



## **Letsemeng Local Municipality**

Annual Financial Statements  
for the year ended 30 June 2024

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## General Information

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<b>Legal form of entity</b>	South African category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998). The Letsemeng Local Municipality is situated in the south-western Free State Province within the Xhariep District. The seat of local government is Koffiefontein.
<b>Nature of business and principal activities</b>	Letsemeng Local Municipality is performing functions as set out in the Constitution of South Africa (Act 105 of 1996).
<b>Jurisdiction number</b>	FS161
<b>Mayor</b>	RBI Mocwaledi (Mayor)
<b>Councillors</b>	AN November D Terblanche HX Mthukwane (Speaker) II Ramohlabi NJT Kumalo KD Molusi SD Lichaba M Lehare MA Lebaka MM Potgieter TV Nthapo V Stuurman
<b>Grading of local authority</b>	The Letsemeng Local Municipality is a grade 2 Local Municipality, in terms of item IV of the Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998.
<b>Chief Finance Officer (CFO)</b>	Mr. SJ Tooï (acting)
<b>Accounting Officers</b>	Mr BC Mekomela Mr T Maine (01 February 2024 - 5 March 2024) Mr K Masekoane (01 July 2023 - 04 October 2023)
<b>Registered office</b>	Civic Centre 7 Grootrek Street Koffiefontein 9986
<b>Business address</b>	Civic Centre 7 Groot trek Street Koffiefontein 9986
<b>Postal address</b>	Private Bag X3 Koffiefontein 9986

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## General Information

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**Bankers**

First National Bank  
ABSA Bank

**Auditors**

Auditor-General of South Africa

**Attorneys**

Bokwa Attorneys  
Peyper Attorneys

**Preparer**

The annual financial statements were independently compiled by:  
EMS Solutions (Pty) Ltd

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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

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### **Abbreviations used:**

GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Officer's Responsibilities and Approval

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The accounting officers are required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officers to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

The accounting officers have 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, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 30 of these annual financial statements, are within the upper limits of the framework as envisages in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on page 4 - 91, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024 and were signed on its behalf by:

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**Mr BC Mokomela**  
Accounting Officer

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Officer's Report

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The accounting officers submit their report for the year ended 30 June 2024.

### 1. Review of activities

#### Main business and operations

The Letsemeng Local Municipality is engaged in a local authority providing municipal services and maintaining the best interest of the community in the Letsemeng municipal area.

Net Deficit of the municipality is R 96,436,957 (2023: Deficit R 86,995,860).

### 2. Going concern

The municipality experienced cash flow difficulties during the financial period. Management considered the following matters relating to the going concern:

- The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The analysis of the going concern is clearly depicted in note 56.

Taking the aforementioned into account, management has prepared the annual financial statements on the going concern basis. 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 government will continue to fund the operations of the municipality through the provision of the equitable share, additionally the accounting officer will continue to tightly manage the cashflow of the municipality and where necessary procure funding for the ongoing operations for the municipality.

### 3. Subsequent events

The Accounting Officer is not aware of any matter or circumstances arising since the end of the financial year.

### 4. Accounting officers' interest in contracts

The Accounting Officers had no interest in any contracts during the financial period.

### 5. Accounting policies

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

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board and in accordance with section 122 (3) of the Municipal Financial Management Act, (Act No. 56 of 2003).

### 6. Non-current assets

There were no significant changes in the nature of the non-current assets of the municipality during the year.

### 7. Accounting Officer

The Accounting Officer of the municipality during the year and to the date of submission are as follows:

Name	Nationality
Mr BC Mekomela	South African
Mr T Maine (01 February 2024 - 5 March 2024)	South African
Mr K Masekoane (01 July 2023 - 04 October 2023)	

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Officer's Report

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### 8. Corporate governance

#### General

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

#### Management meetings

The Accounting Officer meets the section 56 managers at least on a monthly basis.

#### Internal audit

The municipality has its own internal audit function. This is in compliance with the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

### 9. Bankers

The municipality's bankers did not change during the year.

### 10. Auditors

Auditor-General of South Africa will continue in office for the next financial period.

### 11. Non-compliance with applicable legislation

Significant non-compliance with various legislation have been properly disclosed in note 49 to the financial statements.

### 12. Retirement benefit obligation

Management performed an actuarial valuation of the council's liability arising from the post-retirement healthcare subsidy ("PHS") payable to current and retired employees.

The valuation is in line with the requirements of GRAP 25 and the municipality has determined the items required for disclosure in terms of this standard.

ZAQ Actuarial (Pty) Ltd was appointed to prepare the GRAP 25 reports.

