</b>	<b>1 008 356 174</b>

#### Capital grants

Municipal Infrastructure Grant	393 723 335	241 034 811
Regional Bulk Infrastructure Grant	51 952 541	22 885 825
Water Services Infrastructure Grant	36 013 680	9 788 789
	<b>481 689 556</b>	<b>273 709 425</b>
	<b>1 570 998 704</b>	<b>1 282 065 599</b>

#### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	505 173 704	273 709 425
Unconditional grants received	1 065 825 000	1 008 356 174
	<b>1 570 998 704</b>	<b>1 282 065 599</b>

#### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. R 1 065 825 000 was received by the municipality as the Equitable Share grant for the 2023/24 financial year.

#### Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	232 965 189	41 524 905
Current-year receipts	434 127 000	474 000 000
Conditions met - transferred to revenue	(393 723 335)	(241 034 810)
Unapproved roll-over funds	(224 369 630)	(41 524 906)
	<b>48 999 224</b>	<b>232 965 189</b>

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

The Municipal Infrastructure Grant aims to eradicate municipal infrastructure backlogs in within the Sekhukhune District to ensure the provision of basic services such as water and sanitation. R 434 127 000 was received as a Municipal Infrastructure Grant in the 2023/24 financial year, spending on the grant was 86% as at 30 June 2024.

#### Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	19	-
Current-year receipts	15 355 000	13 010 000
Conditions met - transferred to revenue	(15 355 000)	(13 009 981)
Unapproved roll-over funds	(19)	-
	<b>-</b>	<b>19</b>

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

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

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

The Expanded Public Works Programme is one of government's key programmes aimed at providing poverty and income relief through temporary work for the unemployed residents of the Sekhukhune District. The programme provides an important avenue for labour absorption and income transfers to poor households, in the short to medium-term. R 15 355 000 was received as a grant for the Expanded Public Works Program grant in the 2023/24 financial year, spending on the grant was 100% as at 30 June 2024.

#### Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	21 984 017	7 211 312
Current-year receipts	38 464 680	29 122 588
Conditions met - transferred to revenue	(36 013 680)	(9 788 589)
Unapproved roll-over funds	(11 814 616)	(4 561 294)
	<b>12 620 401</b>	<b>21 984 017</b>

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

The main goal of the Water Services Infrastructure Grant is to assist the municipality as the water authority to reduce the backlogs faced by the municipality in the provision of water and sanitation services within the district. There were no receipts of the Water Services Infrastructure Grant in the 2023/24 financial year.

#### Finance Management Grant (FMG)

Current-year receipts	2 400 000	2 400 000
Conditions met - transferred to revenue	(2 400 000)	(2 400 000)
	-	-

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

The main purpose of the finance management grant is to promote and support reforms to municipal financial management and the implementation of the Municipal Finance Management Act (MFMA). The Grant is meant specifically to capacitate the officials in the budget and treasury office of the municipality through various training programmes in financial management and also to maintain the systems of financial management employed by the municipality in managing its finances. R 2 400 000.00 was received as a Finance Management Grant in the 2023/24 financial year, spending on the grant was 100% as at 30 June 2024.

#### Rural Roads Assets Management System Grant (RRAMS)

Balance unspent at beginning of year	1 467 516	2 341 000
Current-year receipts	2 460 000	2 451 000
Conditions met - transferred to revenue	(1 883 771)	(983 484)
Unapproved roll-over funds	(1 415 753)	(2 341 000)
	<b>627 992</b>	<b>1 467 516</b>

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

The Rural Roads Asset Management System Grant seeks to assist the municipality to set up rural roads asset management systems, and collect road, bridges and traffic data on municipal road networks in line with the Road Infrastructure Strategic Framework for South Africa. R 1 722 000 was received during the 2023/24 financial year, 21% was the spending percentage as at 30 June 2024.

#### Regional Bulk Infrastructure Grant (RBIG)

Current-year receipts	51 952 541	22 885 828
Conditions met - transferred to revenue	(51 952 541)	(22 885 828)
	-	-

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

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

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

The main goal of the Regional Bulk Infrastructure Grant is to assist the municipality in facilitating the successful execution and implementation of bulk projects which are characterized by regional significance. The implementation of the grant is currently administered by the Department of Water and Sanitation on behalf of the municipality since the 2019/2020 financial year wherein the municipality will incur expenditure on projects funded through the grant and claim such expenditures from the department on a monthly basis. There were no receipts of the Regional Bulk Infrastructure Grant during the 2023/24 financial year.

#### National Department of Labour:SETA

Current-year receipts	3 845 377	2 790 804
Conditions met - transferred to revenue	(3 545 120)	(2 790 804)
	<b>300 257</b>	<b>-</b>

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

The main aim of this grant is to encourage the municipality to contribute to skills development, address critical and scarce skills shortages, and create jobs and employment opportunities for its employees. R 3 845 376.75 is the amount received as the LG:SETA grant for the 2023/24 financial year, R 3 545 120.00 is the expenditure of the grant in the 2023/2024 financial year.

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024	2023
<b>27. Employee related costs</b>		
Basic	286 896 701	275 475 231
Medical aid - company contributions	15 045 179	14 331 790
UIF	1 856 393	1 717 487
SDL	3 267 845	3 064 969
Bargaining council	99 894	210 879
Leave pay provision charge	-	205 449
Group life insurance	1 338 611	1 261 255
Pension Fund	41 246 907	40 200 295
Travel, motor car, accommodation, subsistence and other allowances	32 979 085	30 604 632
Overtime payments	20 191 945	12 399 534
Current service cost: Long service awards and unpaid leave provisiopn expense	18 743 000	5 292 000
Housing benefits and allowances	2 895 767	2 529 927
Cellphone allowance	2 288 781	1 886 620
Shift and standby allowance	5 911 812	2 612 488
Uniform allowance	30 000	30 000
	<b>432 791 920</b>	<b>391 822 556</b>

### Remuneration of municipal manager

Annual Remuneration	909 729	409 941
Travel Allowance	113 776	112 082
Cellphone allowance	23 400	10 400
Contributions to UIF, Medical and Pension Funds	205 093	6 570
Leave payout	-	72 684
	<b>1 251 998</b>	<b>611 677</b>

The position for the municipal manager was filled and occupied from the 1st of October 2023, one of the senior managers was acting as the municipal manager from the 1st of July 2023 till the 30th of September 2023.

### Remuneration of chief finance officer

Annual Remuneration	1 013 261	729 489
Travel Allowance	34 216	26 347
Cellphone allowance	23 988	23 988
Contributions to UIF, Medical and Pension Funds	67 262	46 977
Acting allowance	-	13 900
	<b>1 138 727</b>	<b>840 701</b>

### Director - Community Services

Annual Remuneration	139 123	345 425
Travel Allowance	7 056	49 503
Performance Bonuses	3 998	66 497
Contributions to UIF, Medical and Pension Funds	14 855	5 941
Cellphone allowance	-	5 997
Leave payout	-	59 677
	<b>165 032</b>	<b>533 040</b>

The position for the community services director remained vacant for the most part of the 2023/24 financial year, the appointment of a suitable candidate was finalized towards end of the financial year and the position was filled from 1st May 2024.

### Director Infrastructure and Water Services

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024	2023
<b>27. Employee related costs (continued)</b>		
Annual Remuneration	998 202	518 746
Travel Allowance	205 355	129 686
Cellphone allowance	23 988	15 992
Contributions to UIF, Medical and Pension Funds	13 212	8 242
	<b>1 240 757</b>	<b>672 666</b>

### Director Planning and Economic Development

Annual Remuneration	973 861	246 810
Cellphone allowance	23 988	5 997
Travel claims	84 615	6 553
Contributions to UIF, Medical and Pension Funds	206 779	55 309
Leave payout	-	3 995
	<b>1 289 243</b>	<b>318 664</b>

### Director Corporate Services

Annual Remuneration	1 059 451	729 486
Cellphone allowance	23 988	17 991
Travel claims	9 726	7 295
Contributions to UIF, Medical and Pension Funds	13 038	9 127
	<b>1 106 203</b>	<b>763 899</b>

### Chief Operating Officer

Annual Remuneration	817 507	257 079
Car Allowance	262 145	74 904
Cellphone allowance	23 988	7 996
Contributions to UIF, Medical and Pension Funds	12 345	3 945
	<b>1 115 985</b>	<b>343 924</b>

### 28. Remuneration of councillors

Executive Mayor	1 128 346	676 040
Chief Whip of council	779 041	761 860
Mayoral Committee Members	6 214 628	6 701 296
Council Speaker	871 580	999 628
Other Councillors	8 941 903	8 510 294
	<b>17 935 498</b>	<b>17 649 118</b>