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**Mr BC Mkomela**  
**Accounting Officer**

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Position as at 30 June 2024

	Note(s)	2024 R	2023 Restated* R
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	1,578,548	1,856,609
Other receivables from exchange transactions	4	1,739,968	1,788,509
Receivables from exchange transactions	5	31,664,678	58,314,059
Receivables from non-exchange transactions	6	52,977,588	28,346,068
VAT receivable	7	25,196,333	18,327,868
Cash and cash equivalents	8	197,843	343,335
		<b>113,354,958</b>	<b>108,976,448</b>
<b>Non-Current Assets</b>			
Investment property	9	62,070,776	78,507,117
Property, plant and equipment	10	657,307,261	691,862,804
Intangible assets	11	58,982	98,433
Heritage assets	12	15,000	15,000
Other financial assets	13	288,318	251,068
		<b>719,740,337</b>	<b>770,734,422</b>
<b>Total Assets</b>		<b>833,095,295</b>	<b>879,710,870</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease obligation	14	318,052	255,461
Payables from exchange transactions	15	302,630,547	248,910,166
Consumer deposits	16	1,131,382	1,079,452
Employee benefit obligation	17	1,360,000	408,000
Unspent conditional grants	18	27,102,559	31,364,704
		<b>332,542,540</b>	<b>282,017,783</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	14	300,264	74,644
Employee benefit obligation	17	8,382,000	7,967,000
Provisions	19	12,898,867	14,242,863
		<b>21,581,131</b>	<b>22,284,507</b>
<b>Total Liabilities</b>		<b>354,123,671</b>	<b>304,302,290</b>
<b>Net Assets</b>		<b>478,971,624</b>	<b>575,408,580</b>
Accumulated surplus		478,971,624	575,408,580

\* See Note 52



# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Performance

	Note	2024 R	2023 Restated* R
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	20	72,633,281	52,366,005
Dividends received	21	11,037	9,713
Interest received - external investments	21	428,534	354,296
Interest received - outstanding debtors	22	26,293,947	21,711,407
Rental of facilities and equipment	23	975,684	559,192
Other income	24	582,450	326,915
<b>Total revenue from exchange transactions</b>		<b>100,924,933</b>	<b>75,327,528</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	25	26,333,530	25,105,895
Availability charges	25	4,034,310	10,732,624
Interest earned - outstanding debtors	22	10,152,292	9,012,007
<b>Transfer revenue</b>			
Government grants and subsidies	26	111,947,144	129,718,936
Fines, penalties and forfeits	27	15,800	12,420
Donations	28	5,429,165	2,276,089
<b>Total revenue from non-exchange transactions</b>		<b>157,912,241</b>	<b>176,857,971</b>
<b>Total revenue</b>		<b>258,837,174</b>	<b>252,185,499</b>
<b>Expenditure</b>			
Employee related costs	29	(79,214,349)	(78,643,834)
Remuneration of councilors	30	(5,563,275)	(5,368,596)
Depreciation and amortisation	31	(37,020,496)	(40,003,558)
Finance costs	32	(22,770,445)	(16,417,216)
Debt impairment	33	(88,092,972)	(100,936,463)
Repairs and maintenance	34	(2,509,439)	(7,328,742)
Bulk purchases	35	(49,344,554)	(39,531,572)
Professional and consulting fees	36	(6,789,150)	(10,549,815)
General expenses	37	(29,877,511)	(34,668,406)
<b>Total expenditure</b>		<b>(321,182,191)</b>	<b>(333,448,202)</b>
<b>Operating deficit</b>		<b>(62,345,017)</b>	<b>(81,262,703)</b>
(Loss) gain on disposal of assets and liabilities	38	(4,567,599)	1,653,435
Impairment loss	39	(10,043,588)	(5,545,577)
Fair value adjustments	40	(18,851,266)	1,418,752
Actuarial gains/(loss)	17	(632,000)	(3,009,000)
Inventories gain/(loss)		2,513	(250,767)
		<b>(34,091,940)</b>	<b>(5,733,157)</b>
<b>Deficit for the year</b>		<b>(96,436,957)</b>	<b>(86,995,860)</b>

\* See Note 52

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
<b>Balance at 01 July 2022</b>	<b>662,404,440</b>	<b>662,404,440</b>
Changes in net assets		
Surplus for the year	(86,995,860)	(86,995,860)
Total changes	(86,995,860)	(86,995,860)
<b>Restated* Balance at 01 July 2023</b>	<b>575,408,581</b>	<b>575,408,581</b>
Changes in net assets		
Surplus for the year	(96,436,957)	(96,436,957)
Total changes	(96,436,957)	(96,436,957)
<b>Balance at 30 June 2024</b>	<b>478,971,624</b>	<b>478,971,624</b>

\* See Note 52

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Cash Flow Statement

	2024	2023
	R	Restated* R
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Sale of goods and services	49,998,342	38,291,193
Grants and subsidies received	107,684,999	137,644,705
Interest income	428,534	354,296
Dividends received	11,037	9,713
	<u>158,122,912</u>	<u>176,299,907</u>
<b>Payments</b>		
Employee costs	(77,506,265)	(87,757,951)
Supplier and other payments	(43,889,212)	(27,356,539)
Finance costs	(19,749,201)	(14,132,345)
	<u>(141,144,678)</u>	<u>(129,246,835)</u>
<b>Net cash flows from operating activities</b>	<b><u>16,978,234</u></b>	<b><u>47,053,072</u></b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(17,411,937)	(47,433,424)
<b>Net cash flows from investing activities</b>	<b><u>(17,411,937)</u></b>	<b><u>(47,433,424)</u></b>
<b>Cash flows from financing activities</b>		
Finance lease payments	288,211	(436,588)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(145,492)</b>	<b>(816,940)</b>
Cash and cash equivalents at the beginning of the year	343,335	1,160,275
<b>Cash and cash equivalents at the end of the year</b>	<b><u>197,843</u></b>	<b><u>343,335</u></b>

\* See Note 52

# Letsemeng Local Municipality

Annual 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
	R	R	R	R	R
<b>Statement of Financial Performance</b>					
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Sale of goods	153,763	7,400	161,163	-	(161,163)
Service charges	85,875,602	(690,827)	85,184,775	72,633,281	(12,551,494)
Rental of facility/equipment	455,261	68,289	523,550	975,684	452,134
Interest on debtors	6,485,578	-	6,485,578	26,293,947	19,808,369
Licences and permits	5,672	-	5,672	-	(5,672)
Other income	153,845	(79,590)	74,255	582,450	508,195
Dividends received	11,983	-	11,983	11,037	(946)
Interest-external investment	322,383	(90,267)	232,116	428,534	196,418
<b>Revenue from exchange transactions</b>	<b>93,464,087</b>	<b>(784,995)</b>	<b>92,679,092</b>	<b>100,924,933</b>	<b>8,245,841</b>
<b>Revenue from non-exchange transactions</b>					
<b>Taxation revenue</b>					
Property rates and availability charges	27,412,079	-	27,412,079	30,367,840	2,955,761
Interest on debtors	-	-	-	10,152,292	10,152,292
<b>Transfer revenue</b>					
Transfer and subsidies	95,791,000	-	95,791,000	111,947,144	16,156,144
Levies	14,574,422	-	14,574,422	-	(14,574,422)
Donations received	-	-	-	5,429,165	5,429,165
Fines and licences	19,052	5,335	24,387	15,800	(8,587)
<b>Total revenue from non-exchange transactions</b>	<b>137,796,553</b>	<b>5,335</b>	<b>137,801,888</b>	<b>157,912,241</b>	<b>20,110,353</b>
<b>Total revenue</b>	<b>231,260,640</b>	<b>(779,660)</b>	<b>230,480,980</b>	<b>258,837,174</b>	<b>28,356,194</b>
<b>Expenditure</b>					
Employee costs	(79,080,565)	-	(79,080,565)	(79,214,349)	(133,784)
Remuneration of councilors	(5,446,461)	-	(5,446,461)	(5,563,275)	(116,814)
Depreciation / amortisation and impairment loss	(51,145,457)	-	(51,145,457)	(37,020,496)	14,124,961
Finance costs	(9,449,144)	(550,856)	(10,000,000)	(22,770,445)	(12,770,445)
Debt Impairment	(27,588,600)	-	(27,588,600)	(88,092,972)	(60,504,372)
Contracted services	(32,235,000)	15,526,870	(16,708,130)	(9,298,589)	7,409,541
Bulk purchases	(38,000,000)	-	(38,000,000)	(49,344,554)	(11,344,554)
General expenses	(15,903,609)	(135,074)	(16,038,683)	(29,877,511)	(13,838,828)
Inventory consumed	(14,370,000)	3,456,746	(10,913,254)	-	10,913,254
<b>Total expenditure</b>	<b>(273,218,836)</b>	<b>18,297,686</b>	<b>(254,921,150)</b>	<b>(321,182,191)</b>	<b>(66,261,041)</b>
<b>Operating deficit</b>	<b>(41,958,196)</b>	<b>17,518,026</b>	<b>(24,440,170)</b>	<b>(62,345,017)</b>	<b>(37,904,847)</b>
Loss on disposal of assets	-	-	-	(4,567,599)	(4,567,599)
Fair value adjustments	-	-	-	(18,851,266)	(18,851,266)
Actuarial gains/losses	-	-	-	(632,000)	(632,000)
Inventories losses	-	-	-	2,513	2,513
Impairment loss	-	-	-	(10,043,588)	(10,043,588)
Transfers and subsidies	51,543,000	(5,000,000)	46,543,000	-	(46,543,000)
	<b>51,543,000</b>	<b>(5,000,000)</b>	<b>46,543,000</b>	<b>(34,091,940)</b>	<b>(80,634,940)</b>
<b>Surplus / (Deficit)</b>	<b>9,584,804</b>	<b>12,518,026</b>	<b>22,102,830</b>	<b>(96,436,957)</b>	<b>(118,539,787)</b>