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024	2023
<b>28. Remuneration of councillors (continued)</b>		
<b>Additional information</b>		
The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.		
<b>Executive Mayor: Cllr Mathebe JL</b>		
Annual remuneration	-	327 398
Cellphone allowance	-	13 900
Contributions to UIF, Medical and Pension	-	74 104
	-	<b>415 402</b>
<b>Executive Mayor: Cllr Mokganyetji MJ</b>		
Annual remuneration	536 832	603 303
Cellphone allowance	48 136	30 900
Contributions to UIF, Medical and Pension	86 348	41 837
	<b>671 316</b>	<b>676 040</b>
<b>Executive Mayor: Cllr Maitula BM</b>		
Annual remuneration	545 778	-
Cellphone allowance	31 336	-
Contributions to UIF, Medical and Pension	56 488	-
	<b>633 602</b>	-
<b>Council Speaker: Cllr Chego DK</b>		
Annual remuneration	738 166	901 953
Cellphone allowance	48 136	34 600
Contributions to UIF, Medical and Pension	62 577	61 167
Backpay	-	1 908
	<b>848 879</b>	<b>999 628</b>
<b>Chief Whip: Cllr Phokane MJ</b>		
Annual remuneration	684 575	652 555
Travel allowance	-	19 263
Cellphone allowance	45 484	41 100
Contributions to UIF, Medical and Pension	55 495	48 942
	<b>785 554</b>	<b>761 860</b>
<b>Mayoral Committee Members</b>		
Annual remuneration	4 347 994	4 726 192
Travel allowance	986 486	1 076 666
Cellphone allowance	352 583	356 300
Contributions to UIF, Medical and Pension	483 708	542 138
	<b>6 170 771</b>	<b>6 701 296</b>
<b>Other councillors</b>		
Annual remuneration	4 635 094	3 596 374
Travel allowance	2 752 139	3 739 701
Cellphone allowance	1 187 027	1 075 100
Contributions to UIF, Medical and Pension	178 456	99 119
	<b>8 752 716</b>	<b>8 510 294</b>

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024	2023
<b>29. Depreciation and amortisation</b>		
Property, plant and equipment	144 961 078	135 410 223
<b>30. Impairment loss</b>		
<b>Impairments</b>		
Property, plant and equipment	7 348 419	15 470 661
During the physical verification of asset evidence of damage was noted which led to the change in the condition of the assets and assessment of impairment, this could also be evident by the verification report and the picture taken during verification. The recoverable amount of the asset could not be determined		
<b>31. Finance costs</b>		
Interest on overdue accounts	341 849	1 435 076
Discounting of provisions	5 224 000	5 399 000
	<b>5 565 849</b>	<b>6 834 076</b>
<b>32. Auditors' remuneration</b>		
Fees	8 407 049	8 143 304
<b>33. Debt impairment</b>		
Debt impairment	117 262 131	83 091 600

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024	2023
<b>34. General expenses</b>		
Advertising	9 888 252	2 419 777
Auditors remuneration	8 407 049	8 143 304
Bank charges	2 229 548	2 556 096
Cleaning	1 029 184	941 444
Computer expenses	477 353	199 530
Consulting and professional fees	36 716 590	25 279 751
Audit committee expenses	1 603 263	1 222 707
IT support	2 477 871	3 631 980
Entertainment	372 437	219 828
Town planning expenses	82 275	154 331
Accommodation	1 806 249	1 633 000
Hire charges	6 203 226	5 006 579
Insurance	9 239 378	5 838 241
Workman Compensation fund	20 072 097	10 024 773
Fuel and oil	24 462 168	25 872 418
Printing and stationery	3 474 051	3 247 469
Protective clothing	4 617 186	229 368
Software expenses	1 432 670	5 916 706
Staff welfare	1 253 265	403 967
Subscriptions and membership fees	5 105 341	4 481 840
Telephone and fax	5 425 552	4 398 821
Transport and freight	116 130	841 449
Training	1 328 046	700 515
Travel - local	3 979 266	1 748 339
Electricity	75 508 835	65 147 749
Other expenses	18 941 383	17 708 944
Catering services	4 702 819	4 421 288
Staff recruitment	280 562	512 938
Meter reading	5 181 352	1 150 308
Bursaries	426 268	354 820
Audio-visual services	301 536	98 000
	<b>257 141 202</b>	<b>204 506 280</b>
<b>35. Bulk purchases</b>		
Water	231 345 755	142 103 580
<b>36. Contracted services</b>		
<b>Presented previously</b>		
Other Contractors	278 941 930	128 283 298
<b>Contracted services per the service</b>		
Security services	65 167 315	48 050 901
VIP Toilets: MIG	1 022 924	9 477 752
VIP Toilets: WSIG	4 620 300	3 933 633
Water tankering services	208 131 390	66 821 012
	<b>278 941 929</b>	<b>128 283 298</b>

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024	2023
<b>37. Cash generated from operations</b>		
Surplus	165 619 449	262 210 064
<b>Adjustments for:</b>		
Depreciation and amortisation	144 961 078	135 410 223
Loss on disposal of assets	-	254 480
Fair value adjustments	(63 198)	-
Impairment loss	7 348 419	15 470 661
Debt impairment	117 262 131	83 091 600
Movements in operating lease assets and accruals	(284 189)	63 895
Movements in provisions	(17 078 001)	(2 973 000)
Actuarial gains	(3 009 226)	(10 290 979)
Finance cost: Actuarial	5 224 000	5 399 000
Inventory losses or write-downs	(182 086)	(1 482 021)
Current year service cost	18 743 000	5 292 000
Accrued interest income	(159 252)	(144 817)
Loss on sale of assets and liabilities	79 143	1 060 092
<b>Changes in working capital:</b>		
Inventories	72 911	683 642
Receivables from exchange transactions	(12 611 141)	(85 240 264)
Receivables from non-exchange transactions	(5 145 332)	(2 665 080)
Prepayments	15 268	(623 501)
Payables from exchange transactions	137 379 319	3 075 116
VAT	(33 404 067)	(29 397 421)
Unspent conditional grants and receipts	(196 620 106)	205 343 233
Consumer deposits	295 199	337 220
	<b>328 443 319</b>	<b>584 874 143</b>
<b>38. Operating leases</b>		
<b>Operating lease charges</b>		
Premises		
• Contractual amounts	32 638 944	41 000 964
Equipment		
• Contractual amounts	13 143 756	11 603 308
	<b>45 782 700</b>	<b>52 604 272</b>
Loss on sale of property, plant and equipment	-	(254 480)
Impairment on property, plant and equipment	7 348 419	15 470 661
Depreciation on property, plant and equipment	144 961 078	135 410 223
Employee costs	450 727 418	409 471 674
<b>39. Fair value adjustments</b>		
Investment property (Fair value model)	63 198	-
<b>40. Financial instruments disclosure</b>		
<b>Categories of financial instruments</b>		
<b>2024</b>		
<b>Financial assets</b>		
	<b>At amortised cost</b>	<b>Total</b>
Cash and cash equivalents	552 691 059	552 691 059
Receivables from exchange transactions	47 293 892	47 293 892

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024	2023
<b>40. Financial instruments disclosure (continued)</b>		
Receivables from non-exchange transactions	7 723 137	7 723 137
VAT receivables	111 700 905	111 700 905
Other receivables - prepayments	5 090 073	5 090 073
Residual interest in Sekhukhune Development Agency	1 000	1 000
	<b>724 500 066</b>	<b>724 500 066</b>

### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	(619 439 174)	(619 439 174)

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

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

#### 2023

##### Financial assets

	At amortised cost	Total
Cash and cash equivalents	732 695 367	732 695 367
Receivables from exchange transactions	34 682 751	34 682 751
Receivables from non-exchange transactions	2 577 805	2 577 805
Residual interest in Sekhukhune Development Agency	1 000	1 000
Other receivables from non-exchange transactions	5 105 341	5 105 341
	<b>775 062 264</b>	<b>775 062 264</b>

##### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	(420 764 725)	(420 764 725)

### 41. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Property, plant and equipment	823 040 765	640 572 214
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##### Not yet contracted for and authorised by accounting officer

• Property, plant and equipment	-	6 900 000
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##### Total capital commitments

Already contracted for but not provided for	823 040 765	384 798 195
Not yet contracted for and authorised by accounting officer	-	6 900 000
	<b>823 040 765</b>	<b>391 698 195</b>