# Letsemeng Local Municipality

Annual 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
	R	R	R	R	R
<b>Statement of Financial Position</b>					
<b>Assets</b>					
<b>Current Assets</b>					
Inventories	14,858,404	3,456,746	<b>18,315,150</b>	1,578,548	<b>(16,736,602)</b>
Other financial assets	463,039	-	<b>463,039</b>	-	<b>(463,039)</b>
Other receivables	4,544,081	-	<b>4,544,081</b>	1,739,968	<b>(2,804,113)</b>
Receivables: exchange	395,788,212	3,255,415	<b>399,043,627</b>	52,977,588	<b>(346,066,039)</b>
VAT receivable	24,272,920	(2,920,955)	<b>21,351,965</b>	25,196,333	<b>3,844,368</b>
Receivables: non-exchange	7,850	-	<b>7,850</b>	31,664,678	<b>31,656,828</b>
Cash and cash equivalents	(30,258,033)	60,380,562	<b>30,122,529</b>	197,843	<b>(29,924,686)</b>
	<b>409,676,473</b>	<b>64,171,768</b>	<b>473,848,241</b>	<b>113,354,958</b>	<b>(360,493,283)</b>
<b>Non-Current Assets</b>					
Investment property	77,119,300	-	<b>77,119,300</b>	62,070,776	<b>(15,048,524)</b>
Property, plant and equipment	2,432,595,576	(5,500,000)	<b>2,427,095,576</b>	657,307,261	<b>(1,769,788,315)</b>
Intangible assets	50,000	(40,000)	<b>10,000</b>	58,982	<b>48,982</b>
Heritage assets	15,000	-	<b>15,000</b>	15,000	-
Other financial assets	432,346	-	<b>432,346</b>	288,318	<b>(144,028)</b>
	<b>2,510,212,222</b>	<b>(5,540,000)</b>	<b>2,504,672,222</b>	<b>719,740,337</b>	<b>(1,784,931,885)</b>
<b>Total Assets</b>	<b>2,919,888,695</b>	<b>58,631,768</b>	<b>2,978,520,463</b>	<b>833,095,295</b>	<b>(2,145,425,168)</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Finance lease obligation	(436,587)	-	<b>(436,587)</b>	(318,052)	<b>118,535</b>
Payables from exchange transactions	(750,705,838)	(46,217,951)	<b>(796,923,789)</b>	(302,630,546)	<b>494,293,243</b>
VAT payable	(12,996,621)	104,208	<b>(12,892,413)</b>	-	<b>12,892,413</b>
Consumer deposits	(943,827)	-	<b>(943,827)</b>	(1,131,382)	<b>(187,555)</b>
Employee benefit obligation	-	-	-	(1,360,000)	<b>(1,360,000)</b>
Unspent conditional grants	-	-	-	(27,102,559)	<b>(27,102,559)</b>
Provisions	(4,000,000)	-	<b>(4,000,000)</b>	-	<b>4,000,000</b>
	<b>(769,082,873)</b>	<b>(46,113,743)</b>	<b>(815,196,616)</b>	<b>(332,542,539)</b>	<b>482,654,077</b>
<b>Non-Current Liabilities</b>					
Finance lease obligation	(4,335,000)	-	<b>(4,335,000)</b>	(300,264)	<b>4,034,736</b>
Employee benefit obligation	-	-	-	(8,382,000)	<b>(8,382,000)</b>
Provisions	(12,174,228)	-	<b>(12,174,228)</b>	(12,898,867)	<b>(724,639)</b>
	<b>(16,509,228)</b>	-	<b>(16,509,228)</b>	<b>(21,581,131)</b>	<b>(5,071,903)</b>
<b>Total Liabilities</b>	<b>(785,592,101)</b>	<b>(46,113,743)</b>	<b>(831,705,844)</b>	<b>(354,123,670)</b>	<b>477,582,174</b>
<b>Net Assets</b>	<b>(2,134,296,594)</b>	<b>(12,518,025)</b>	<b>(2,146,814,619)</b>	<b>(474,569,453)</b>	<b>(477,582,174)</b>
<b>Net Assets</b>					
<b>Reserves</b>					
Accumulated surplus	(2,134,296,594)	(12,518,025)	<b>(2,146,814,619)</b>	(474,569,453)	<b>(477,582,174)</b>

# Letsemeng Local Municipality

Annual 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 R
	R	R	R	R	R
<b>Cash Flow Statement</b>					
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Sale of goods and services	80,194,484	(4,023,794)	<b>76,170,690</b>	49,998,342	<b>(26,172,348)</b>
Grants	138,334,000	(5,000,000)	<b>133,334,000</b>	107,684,999	<b>(25,649,001)</b>
Other receipts	834,585	(25,223)	<b>809,362</b>	-	<b>(809,362)</b>
Dividends received	11,983	-	<b>11,983</b>	11,037	<b>(946)</b>
Interest income	10,852,383	(90,267)	<b>10,762,116</b>	428,534	<b>(10,333,582)</b>
	<b>230,227,435</b>	<b>(9,139,284)</b>	<b>221,088,151</b>	<b>158,122,912</b>	<b>(62,965,239)</b>
<b>Payments</b>					
Supplier payments and employee costs	(198,827,723)	63,370,427	<b>(135,457,296)</b>	(121,395,477)	<b>14,061,819</b>
Finance charges	(9,449,144)	(550,856)	<b>(10,000,000)</b>	(19,749,201)	<b>(9,749,201)</b>
	<b>(208,276,867)</b>	<b>62,819,571</b>	<b>(145,457,296)</b>	<b>(141,144,678)</b>	<b>4,312,618</b>
<b>Net cash flows from operating activities</b>	<b>21,950,568</b>	<b>53,680,287</b>	<b>75,630,855</b>	<b>16,978,234</b>	<b>(58,652,621)</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	(52,208,601)	5,540,000	<b>(46,668,601)</b>	(17,411,937)	<b>29,256,664</b>
<b>Cash flows from financing activities</b>					
Finance lease payments	-	-	-	288,211	<b>288,211</b>
Net increase/(decrease) in cash and cash equivalents	(30,258,033)	59,220,287	<b>28,962,254</b>	(145,492)	<b>(28,816,762)</b>
Cash and cash equivalents at the beginning of the year	1,160,275	-	<b>1,160,275</b>	343,335	<b>(816,940)</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>(29,097,758)</b>	<b>59,220,287</b>	<b>30,122,529</b>	<b>197,843</b>	<b>(29,633,702)</b>

All difference above the threshold of 15% between the budgeted amount and the actual amounts are disclosed under note 55.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

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

These annual financial statements comply with all the requirements of the Standards of Generally Recognised Accounting Practice.

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

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

These accounting policies are consistent with the previous period, unless specifically stated.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality, and have been rounded off to the nearest Rand.

#### 1.2 Going concern assumption

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

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

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

##### Service and rates debtors

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 surplus 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.

##### Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the statement of financial performance in the year in which it arose.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

#### Fair value estimation

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

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

#### Impairment testing

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

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

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to the present value where the time value effect is material. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

#### Useful lives and residual values

The municipality's management determines the estimated useful lives and related depreciation / amortisation charges for the property, plant and equipment as well as intangible assets. The municipality re-assess the useful lives and the residual values if material of the individual asset. This estimate is based on industry norms and future plans of the municipality communicated through its strategic planning processes.

If material, management will change the depreciation consideration of the condition and actual use charge where useful lives are more / less than previously estimated."

#### Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.



# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

#### Effective interest rate

The municipality uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that materially impact on the fair value of the financial instruments, revenue and expenses at initial recognition. The adjustments require a degree of estimation around the discount rate and periods used.

#### Allowance for doubtful debts

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

#### GRAP 24: Presentation of budget information

The comparison of budget and actual amounts were presented separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis.

### 1.4 Investment property

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

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

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

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

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

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

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

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.4 Investment property (continued)

#### Fair value

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

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

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

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

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

All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment properties.

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

### 1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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, its 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.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

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.