#### Authorised operational expenditure

##### Total commitments

##### Total commitments

Authorised capital expenditure	823 040 765	391 698 195
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# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024	2023
<b>42. Contingent Liabilities and assets</b>		
<b>The following are the contingent liabilities of the municipality as at 30 June 2024. The municipality's management has individually assessed each liability and there was no indication of any probability on outflow of resources embodying economic benefits or service potential at year end.</b>		
Mfumelelo Business Enterprise vs Sekhukhune District Municipality	2 789 267	2 789 267
Nature of the liability: dispute of a claim for retention amount by Mpfumelelo Business Enterprise, the claim is valued at R 2 789 267.50 as at 30 June 2024. The municipality has a strong case against the claimant.		
Ms Seponkane Paulina Nkadimeng vs Sekhukhune District Municipality	726 000	726 000
Litigation is in progress against Ms Seponkane Paulina Nkadimeng whereby the municipality dispute a claim by the supplier of services which the supplier claim to have rendered to the municipality. The financial effect of the claim as at 30 June 2024 could be estimated at about R 726 000.00. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as highly unlikely with over 90% probability of no success, and the case should be resolved within the next twenty-four months		
• Makone Consulting Engineers vs Sekhukhune District Municipality	-	573 298
Nature of the liability: The consultant claims to have rendered services to the municipality and demands compensation. The financial effect of the claim as at 30 June 2024 could be estimated at about R 573 298.62. The matter was settled during the 2023/24 financial year.		
• Lebaka Construction (pty) Ltd vs Sekhukhune District Municipality	10 587 120	10 587 120
Nature of the liability: dispute of a claim by the contractor of interest on a claim for works which the contractor claims to have done for the municipality. The financial effect of the claim as at 30 June 2024 could be estimated at about R 167 735.66. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as highly unlikely with over 90% probability of no success. The company is also claiming an amount of R 10 419 385.20 in retentions from the municipality on the Lebalelo South project, the municipality did file an application to review the arbitration award and the court is yet to rule on the application by the municipality. The R 4.8 million claim on the variation order was paid and the interest amounts remain disputed by the municipality.		
• Dynamic Integrated Geoydro Environmental Services vs Sekhukhune District Municipality	24 168 008	24 168 008
Nature of the liability: claim by the supplier for works which the supplier claims to have done for the municipality. The financial effect of the claim as at 30 June 2024 could be estimated at about R 911 543.00. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely. The company is also claiming an amount of R 23 256 465.27 in services rendered to the municipality and the municipality has submitted the required discovery documents to defend the matter, as at 30 June 2024 it was uncertain as to when the ruling on the matter will be provided. The plaintiff served notices and the municipality has entered a defence. The date of finalization of the matter was uncertain as at 30 June 2024 as the municipality is to submit more discovery documents on the matter. As at the reporting date, there was no indication of any possibility of a reimbursement on this matter.		
• LBM Consulting vs Sekhukhune District Municipality	973 835	973 835
Nature of the liability: dispute of a claim by the consultant for works which the consultant claims to have done for the municipality. The financial effect of the claim as at 30 June 2024 could be estimated at about R 973 835.97. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success. The plaintiff served the municipality with summons and a notice to defend was served by the municipality. Opposing affidavit and counter claim are to be served by the municipality. A date to conclude on the proceedings of this matter is yet to be provided by the court.		

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024	2023
<b>42. Contingent Liabilities and assets (continued)</b>		
<ul style="list-style-type: none"> <li>Mr Tumelo Modisane vs Sekhukhune District Municipality</li> </ul> <p>Nature of the liability: a claim in delict by Mr Modisane to the municipality. The financial effect of the claim as at 30 June 2024 could be estimated at about R 1 000 000.00. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success. The plaintiff served summons to the municipality. The municipality entered defence and filed pleadings. A date to finaliza the matter is yet to be provided by the court.</p>	1 000 000	1 000 000
<ul style="list-style-type: none"> <li>Mothoa vs Sekhukhune District Municipality</li> </ul> <p>Nature of the liability: a claim in delict by Mr Mothoa to the municipality. The financial effect of the claim as at 30 June 2024 could be estimated at about R 1 648 133.70. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success. The plaintiff served summons to the municipality. The municipality entered defence and filed pleadings. A pre-trial conference was held and a date to finaliz the matter is yet to be provided by the court.</p>	1 648 133	1 648 133
<ul style="list-style-type: none"> <li>Mr Solomon Phasha vs Sekhukhune District Municipality</li> </ul> <p>Nature of the liability: a claim in delict was submitted. The financial effect of the claim as at 30 June 2024 could be estimated at about R 2 000 000.00. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success. The plaintiff served summons to the municipality. The municipality entered defence and filed pleadings. A date to finaliza the matter is yet to be provided by the court.</p>	2 000 000	2 000 000
<ul style="list-style-type: none"> <li>Nedbank vs SDM,</li> </ul> <p>Nature of the liability: a claim by Nedbank for the legal costs from the municipality for an amount of R 34 235.01. The matter was settled during the 2023/24 financial year.</p>	-	34 235
<ul style="list-style-type: none"> <li>Ms Julia Dibilong vs Selkhukhune District Municipality</li> </ul> <p>Nature of the liability: claim in delict by Ms Julia Dibilong. The financial effect of the claim as at 30 June 2024 could be estimated at about R 1 500 000.00. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability. The plaintiff served summons to the municipality. The municipality entered defence and filed pleadings. A date to finaliza the matter is yet to be provided by the court.</p>	1 500 000	1 500 000
<ul style="list-style-type: none"> <li>Ethokga Consulting and Projects vs Sekhukhune District Municipality</li> </ul> <p>Nature of the liability: a claim for services the company claims to have rendered to the municipality. The financial effect of the claim as at 30 June 2024 could be estimated at about R 20 490 616.12. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success. The plaintiff transmitted a letter of demand and issued summons to the municipality. A court date is yet to be provided to conclude for the municipality to defent the matter.</p>	20 490 616	20 490 616
<ul style="list-style-type: none"> <li>Mr Kgopane MM vs Sekhukhune District Municipality</li> </ul> <p>Nature of the liability: a claim in delict by Mr Kgopane to the municipality. The financial effect of the claim as at 30 June 2024 could be estimated at about R 3 713 183.00. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success. The plaintiff served summons to the municipality. The municipality entered defence and filed pleadings. A date to finaliza the matter is yet to be provided by the court.</p>	3 717 183	3 713 183
<ul style="list-style-type: none"> <li>Mr Tladi SJ vs Sekhukhune District Municipality</li> </ul> <p>Nature of the liability: a claim in delict by Mr Tladi to the municipality. The financial effect of the claim as at 30 June 2024 could be estimated at about R 10 345.22. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success. The plaintiff served summons to the municipality. The municipality entered defence and filed pleadings. A date to finaliza the matter is yet to be provided by the court</p>	10 345	10 345

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024	2023
<b>42. Contingent Liabilities and assets (continued)</b>		
<ul style="list-style-type: none"> <li>Ratale Mashifane Attorneys vs Sekhukhune District Municipality</li> </ul> <p>Nature of the liability: claim by Ratale Mashifane Attorneys for services rendered to the municipality whereby the company claims three amounts (R 202 561.91, 172 047.50 &amp; 52 331.45) from the municipality for services which they allege to have rendered. The matter was settled through a court order in the current financial year.</p>	-	426 941
<ul style="list-style-type: none"> <li>SGL Engineering Projects (pty) Ltd vs Sekhukhune District Municipality</li> </ul> <p>Nature of the liability: a claim by SGL Engineering (pty) Ltd for consulting services, the company alleges to have rendered to the municipality consulting engineering services amounting to R 2 304 545.94 for the design and management of the Zaaiplaas bulk water and reticulation project. The municipality was served with summons, Pleas was served to the plaintiff and are awaiting a notice of set down.</p>	2 304 545	2 304 545
<ul style="list-style-type: none"> <li>Zutari (pty) Ltd vs Sekhukhune District Municipality</li> </ul> <p>Nature of the liability: dispute over a claim by Zutari (pty) Ltd for consulting services, the company alleges to have rendered to the municipality consulting engineering services amounting to R 875 570.73 for the De Hoop/Nebo Plateau/Mampuru bulk water project. Summons received on the 2nd of June 2023 and municipality did serve and file the intention to defend. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success.</p>	875 570	875 570
<ul style="list-style-type: none"> <li>Structa Technology vs Sekhukhune District Municipality,</li> </ul> <p>Nature of the liability: a claim was instituted against the municipality by Structa Technology pty Ltd for steel tank, pump house and borehole equipment for Mahlokweni village, the claim was settled by the municipality. The matter was settled during the 2023/24 financial year.</p>	-	2 155 447
<ul style="list-style-type: none"> <li>Mzamo V Group vs Sekhukhune District Municipality, litigation is against the municipality for a claim on a performance tendered by Mzamo V Group where the municipality is currently disputing, the claim is valued at R 180 000, the municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success and the case should be resolved in the next twenty four months.</li> </ul>	180 000	180 000
<ul style="list-style-type: none"> <li>Lydia Tabudi Makeke vs Sekhukhune District Municipality, litigation was registered in the regional court by Ms Lidia Tabudi Makeke for her legal costs in defence of a case against the municipality, the claim amounts to R 32 239 and was settled in the current year.</li> </ul>	-	32 239
<ul style="list-style-type: none"> <li>Dr JS Moroka Local Municipality vs Sekhukhune District Municipality</li> </ul> <p>Nature of the liability, a dispute between the Sekhukhune District Municipality and Dr JS Moroka Local Municipality on a claim by the local municipality on a supply of water which it is claimed to have been supplied on behalf of the district municipality at a tariff that was not approved by the council of the local municipality and without a service level agreement between the two municipalities. The financial effect of the claim was estimated at R 203 085 127.00 as at 30th June 2024. The dispute is currently serving in a court of law and it was uncertain as at 30th June 2024 as to how court may rule on the matter. There was however a possibility of reimbursement by the district municipality should it be proven that indeed there was a supply of water by the municipality, the reimbursement would only be effected within the limits of the approved tariff structures of the local municipality.</p>	203 085 127	203 085 127
<ul style="list-style-type: none"> <li>Department of Water &amp; Sanitation vs Sekhukhune District Municipality</li> </ul> <p>Nature of the liability, a dispute between the municipality and Department of Water and Sanitation on their tariff for the extraction of raw water, the disputed invoices amount to a total of R 25 263 426.63 as at 30th June 2024. There are discussions currently between the municipality and department on the disputed amounts and it is highly probable based on the discussions that the conclusions will favour the municipality.</p>	-	25 263 427
	<b>276 055 749</b>	<b>304 537 336</b>