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

Item	Depreciation method	Average useful life
Land	Straight line	Infinite
Buildings	Straight line	25 - 50 years
- Improvements	Straight line	25 - 50 years
Plant and machinery	Straight line	3 - 10 years
Furniture and fixtures	Straight line	3 - 10 years
Motor vehicles	Straight line	3 - 7 years
Heavy machinery and vehicles	Straight line	3 - 10 years
Office equipment	Straight line	2 - 7 years
Infrastructure	Straight line	
- Electricity	Straight line	7 - 50 years
- Roads	Straight line	8 - 50 years
- Sewerage and solid waste	Straight line	5 - 50 years
- Stormwater	Straight line	30 - 50 years
- Water	Straight line	5 - 50 years
Community assets	Straight line	
- Buildings	Straight line	20 - 50 years
- Recreational facilities	Straight line	7 - 50 years
- Security measures	Straight line	3 - 5 years
Other property, plant and equipment	Straight line	
- Other equipment	Straight line	2 - 10 years
- Fences and gates	Straight line	15 - 25 years
- Paving	Straight line	3 - 10 years
Other equipment	Straight line	3 - 10 years
Leased assets (computer equipment, copies and cell phones)	Straight line	2 - 3 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.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

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.

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

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

### 1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.6 Intangible assets (continued)

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

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Item	Depreciation method	Average useful life
Computer software	Straight line	2 - 6 years

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Intangible assets are derecognised:

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

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

### 1.7 Heritage assets

Assets are resources controlled by a 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 a municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

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

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.

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

#### Recognition

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

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

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

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.7 Heritage assets (continued)

#### 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.

### 1.8 Financial instruments

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

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

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

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

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

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

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

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

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

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

A financial asset is:

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

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.8 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- derivatives;
- combined instruments that are designated at fair value;

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.8 Financial instruments (continued)

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

#### Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

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

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost

#### Initial recognition

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

The entity recognises financial assets using trade date accounting.

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

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

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

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

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

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

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

- Financial instruments at fair value.



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### 1.8 Financial instruments (continued)

- Financial instruments at amortised cost.
- Financial instruments at cost.

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

#### Fair value measurement considerations

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

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

#### Reclassification

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

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

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

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

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

#### Gains and losses

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

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

#### Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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### 1.8 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.

### Derecognition

#### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

# Letsemeng Local Municipality

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### 1.8 Financial instruments (continued)

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

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

#### Financial liabilities

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

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

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

#### Presentation

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

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

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

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

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

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

### 1.9 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.

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## Accounting Policies

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### 1.9 Leases (continued)

#### Finance leases - lessee

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

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

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

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

#### Operating leases - lessor

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

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

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

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

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

#### Operating leases - lessee

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

### 1.10 Inventories

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

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

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

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

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

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

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

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

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

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.10 (continued)

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

### 1.11 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.

### 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.

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Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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

#### 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.

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

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

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

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

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

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

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

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

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

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

Useful life is either:

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

#### 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.

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

#### Value in use

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

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

#### Depreciated replacement cost approach

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

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

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

### 1.13 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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## Accounting Policies

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### 1.13 Employee benefits (continued)

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

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

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

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.



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## Accounting Policies

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### 1.13 Employee benefits (continued)

#### Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

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### 1.13 Employee benefits (continued)

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and

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### 1.13 Employee benefits (continued)

- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

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 [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

# Letsemeng Local Municipality

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### 1.13 Employee benefits (continued)

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

#### Other post retirement obligations

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

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

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

#### Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

# Letsemeng Local Municipality

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### 1.13 Employee benefits (continued)

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

### 1.14 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.

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

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

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

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Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.14 Provisions and contingencies (continued)

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 54.

### 1.15 Commitments

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

### 1.16 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.

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### 1.16 Revenue from exchange transactions (continued)

#### Sale of goods

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

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

#### Rendering of services

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

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

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

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

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

#### 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, in surplus or deficit, using the effective interest rate method.

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

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

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

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### 1.17 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

### Recognition

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

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

### Measurement

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



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## Accounting Policies

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

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

#### Transfers

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

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

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

#### Fines

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

There are two types of fines and summonses. Municipalities will usually issue both types of fines. There is uncertainty regarding the probability regarding the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable.

In respect of summonses the public prosecutor can decide whether to waive the revenue amount collected from the spot fines and summonses, the revenue from summonses should be recognised when the public prosecutor pays over to the municipality the cash actually collected on summonses issued.

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.

#### Conditional grants and receipts

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

Government grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by entities in rendering services. Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed on their use.

Government grants are recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transactions will flow to the entity;
- The amount of the revenue can be measured reliably. and;
- There has been compliance with the relevant legal requirement.

The municipality needs to assess the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transactions will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed program may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

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

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Division of Revenue Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

#### Other grants and donations

Donations shall be measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

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

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

#### Assessment rates

Revenue from rates, including collection charges and penalty interest, is recognised when:

- It is probable that the economic benefits or service potential associated with the transactions will flow to the entity;
- The amount of the revenue can be measured reliably. and;
- There has been compliance with the relevant legal requirement.