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand

2024

2023

### 42. Contingent Liabilities and assets (continued)

**The Following are contingent liabilities reported as at 30 June 2024 where it was impracticable for management to attach the estimated cost of each possible liability.**

#### Afri-Forum NPC vs Sekhukhune District Municipality

Nature of the liability: A claim by Afri-Forum NPC against the municipality in the Polokwane High Court for non-compliance in terms of the maintenance of the waste water plant in Marble Hall. The matter is yet to be heard before the court thought the municipality is currently refurbishing the waste water treatment plant and it was not practical for management to attach a reliable estimate to the claim as at 30 June 2024. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success, and the case should be resolved within the next twelve month of the reporting period.

#### Mabotwane Security Services vs Sekhukhune District Municipality

Nature of the liability: A claim against the municipality by Mabotwane Security Services, the security company claims that the municipality appointed irregularly one other security company in four different clusters instead of appointing four different companies in all four clusters, the matter is currently heard before the court of law. It was impractical for management to attach a reliable estimated cost of the claim as at 30 June 2024. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success, and the case should be resolved within the next twelve months of the reporting period.

#### Concerned residents of Flag Boshielo vs Sekhukhune District Municipality

Nature of the liability: A claim was instituted by the concerns citizens of Flag Boshielo that the municipality must supply certain quantities of water to the Flag Boshielo community. The value of the claim could not be quantified as at 30th June 2024. The concerned residents obtained a structured mandamus and the municipality do report to the court via the representing attorney.

### **The following labour matters were also reported as at 30 June 2024**

#### Mr Rupert Matabane vs Sekhukhune District Municipality

Litigation is in progress against Mr Rupert Matabane relating to a charge of gross misconduct by the municipality, it was impracticable to determine the financial effect of the claim as at 30 June 2024. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success, and the case should be resolved within the next twenty four months. The proceedings were postponed to allow the cross-examination of the final witness.

As at the reporting date, there was no indication of any possibility of a reimbursement on this matter.

#### Ms Busisiwe Matjie vs Sekhukhune District Municipality

Litigation is in progress against Ms Busisiwe Matjie relating to a charge of gross misconduct by the municipality, it was impracticable to determine the financial effect of the claim as at 30 June 2024. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success, and the case should be resolved within the next twenty four months.

The chairperson of the hearing postponed the hearing subject to confirmation of a future date to finalize the matter.

As at the reporting date, there was no indication of any possibility of a reimbursement on this matter.

### **The following are the contingent assets of the municipality as at 30 June 2024**

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024	2023
<b>42. Contingent Liabilities and assets (continued)</b>		
Sekhukhune District Municipality vs Maadima (pty) Ltd	4 714 054	4 714 054
Nature of the contingent asset: a claim by the municipality to Maadima (pty) Ltd as an underwriter of a guarantee to a contractor, the contractor did fail to complete the construction works on behalf of the municipality as per its appointment and the guarantee monies were due to complete the remaining works. The financial effect of the claim as at 30 June 2024 could be estimated at about R 4 714 054.73. The municipality's lawyers and management consider the likelihood of the action against the Maadima (pty) Ltd with 80% chances of success for the municipality. The letter of demand already served. Municipal attorney instructed to issue summons while the complainant intends to defend, the matter is currently on discovery phase.		
• Sekhukhune District Municipality vs Betrams & Standard Bank	25 080 622	25 080 622
Nature of the contingent asset: a claim by the municipality to Betrams (pty) Ltd and Standard Bank on guarantess issued by the Standard Bank SA on behalf of Betrams (pty) Ltd. The financial effect of the claim as at 30 June 2024 could be estimated at about R 25 080 622.05. The municipality's lawyers and management consider the likelihood of the action against Betrams (pty) Ltd and Standard Bank SA with 80% chances of success for the municipality, and the case should be resolved within the next twenty-four months. Summons served on defendants. Notice of exception received and plea amended. Defendant served Rule 35(12 & 14) and the municipality provided the required documentation.		
• Sekhukhune District Municipality vs Advocate Ngutshane	239 131	239 131
Nature of the contingent asset: a claim by the municipality to Advocate Ngutshane on a payment erroneously paid into his bank account by the municipality. The financial effect of the claim as at 30 June 2024 could be estimated at about R 239 131.55. The municipality's lawyers and management consider the likelihood of the action against with 80% chances of success for the municipality. Summons served to the defendant. Plea received from the defendant. The municipality also lodged a claim with the legal practice council.		
• Sekhukhune District Municipality vs Ndamakho Trading (Mapondo Tanks)	6 500 000	6 500 000
Nature of the contingent asset: a claim by the municipality to Ndamakho Trading (Mapondo Tanks) for an advance payment on the installation of water tanks which were never installed valued at around R 6 500 000.00. The municipality's lawyer's and management consider the likelihood of the action against Ndamakho Trading (Mapondo Tanks) with around 80% probability of success. Summons were issued to Ndamakho Trading (Mapondo Tanks) and company is yet to respond to the summons as at 30th June 2024		
• Hexagon Technologies and Projects vs Sekhukhune District Municipality	7 421 365	7 421 365
Nature of the contingent asset: dispute on a claim of a consumer price index adjustment by Hexacon Technologies to the municipality. The financial effect of the claim as at 30th June 2024 could be estimated at about R 7 421 365.80. The plaintiff transmitted a letter of demand and issued summons to the municipality. The municipality continues to dispute the matter though the municipal account was attached for about R 6 000 000 with 9% interest from 2015 in the prior year, the municipality has since discovered that there was a misrepresentation of facts by Hexacon and the amounts claimed from the municipality were not justifiable and correct, the management of the municipality has since concluded that the attached amounts are possible receivables to the municipality pending the outcome of the current investigations on the matter.		
• Sekhukhune District Municipality vs Officials	12 084 011	12 084 011
Nature of the contingent asset: A claim by the municipality to a total of R 12 084 011 in invoices which were incorrectly and fraudulently paid into an incorrect bank account by officials of the municipality. The invoices were meant to pay the monthly instalments towards the cumulative debt on occupational health and safety membership with the department of labour. The matter is currently handled by the South African Police Service and it is expected to be concluded in the next twenty-four months. The municipality's lawyer's and management consider the likelihood of the action against the officials with around 80% probability of success. As at the 30 June 2024 the municipality was awaiting a report from the South African Police Service on how the matter is to be concluded		
	<b>56 039 183</b>	<b>56 039 183</b>

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024	2023
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### 43. Related parties

#### Relationships

Accounting Officer	Municipal Manager
Controlled entities	Sekhukhune Development Agency
Local Government Controlling Entity	South African Local Government Association
Members of the municipal council	Refer to note 44
Members of key management	Refer to note. 20

#### Related party balances

##### Annual membership fees

South African Local Government Association	5 105 341	4 481 840
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##### Transfers and subsidies

Sekhukhune Development Agency	5 663 367	3 217 479
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#### Members of key management

Municipal Manager	1 251 997	611 676
Chief Financial Officer	1 138 727	844 834
Director: Corporate Services	1 106 203	763 899
Director: Infrastructure and Water Services	1 240 757	672 666
Director: Community Services	165 033	533 039
Director: Planning and Economic Planning	1 289 243	314 688
Chief Operating Officer	1 115 985	343 924
Acting Director: Planning and Economic Development	-	3 995

#### Remuneration of councillors 2023/24

	Annual remuneration	Travel allowance	Cellphone allowance	Pension, Medical, UIF & SDL	Sitting allowance & travel claims	Total
Cllr Maitula BM (Executive Mayor)	545 778	-	31 336	56 488	-	633 602
Cllr Mokhanyetji MJ (Executive Mayor)	536 832	-	48 136	86 348	-	671 316
Cllr Chego DK (Council speaker)	738 166	-	48 136	62 577	-	848 879
Cllr Phokane MJ (Chief Whip)	684 575	-	45 484	55 495	-	785 554
Cllr Nkosi SM	715 121	-	46 800	46 054	-	807 975
Cllr Mafefe OH	774 565	-	48 136	118 206	-	940 907
Cllr Leokana MD	237 580	-	21 200	1 607	2 359	262 746
Cllr Sefala KRE	670 306	-	48 136	106 926	-	825 368
Cllr Leshaba MB	862 353	-	48 136	59 341	-	969 830
Cllr Kupa MR	824 668	-	45 484	56 022	-	926 174
Cllr Malatji MN	228 835	-	20 717	13 456	-	263 008
Cllr Nkosi SB	141 467	-	21 200	1 173	-	163 840
Cllr Mashilo MS	177 615	-	21 200	1 359	-	200 174
Cllr Mabatane MC	826 640	-	48 136	58 501	-	933 277
Cllr Mogofe A	457 029	-	45 200	25 219	-	527 448
Cllr Tladi MD	304 635	-	45 200	24 723	-	374 558
Cllr Maloba AM	308 795	-	45 200	3 476	-	357 471
Cllr Mathebe JL	339 720	-	48 136	83 892	-	471 748
Cllr Ratau MF	572 940	-	48 136	39 913	-	660 989
Cllr Mohlala MJ	563 657	-	48 136	40 898	-	652 691
Cllr Mogotji FM	319 735	-	48 136	3 619	-	371 490
Cllr Tshivhula MP	323 230	-	48 136	25 045	-	396 411
Cllr Kgweni JL	291 550	-	45 600	25 020	-	362 170
Cllr Matsetela ML	452 989	-	48 136	25 641	-	526 766
Cllr Magabe MS	273 235	-	21 200	1 346	-	295 781
Cllr Makofane T	164 926	-	21 200	713	33 774	220 613
Cllr Makutu TS	54 496	-	21 200	504	23 245	99 445
Cllr Mathipa MP	245 949	-	21 200	1 453	25 474	294 076

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024			2023		
<b>43. Related parties (continued)</b>						
Cllr Mgiba NP	157 075	-	21 200	1 108	-	179 383
Cllr Mokgotho K	137 053	-	21 200	725	32 680	191 658
Cllr Thobejane LM	118 372	-	21 200	563	25 646	165 781
Cllr Tlape MM	121 247	-	21 200	1 130	-	143 577
Cllr Molapo WS	23 062	-	19 981	322	18 656	62 022
Cllr Mabelane MJ	116 667	-	21 200	564	25 646	164 077
Cllr Ngwatle AD	2 291	-	21 200	305	14 067	37 863
Cllr Makofane IT	144 054	-	21 200	960	38 534	204 748
Cllr Malau TS	118 328	-	21 200	815	20 756	161 099
Cllr Mathabathe TS	2 334	-	21 200	329	18 742	42 605
Cllr Maibelo LS	17 843	-	21 200	289	10 442	49 774
Cllr Sithole LL	46 010	-	21 200	436	26 869	94 515
Cllr Matsomane ST	25 214	-	21 200	353	22 194	68 960
Cllr Rankoe TP	91 965	-	21 200	844	20 052	134 061
Cllr Mosoane E	80 751	-	21 200	722	16 513	119 186
Cllr Mokomane ML	105 659	-	21 200	761	20 052	147 672
Cllr Thokwane KZ	82 750	-	21 200	613	15 333	119 896
Cllr Mashegoana MC	80 514	-	21 200	686	11 795	114 195
Cllr Makobe PA	16 830	-	21 200	416	7 077	45 523
Cllr Lekoatsipa LN	142 124	-	21 200	815	-	164 138
Cllr Magatla LN	98 967	-	21 200	854	-	121 021
Cllr Letsela NS	68 685	-	21 200	342	-	90 227
Cllr Maelane KN	59 380	-	21 200	409	-	80 989
Cllr Machai MJ	75 734	-	21 200	718	8 256	105 908
Council remuneration: operational cost	-	-	-	-	282 313	282 313
	<b>14 570 296</b>	<b>-</b>	<b>1 604 634</b>	<b>1 040 094</b>	<b>720 475</b>	<b>17 935 498</b>

Remuneration of councillors 2022/23	Annual remuneration	Travel allowance	Cellphone allowance	Pension, Medical, UIF & SDL	Sitting allowance	Total
Cllr Mokganyetji MJ (Executive Mayor)	744 400	22 770	41 100	104 730	-	913 000
Cllr Mathebe JL (Executive Mayor)	327 398	-	13 900	74 104	-	415 403
Cllr Chego DK (Council speaker)	682 565	-	41 100	72 155	-	795 819
Cllr Phokane MJ (Chief whip)	640 165	51 456	41 100	67 834	-	800 554
Cllr Ramaila KS	39 514	-	3 700	39 055	-	82 269
Cllr Malatji MN	298 611	153 987	34 000	25 562	-	512 160
Cllr Mafefe OH	524 552	95 133	41 100	114 745	-	775 260
Cllr Kupa CR	640 149	279 949	41 100	68 821	-	1 030 020
Cllr Ratau MF	640 149	144 104	41 100	68 310	-	893 662
Cllr Mabatane	621 755	132 923	41 100	56 333	-	852 101
Cllr Mohlala MJ	861 185	213 235	57 400	56 747	-	1 188 567
Cllr Leshaba MB	640 335	248 486	41 100	66 465	-	996 386
Cllr Sefala KR	304 191	170 561	40 800	85 062	-	600 614
Cllr Mogofe A	48 559	11 646	7 400	4 040	-	71 645
Cllr Tladi MD	48 559	2 790	7 400	541	-	59 291
Cllr Maloba AM	48 559	-	7 400	560	-	56 519
Cllr Mathebe JL	169 958	-	23 800	43 078	-	236 836
Cllr Nkosi SM	273 264	178 956	33 600	39 109	-	524 929
Cllr Machai MA	10 440	52 354	20 400	483	-	83 677
Cllr Maelane KM	10 440	39 261	20 400	386	-	70 488
Cllr Letsela NS	10 440	81 098	20 400	337	-	112 275
Cllr Magatla LN	10 440	51 822	20 400	417	-	83 079
Cllr Lekoatsipa LR	83 666	84 747	17 000	1 019	-	186 432
Cllr Makobe PA	10 440	-	20 400	308	-	31 148
Cllr Mashegoana MC	10 440	62 740	20 400	422	-	94 002
Cllr Thokoane KZ	13 399	36 624	20 400	380	-	70 803
Cllr Mokomane ML	10 440	91 888	20 400	486	-	123 214

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024				2023	
<b>43. Related parties (continued)</b>						
Cllr Mosoane E	13 399	68 803	20 400	518	-	103 120
Cllr Rankoe TP	2 820	43 591	20 400	242	-	67 052
Cllr Leokana MD	10 440	83 063	20 400	446	-	114 349
Cllr Matsomane ST	-	16 494	20 400	363	31 718	68 975
Cllr Sithole ME	-	46 346	20 400	456	34 023	101 225
Cllr Nkosi SB	80 147	35 135	20 400	1 006	-	136 688
Cllr Maebelo LS	-	15 619	20 400	308	20 420	56 748
Cllr Mohlamonyane TE	-	12 673	20 400	278	14 739	48 090
Cllr Mashilo MS	80 147	65 029	20 400	1 189	-	166 765
Cllr Malau TS	-	52 610	20 400	518	58 956	132 484
Cllr Makofane IT	-	163 027	20 400	1 129	52 172	236 727
Cllr Ngwatle AD	-	11 957	20 400	306	16 978	49 641
Cllr Mabelane JM	-	122 811	20 400	615	27 206	171 032
Cllr Molapo WS	-	121 403	20 400	616	30 581	173 000
Cllr Tlape MM	80 147	48 984	20 400	1 070	-	150 600
Cllr Thobejane ML	-	103 638	20 400	645	41 945	166 628
Cllr Mokgotho K	-	179 686	20 400	892	45 453	246 431
Cllr Mgiba NP	80 147	110 147	20 400	1 015	-	211 709
Cllr Maphipa MP	-	100 867	20 400	710	47 725	169 702
Cllr Makutu TS	-	98 495	20 400	761	36 230	155 887
Cllr Makofane T	-	155 366	20 400	342	52 172	228 564
Cllr Magabe MS	80 147	78 785	20 400	1 181	-	180 513
Cllr Senong	224 944	75 719	34 300	23 615	-	358 578
Cllr Mosotho MT	214 079	92 910	34 300	18 641	-	359 929
Cllr Matsetela ML	270 002	374 607	41 100	30 430	-	716 138
Cllr Komane LM	230 135	63 763	34 300	6 473	-	334 670
Cllr Kgwadi JL	270 115	13 121	41 100	27 149	-	351 485
Cllr Tshivhula MP	270 115	39 939	41 100	27 142	-	378 296
Cllr Mogotji FM	290 649	10 960	41 100	7 020	-	349 729
Cllr Matseke RT	-	-	-	1 645	-	1 645
Cllr Mnisi SP	-	-	-	2 565	-	2 565
	<b>9 921 446</b>	<b>4 612 078</b>	<b>1 454 500</b>	<b>1 150 775</b>	<b>510 318</b>	<b>17 649 118</b>

### Remuneration of management

#### Management class: Councillors

2024

Name

Undefined Difference

2023

Name

Undefined Difference

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024	2023
<b>44. Change in estimate</b>		
<b>Property, plant and equipment</b>		
During the current financial year management have reviewed that remaining useful live of the asset as per the policy requirement. The assets which have the useful live of less than 24 months were extended were applicable. The extension have resulted in the decrease in the depreciation for the year 2023. The impact of the change is as follows per each category of assets -		
	<b>Note</b>	<b>Correction of error</b>
Inventories		118 382
Loans to economic entities		1 500 183
		74 272 324
		<b>75 890 889</b>

## 45. Prior period errors

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

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

#### Property, Plant and Equipment

The carrying value of property, plant and equipment that is taking significantly longer period of time to complete than expected was disclosed per the individual project in the prior year, the disclosure was aggregated both in the current year and prior year, and as such a correction of a prior period error was effected in the prior year to ensure that both disclosures are comparable. The total carrying value of the property, plant and equipment remained R 118 419 793 as disclosed.

#### Property, Plant and Equipment

The carrying value of property, plant and equipment where the construction or development has been halted either during the current or previous years was disclosed per the individual project in the prior year, the disclosure was aggregated both in the current year and prior year, and as such a correction of a prior period error was effected in the prior year to ensure that both disclosures are comparable. The total carrying value of the property, plant and equipment remained R 134 832 337 as disclosed.

#### Deviations

The deviations were erroneously disclosed as 'Sole Provider' in the prior year, a prior period error was effected and the deviations were disclosed correctly as deviations from instances where it was impractical or impossible to follow the normal procurement processes. The total amount disclosed remains R 4 647 010.

#### Deviations

The deviations were erroneously disclosed as 'Impractical' in the prior year, a prior period error was effected and the deviations were disclosed correctly as deviations which resulted from emergency situations where normal processes of procurement could not be ideal to follow or apply. The total amount disclosed remains R 13 531 018.

#### Contingent Liabilities

The matter better between the Sekhukhune District Municipality and Mzamo V Group was erroneously omitted as a disclosure in the 2022/23 annual financial statements, the error was corrected by disclosing a contingent liability in the prior year. The amount disclosed is R 180 000.00

#### Contingent Liabilities

The matter better between the Sekhukhune District Municipality and Lydia Tabudi Makeke was erroneously omitted as a disclosure in the 2022/23 annual financial statements, the error was corrected by disclosing a contingent liability in the prior year. The amount disclosed is R 32 239.00

#### Contingent Liabilities

The matter better between the Sekhukhune District Municipality and Nedbank was erroneously omitted as a disclosure in the 2022/23 annual financial statements, the error was corrected by disclosing a contingent liability in the prior year. The amount disclosed is R 34 235.00

#### Irregular Expenditure

The disclosure on the irregular expenditure in the 2022/23 financial year was erroneously understated by R 19 038 704.27 being the irregular expenditure amounts incurred in the prior year. The error was corrected by disclosing the amounts in the prior year and the total irregular expenditure amount disclosed in the prior year was restated accordingly.

#### Payables from Exchange Transactions

The total amount on the accruals in the prior year was overstated by the accruals relating to the prior years which were paid, the error was corrected retrospectively by restating the payables from the exchange transactions in the prior year by R 237 836 566.00.

#### Property, plant & equipment

The municipality did effect a prior period error correction on the carrying value of the property, plant & equipment disclosed in the 2022/23 financial year, the error was a disclosure of some of the items of property, plant and equipment at zero amounts or approaching zero net carrying amounts whilst being used and are in good condition, the net carrying value of the property, plant and equipment was previously understated and accumulated surplus also understated as a result, the error was corrected and both the carrying value of the property, plant and equipment together with the accumulated surplus were adjusted by R 36 091 655.17 to correct the error.

#### Property, plant and equipment - Depreciation

The municipality did also effect a prior period error correction on the depreciation of the property, plant and equipment amount disclosed in the 2022/23 annual financial statements. The total depreciation amount was understated by R 5 603 672.00 as

The

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand

2024

2023

### 45. Prior period errors (continued)

disclosed, the carrying value of the property, plant and equipment was overstated and the accumulated surplus was also overstated by the same amount. The error was corrected by restating both the depreciation amount and the carrying value of the property, plant and equipment, as a result the accumulated surplus in the prior year was also restated by R 5 603 672.

#### Expenditure - Cut off

An expenditure amounting to R 16 915 598 relating to the 2021/22 financial year was incorrectly accounted and reported in the 2022/23 financial year, the expenditure on bulk purchases was restated in the prior year, the opening accumulated surplus in the prior year was also restated to correct the error.

#### Expenditure - Misclassification

An expenditure amounting to R 23 587 217.00 on bulk purchases was incorrectly disclosed as contracted services in the 2022/23 financial year, the total expenditure on bulk purchases was understated whilst the expenditure on contracted services was overstated by R 25 587 217.00. The error was corrected by increasing the total bulk purchases expenditure and reducing the total contracted services expenditure by the same amount in the prior, the disclosures on both amounts were restated accordingly.

#### Expenditure - Misclassification

An expenditure amounting to R 12 041 566.00 on bulk purchases was incorrectly disclosed as repairs and maintenance in the 2022/23 financial year, the total expenditure on bulk purchases was understated whilst the expenditure on repairs and maintenance was overstated by R 12 041 566.00. The error was corrected by increasing the total bulk purchases expenditure and reducing the total repairs and maintenance expenditure by the same amount in the prior year, the disclosures on both amounts were restated accordingly.

#### MFMA disclosure - PAYE, UIF & SDL

The opening balance on the contributions for the Pay As You Earn, Unemployment Insurance Fund and Skills Development Levy was mistated in the prior year, the error was corrected by restating the opening balance to (R 284 537.14) in the prior year. The closing balance was also restated to (R 302 253.76) as at end of the prior year.

#### MFMA disclosure - MEDICAL, PENSION

The opening balance on the contributions for the Pension and Medical Aid was mistated in the prior year, the error was corrected through a restatement of the opening balance to R 210 824.17 in the prior year. The closing balance was also restated to R 217 848.00 in the prior year.

#### Fruitless and wasteful expenditure

The disclosure note on the fruitless and wasteful expenditure in the prior year did not include the details of the expenditure incurred with short descriptions of each incident of fruitless and wasteful expenditure. The error was corrected by a detailed disclosure of the details of the expenditure in the prior year.

#### Contingent Liabilities

The disclosure note on the contingent liabilities in the prior year did not include the claims by the Department of Water and Sanitation on expenditures that the department claims to be total billing by their satellite offices and they're currently investigating the amounts as a department, though the department already invoiced the municipality and most amounts were billed in the prior years. There was no dispute on the amounts billed the department billed the municipality during the 2023/24 financial year. The total disputed claims by the department amount to R 25 263 426.63.

#### Contingent Liabilities

There is a dispute between the Sekhukhune District Municipality and Dr JS Moroka Local Municipality on a claim by the local municipality for the supply of water in which the local municipality claims to have supplied on behalf of the district municipality water at a tariff that was not approved by the council of the local municipality and without a service level agreement between the two municipalities. The financial effect of the claim was estimated at R 203 085 127.00 as at 30th June 2023. The dispute is currently serving in a court of law and it is uncertain as to how the court may rule on the matter.

#### Receivables from exchange transactions

The receivables from exchange transactions 2022/23 prior year was overstated by R 26 162 293.99 amount of the expenditure relating to the payments on bulk water supply. The error was corrected retrospectively in the prior period by reducing the receivables from the exchange transactions and the accumulated surplus was also adjusted accordingly.

#### Payables from exchange transactions

The payables from exchange transactions in the 2022/23 prior year were overstated by R 255 083 881 amount of the expenditure relating to the payments on bulk water supply not accounted for. The error was corrected retrospectively in the

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

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

prior year by reducing the payables from exchange transactions and the accumulated surplus was adjusted accordingly.

#### VAT receivable

The VAT receivable disclosure in the 2022/23 prior year was overstated by R 50 128 310.00 amount of the opening. The error was corrected retrospectively in the prior period by reducing the VAT receivable and the accumulated surplus was also adjusted accordingly.

#### Receivables from exchange transactions

The receivables from exchange transactions disclosure in the 2022/23 prior year was overstated by R 26 162 294.00 amount of the opening. The error was corrected retrospectively in the prior period by reducing the receivables from exchange transactions disclosure amount and the accumulated surplus was also adjusted accordingly.

#### Capital Commitments

The capital commitments disclosure in the 2022/23 prior year was overstated by understated by R 255 774 019.06. The error was corrected by correctly restating the disclosed amount to R 640 572 213.96 in the prior year.

#### Unspent conditional grants - Water Services Infrastructure Grant

The closing balance of the unspent conditional grant on the Water Services Infrastructure Grant was incorrectly disclosed as R 19 670 308.00 in the 2022/2023 prior year. The error was corrected retrospectively by restating the closing balance to R 21 984 017.00 in the prior year.

#### Expenditure - cut off

The total operational expenditure in the 2023/2024 financial year did incorrectly include expenditure on amounts accrued and invoiced in the 2022/2023 prior year. The total expenditure of all invoices affected amounts to R 5 399 262.58 inclusive of the Value Added Tax. The error was corrected retrospectively by reducing both the expenditure and payables from exchange transactions in the 2023/2024 financial year, the expenditure was recognized the 2022/2023 financial year. The following expenditure disclosure amounts affected by the correction:

- Repairs and maintenance increased by R 10 681 226.00
- Consulting and professional fees increased by R 168 747.00
- Accommodation increased by R 189 968.00
- Advertising increased by R 15 300.00
- Auditor's remuneration increased by R 122 818.00
- IT support increased by R 281 126.00
- Telephone and fax increased by R 174 245.00
- Training increased by R 98 600.00
- Electricity increased by R 17 683.00
- Other expenses increased by R 785 553.00
- Catering increased by R 508 164.00
- Staff recruitment increased by R 12 240.00
- Audio visuals increased by R 2 928.00
- Operating leases increased by R 745 411.00

#### Contracted Services

The water tankering expenditure in the 2022/2024 financial year was incorrectly disclosed as bulk water purchases, the total misallocation was R 52 025 634. The error was corrected retrospectively by reducing the bulk water expenditure in the prior year and increasing the contracted services expenditure in the same year by the R 52 025 635 amount.

#### Transfers and subsidies

The municipality established an entity to advance some of the goals of the Municipality as part of the service delivery to the community as such a grant with restrictions is awarded on an early basis to the entity to advance the objectives of the Municipality. This grant represents an obligation by the Municipality to the municipal entity on an annual basis and therefore represents an expense to the Municipal entity, in that regard a payable has been raised by the Municipality and a corresponding expense (Grant expense) was raised to account for the error in the prior years. The grant is not refundable to the Municipality and hence can be appropriated for the Municipal entity expenses. At each financial year the Municipal entity is obliged to submit a budget for the funds to be utilized in a particular financial year which is approved by the parent municipality, the submission of the budget represents a restrictive condition which is not a condition and as such should be reflected as a full expense and a corresponding payable to the entity. The restatement has been adjusted to the earliest possible period.

#### Contracted services

The contracted services expenditure in the 2022/2023 financial year was understated by R 47 151 603.00 amount of the water

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

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

tankering services which was incorrectly classified as bulk water purchases. The error was corrected retrospectively and the total expenditure on contracted services was restated to R 128 283 298.00 in the 2022/2023 prior year.

### 46. Prior-year adjustments

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

#### Statement of financial position

#### 2023

	Note	As previously reported	Correction of error	Restated
Property, plant & equipment		4 713 927 030	(1 408 943)	4 712 518 087
Payables from exchange transactions		(574 983 395)	196 735 249	(378 248 146)
VAT receivables		128 425 149	(50 128 311)	78 296 838
Receivables from exchange transactions		60 845 045	(26 162 294)	34 682 751
Heritage assets		-	552 117	552 117
Accumulated surplus		(4 509 391 591)	(125 828 451)	(4 635 220 041)
		<b>(181 177 762)</b>	<b>(6 240 633)</b>	<b>(187 418 394)</b>

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024	2023		
46. Prior-year adjustments (continued)				
Statement of financial performance				
2023				
	Note	As previously reported	Correction of error	Restated
Depreciation		129 806 551	5 603 672	135 410 223
Bulk purchases		194 129 214	(52 025 634)	142 103 580
Impairment loss		7 804 285	7 666 376	15 470 661
Contracted services		81 131 695	47 257 851	128 283 298
Repairs and maintenance		42 500 480	(10 681 226)	31 819 254
Consulting and professional fees		25 111 004	168 747	25 279 751
Accommodation		1 443 032	189 968	1 633 000
Advertising		2 404 477	15 300	2 419 777
Auditor's remuneration		8 020 486	122 818	8 143 304
IT support		3 350 854	281 126	3 631 980
Telephone and fax		4 224 576	174 245	4 398 821
Training		601 915	98 600	700 515
Electricity		65 130 066	17 683	65 147 749
Other expenses		12 394 549	785 553	13 180 102
Catering		3 913 124	508 164	4 421 288
Staff recruitment		500 698	12 240	512 938
Audio visuals		4 517 664	2 928	4 520 592
Operating leases		51 858 861	745 411	52 604 272
Transfers and subsidies		3 217 479	5 296 811	8 514 290
Surplus for the year		642 061 010	6 240 633	648 195 395

### Cash flow statement

2023

Note Correction of error Re-classification

### 47. Risk management

#### Financial risk management

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

#### Liquidity risk

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

#### Credit risk

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

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

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

### 47. Risk management (continued)

#### Market risk

#### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

### 48. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R 5 063 049 554

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note of these financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

### 49. Events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date the financial statements are authorized for issue. The two types of events can be identified, (i) those that provide evidence of events that existed at the reporting date being the adjusting events after the reporting date and (ii) those that are indicative of conditions that arose after the reporting date as the non-adjusting events after the reporting date.

Management was not aware of any events after the reporting date, those which provided evidence of events that existed at the reporting date being the adjusting events and/or those that were indicative of conditions that arose after the reporting date being non-adjusting events after the reporting date.

### 50. Unauthorised expenditure

Opening balance as previously reported	410 590 826	410 590 826
Add: Unauthorised expenditure - current	18 774 325	-
<b>Closing balance</b>	<b>429 365 151</b>	<b>410 590 826</b>

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Cash	18 774 325	-
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#### Analysed as follows: cash

Contracted services (Security services)	18 774 325	-
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#### Unauthorised expenditure: Budget overspending – per municipal department:

Safety and security services	18 774 325	-
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#### Recoverability steps taken/criminal proceedings

The municipality did incur in total R 18 774 325.37 in unauthorized expenditure during the 2023/24 financial year. The expenditure is currently under investigation by the Municipal Public Accounts Committee.

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

### 50. Unauthorised expenditure (continued)

#### Recoverability of unauthorised expenditure

The expenditure incurred was in related to the security services which were certified to have been rendered to the satisfaction of the user department and had no element of fruitless and wasteful expenditure that would require any measures of recovery.

### 51. Fruitless and wasteful expenditure

Opening balance as previously reported	72 425 486	58 456 147
Add: Fruitless and wasteful expenditure identified - current	597 532	13 969 339
<b>Closing balance</b>	<b>73 023 018</b>	<b>72 425 486</b>

The municipality did incur in total R 597 532.28 in fruitless and wasteful expenditure as at 30 June 2024.

#### Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings
Legal claim instituted against the municipality	Disciplinary measures implemented by the municipality
Interest on overdue account: COIDA	Expenditure under investigation
Interest on overdue supplier accounts	Expenditure under investigation
Interest on overdue supplier accounts	Disciplinary measures implemented by the municipality
Sheriff expenses	Disciplinary measures implemented by the municipality
Expenditure on abandoned capital project	Disciplinary measures implemented by the municipality
Penalties on late renewal of motor licenses	Expenditure under investigation
Interest charges on renewal of motor licenses	Expenditure under investigation
Interest charges on WTW account	Expenditure under investigation
Re-advertisement expenses	Expenditure under investigation
Interest charges on third party payment	Expenditure under investigation
Sheriff expenses	Expenditure under investigation
Interest charges on legal claims	Expenditure under investigation
Interest charges on legal claims	Expenditure under investigation

#### Amount recovered

No amounts of fruitless and wasteful expenditure were recovered during the 2023/24 financial year, investigations by the Municipal Public Accounts Committee were not yet finalized while some disciplinary measures were implemented in other cases.

#### Amount written-off

No amounts of fruitless and wasteful expenditure were written-off during the 2023/24 financial year.

### 52. Irregular expenditure

Opening balance as previously reported	1 398 008 600	1 344 599 237
Add: Irregular expenditure - current	74 904 123	34 370 659
Add: Irregular expenditure - prior period adjustments	-	19 038 704
<b>Closing balance</b>	<b>1 472 912 723</b>	<b>1 398 008 600</b>

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024	2023
<b>52. Irregular expenditure (continued)</b>		
<b>The municipality did report the following instances of irregular expenditure during the 2023/24 financial year, in comparisan to the 2022/23 financial year</b>		
Non-compliance with the minimum functionality requirements	-	898 546
Municipal rates of the awarded company was in arrears	-	4 530 449
Non-compliance with the minimum functionality requirements	-	668 069
Non-compliance with the minimum functionality requirements	-	339 871
Non-compliance with the minimum functionality requirements	-	211 705
Non-compliance with the minimum functionality requirements	-	954 130
No evaluation criteria specified in the bid document	-	4 497 582
No evaluation criteria specified in the bid document	-	433 950
No evaluation criteria specified in the bid document	-	2 248 980
No evaluation criteria specified in the bid document	-	988 931
No evaluation criteria specified in the bid document	-	880 617
No evaluation criteria specified in the bid document	-	2 984 745
No evaluation criteria specified in the bid document	-	1 289 780
Company director investigated for financial misconduct	-	7 843 260
Competitive bid advertised for less than 30 days	-	515 643
Non-compliance with the minimum functionality requirements	-	5 084 400
Person in service of state	-	156 400
Person in service of state	-	29 250
Person in service of state	-	2 013 045
Non-compliance with the minimum functionality requirements	-	4 227 746
Evaluation criteria not fully complied with during the evaluation process	-	1 496 956
Evaluation criteria not fully aligned to the supply chain management regulations	-	19 038 704
Evaluation criteria not fully aligned to the supply chain management regulations	74 904 123	-
	<b>74 904 123</b>	<b>61 332 759</b>

### Amount srecoverable

All amounts reported as irregular expenditure in both the current and prior periods were reported to council, council did refer all reported 30th June 2024, all investigations were not concluded on the reported amounts. A determination as to whether the amounts were recovered.

### Amount written-off

No amounts of reported irregular expenditure were written off during the 2023/24 financial year as investigations were ongoing.

### Recoverability steps taken/criminal proceedings

The Municipal Public Accounts Committee investigations were not concluded as at 30 June 2024, as a result no steps or criminal proceedings were taken as yet.

## 53. Additional disclosure in terms of Municipal Finance Management Act

### Contributions to organised local government

Current year subscription / fee	5 105 341	4 481 840
Amount paid - current year	(5 105 341)	(4 481 840)
	-	-

### Material losses (Water distribution)

Current year loss in Kilolitres	11 969 244	9 407 844
Amount paid: current year	47 991 245	59 310 437
	-	-

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

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

#### Audit fees

Current year subscription / fee	8 407 049	8 143 304
Amount paid - current year	(8 407 049)	(8 143 304)
	-	-

#### PAYE, UIF and SDL

Opening balance	(302 253)	(284 537)
Current year subscription / fee	71 089 188	64 588 007
Amount paid - current year	(71 063 198)	(64 605 723)
	<b>(276 263)</b>	<b>(302 253)</b>

#### Pension and Medical Aid Deductions

Opening balance	128 321	210 824
Current year subscription / fee	88 458 170	84 999 817
Amount paid - current year	(88 369 411)	(84 992 793)
	<b>217 080</b>	<b>217 848</b>

#### VAT

VAT receivable	1 087 834 332	864 655 570
VAT payable	-	(786 358 732)
	<b>1 087 834 332</b>	<b>78 296 838</b>

#### 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 Ratau MF	359	4 318	4 677
Cllr Ratau MF	2 817	32 216	35 033
Cllr Matsetela ML	15 733	3 100	18 833
Cllr Matsetela M	447	-	447
Cllr Phokane MJ	665	-	665
	<b>20 021</b>	<b>39 634</b>	<b>59 655</b>

30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr Phokane	72	-	72
Cllr Matsetela M	1 412	-	1 412
Cllr Matsetela ML	2 685	3 897	6 582
Cllr Ratau MF	318	3 308	3 626
	<b>4 487</b>	<b>7 205</b>	<b>11 692</b>

During the year the above listed councillors' had arrear accounts outstanding for more than 90 days.

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

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

#### Supply chain management regulations

Section 36 of the Municipal Supply Chain Management Regulations states that the accounting officer may dispense with the official procurement processes established by the applicable supply chain policy and procure any required goods or services through any convenient process which may include direct negotiations, but only (i) In an emergency, (ii) if such goods or services are produced or available from a single service provider, (iii) for the acquisition of special works of art or historical objects where specifications are difficult to complete, (iv) acquisitions of animals for zoos or (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes.

#### Incident

Deviations as per section 36(1)(i) of the municipal supply chain regulations	-	13 195 378
Deviations as per section 36(1)(v) of the municipal supply chain regulations	6 017 199	4 982 652
	<b>6 017 199</b>	<b>18 178 030</b>

### 54. Segment information

#### General information

#### Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational 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 throughout the Gauteng Province in ten cities. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Gauteng were sufficiently similar to warrant aggregation.

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand

### 54. Segment information (continued)

#### Segment surplus or deficit, assets and liabilities

2024

	Executive Support	Finance and Administration	Economical and Environmental Services	Comunnunity and Public Safety	Infrastructure and water services	Total
<b>Revenue</b>						
Revenue from exchange transactions	-	71 551 840	-	-	-	71 551 840
Interest received - Debtors	-	34 069 586	-	-	-	34 069 586
Other Income	-	1 082 941	-	-	-	1 082 941
Interest - Investments	-	81 206 793	-	-	-	81 206 793
Actuarial Gains	-	3 009 226	-	-	-	3 009 226
Government Grants and Subsidies	-	1 072 070 377	15 355 000	-	483 573 327	1 570 998 704
Fines, penalties & forfeits	-	9 326	-	-	-	9 326
Fair value adjustments	-	63 198	-	-	-	63 198
<b>Total segment revenue</b>	<b>-</b>	<b>1 263 063 287</b>	<b>15 355 000</b>	<b>-</b>	<b>483 573 327</b>	<b>1 761 991 614</b>
<b>Total revenue</b>						<b>1 761 991 614</b>

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand

	Executive Support	Finance and Administration	Economical and Environmental Services	Comunnunity and Public Safety	Infrastructure and water services	Total
<b>54. Segment information (continued)</b>						
<b>Expenditure</b>						
Employee related cost	55 895 196	101 720 367	8 599 261	68 794 090	197 783 006	432 791 920
Remuneration of councillors	17 935 498	-	-	-	-	17 935 498
Depreciation and amortisation	-	144 961 078	-	-	-	144 961 078
Impairment loss	-	7 348 419	-	-	-	7 348 419
Finance cost	-	5 565 849	-	-	-	5 565 849
Lease rentals on operating lease	-	45 782 700	-	-	-	45 782 700
Debt Impairment	-	117 262 131	-	-	-	117 262 131
Bulk Purchases	-	231 345 755	-	-	-	231 345 755
Contracted services	-	278 941 930	-	-	-	278 941 930
Transfers and subsidies	-	10 663 989	-	-	-	10 663 989
General expenses	-	257 141 202	-	-	-	257 141 202
Repairs and maintenance	-	44 763 997	-	-	-	44 763 997
Inventory write-down	-	182 086	-	-	-	182 086
Actuarial losses	-	1 685 611	-	-	-	1 685 611
<b>Total segment expenditure</b>	<b>73 830 694</b>	<b>1 247 365 114</b>	<b>8 599 261</b>	<b>68 794 090</b>	<b>197 783 006</b>	<b>1 596 372 165</b>
<b>Total segmental surplus/(deficit)</b>						<b>165 619 449</b>

### Measurement of segment surplus or deficit, assets and liabilities

### Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies, except that pension expense for each segment is recognised and measured on the basis of cash payments to the pension plan.

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2024

## Notes to the Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

### 54. Segment information (continued)

#### **The nature of differences between the measurements of the reportable segments' surplus or deficit and the entity's surplus or deficit and discontinued operations**

Inter-segment transfers: segment revenue and segment expense include revenue and expense arising from transfers between segments. Such transfers are usually accounted for at cost and are eliminated on consolidation.

#### **The nature and effect of any asymmetrical allocations to reportable segments**

The municipality allocated depreciation expense to a segment without allocating the related depreciable assets to that segment.