Changes to property values during a reporting period, which are referred to as "interims, are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

#### Gifts and donations, including goods in-kind

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

### 1.18 Investment income

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

### 1.19 Borrowing costs

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

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

### 1.20 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.

# Letsemeng Local Municipality

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## Accounting Policies

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### 1.21 Unauthorised expenditure (continued)

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

### 1.22 Fruitless and wasteful expenditure

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

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

### 1.23 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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

### 1.24 Use in estimate

The preparation of financial statements in conformity with the Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements are disclosed in the relevant section of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

### 1.25 Value added tax

The municipality is registered with the South African Revenue Services for VAT on the payment basis, in accordance with section 15(2) of the Value Added Tax Act, 1991 (Act No. 89 of 1991).

### 1.26 Budget information

Municipalities 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.

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### 1.26 Budget information (continued)

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

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

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

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

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

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

### 1.27 Related parties

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

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.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 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.

### 1.29 Statutory receivables

#### Identification

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

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

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## Accounting Policies

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### 1.29 Statutory receivables (continued)

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 purposes of this Standard) 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.

#### 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.

### 1.30 Accounting by principals and agents

#### Identification

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

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

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

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## Accounting Policies

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### 1.30 Accounting by principals and agents (continued)

#### Identifying whether an entity is a principal or an agent

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

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

#### Binding arrangement

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

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

#### Assessing which entity benefits from the transactions with third parties

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

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

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

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

#### Recognition

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

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

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

### 1.31 Segment information

A segment is an activity of an entity:

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

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

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline on Accounting for Landfill Sites	01 April 2023	Unlikely there will be a material impact
• IGRAP 21 on The effect of past decisions on materiality	01 April 2023	Unlikely there will be a material impact
• IGRAP 7 (revised) Limit on defined benefit asset min fund requirement and interact	01 April 2023	Unlikely there will be a material impact
• GRAP 25 (Revised) employee benefits	01 April 2023	Unlikely there will be a material impact
• GRAP 104 (Revised) financial instruments	01 April 2025	Unlikely there will be a material impact

### 3. Inventories

Consumables stores	1,561,673	1,838,919
Water	16,875	17,690
	<b>1,578,548</b>	<b>1,856,609</b>

Inventories recognised as an expense during the year (2,513) 250,767

Consumable Inventory held by the municipality decreased by R278 061 in the current year (2023 increased: R66 001). Water Inventory held by the municipality decreased R815 in the current year (2023 increased: R1 404).

The cost of water production for the year amounted to R0.65 (2023: R0.65) per kilolitre.

#### Inventory pledged as security

No inventories have been pledged as security for overdraft facilities of the municipality.

### 4. Other receivables from exchange transactions

Eskom security held	2,188,803	2,047,567
Sundry deposits	(511,307)	(339,862)
Trade payables from exchange transactions with debit balances	62,472	80,804
	<b>1,739,968</b>	<b>1,788,509</b>

Electricity deposits relate to the deposits held for the bulk Eskom accounts

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
<b>5. Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Electricity	19,698,159	12,796,327
Water	78,677,617	67,364,924
Sewerage	62,034,401	56,324,351
Refuse	59,959,209	53,666,007
Other	1,071,169	995,387
Housing rental	1,347,119	1,330,678
Interest	143,318,982	107,722,910
	<b>366,106,656</b>	<b>300,200,584</b>
<b>Less: Allowance for impairment</b>		
Electricity	(15,306,619)	(9,463,531)
Water	(71,426,603)	(53,698,953)
Sewerage	(57,153,367)	(44,952,818)
Refuse	(55,076,190)	(42,835,754)
Other	(956,072)	(706,763)
Housing rental	(1,203,181)	(1,026,344)
Interest	(133,319,946)	(89,202,362)
	<b>(334,441,978)</b>	<b>(241,886,525)</b>
<b>Net balance</b>		
Electricity	4,391,540	3,332,796
Water	7,251,014	13,665,971
Sewerage	4,881,034	11,371,533
Refuse	4,883,019	10,830,253
Other	115,097	288,624
Housing rental	143,938	304,334
Interest	9,999,036	18,520,548
	<b>31,664,678</b>	<b>58,314,059</b>
<b>Electricity</b>		
Current	1,429,925	1,075,177
31 - 60 days	1,394,105	732,739
61 - 90 days	1,177,160	413,009
91 - 120 days	929,241	558,268
>120 days	14,767,728	10,017,134
Less" impairment	(15,306,619)	(9,463,531)
	<b>4,391,540</b>	<b>3,332,796</b>
<b>Water</b>		
Gross	721,413	1,300,326
Imapirment	1,674,084	1,182,803
61 - 90 days	1,761,143	394,595
91 - 120 days	1,553,439	1,210,836
121 - 150 days	72,967,538	63,276,364
> 150 days	(71,426,603)	(53,698,953)
	<b>7,251,014</b>	<b>13,665,971</b>



# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
<b>5. Receivables from exchange transactions (continued)</b>		
<b>Sewerage</b>		
Gross	1,015,843	1,015,973
Impairment	1,065,744	955,199
61 - 90 days	1,065,357	927,480
91 - 120 days	1,032,263	963,957
121 - 150 days	57,855,194	52,461,742
> 150 days	(57,153,367)	(44,952,818)
	<b>4,881,034</b>	<b>11,371,533</b>
<b>Refuse</b>		
Gross	983,236	988,355
Impairment	1,023,229	935,705
61 - 90 days	1,030,517	908,126
91 - 120 days	1,002,409	946,126
121 - 150 days	55,919,818	49,887,695
> 150 days	(55,076,190)	(42,835,754)
	<b>4,883,019</b>	<b>10,830,253</b>
<b>Other</b>		
Gross	16,861	16,105
Impairment	15,118	11,661
61 - 90 days	15,548	11,661
91 - 120 days	11,160	11,661
121 - 150 days	1,012,482	944,299
> 365 days	(956,072)	(706,763)
	<b>115,097</b>	<b>288,624</b>
<b>Housing rental</b>		
Gross	17,326	23,437
Impairment	15,986	20,833
61 - 90 days	27,163	18,025
91 - 120 days	22,704	15,871
121 - 150 days	1,263,940	1,252,512
> 150 days	(1,203,181)	(1,026,344)
	<b>143,938</b>	<b>304,334</b>
<b>Interest</b>		
Gross	410,346	2,133,312
Impairment	2,775,660	2,032,525
61 - 90 days	3,526,896	(846,263)
91 - 120 days	3,451,235	1,823,811
121 - 150 days	164,459,226	102,579,525
> 150 days	(164,624,327)	(89,202,362)
	<b>9,999,036</b>	<b>18,520,548</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	241,886,525	185,885,837
Contributions to allowance	92,555,453	56,000,688
	<b>334,441,978</b>	<b>241,886,525</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024	2023
	R	R

### 5. Receivables from exchange transactions (continued)

#### Consumer debtors pledged as security

None of the receivable from exchange transaction debtors have been pledged as security for the municipality's financial liabilities.

#### Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2024, R24 570 161 (2023: R16 501 197) were past due but not impaired.

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

1 month past due	7,963,927	6,733,184
2 months past due	8,603,783	3,425,678
3 months past due	8,002,451	6,342,335

The provision for impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of receivables from exchange transactions, the municipality has placed strong emphasis on verifying the indigent status of consumers. The provision for impairment in respect of the receivables from exchange transactions have been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the provision for impairment. Refer to details in the accounting policy for further details.

### 6. Receivables from non-exchange transactions

Assessment rates	87,486,524	76,726,033
Provision for impairment	(47,127,512)	(60,191,679)
Interest - non-exchange transactions	39,518,184	39,518,184
Interest - non-exchange provision for impairment	(31,304,382)	(31,304,382)
Other receivables (case under investigation)	455,153	455,153
Availability charges	19,748,104	15,713,794
Provision for impairment	(15,798,483)	(12,571,035)
	<b>52,977,588</b>	<b>28,346,068</b>

#### Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions have been pledged as security for the municipality's financial liabilities.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
<b>6. Receivables from non-exchange transactions (continued)</b>		
<b>Property rates</b>		
<b>Property rates</b>	-	-
Current (0 - 30 Days)	1,978,540	1,877,452
31 - 60 days	1,398,154	1,587,641
61 - 90 days	1,733,275	4,223,432
91 - 120 days	1,619,436	1,451,105
121 - 150 days	80,217,120	67,586,403
Less: impairment	(47,127,512)	(60,191,679)
	<b>39,819,013</b>	<b>16,534,354</b>
<b>Interest - non-exchange transactions</b>	-	-
Current (0 - 30 Days)	835,064	835,064
31 - 60 days	861,719	861,719
61 - 90 days	846,869	846,869
91 - 120 days	811,453	811,453
121 - 150 days	36,163,072	36,163,072
Less: impairment	(31,304,382)	(31,304,382)
	<b>8,213,795</b>	<b>8,213,795</b>
<b>Availability charges</b>	-	-
Current (0 - 30 Days)	504,968	169,088
31 - 60 days	505,264	169,146
61 - 90 days	505,400	169,104
91 - 120 days	18,232,472	15,206,456
Less: impairment	(15,798,483)	(12,571,035)
	<b>3,949,621</b>	<b>3,142,759</b>
<b>Receivables from non-exchange transactions past due but not impaired</b>		
Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2024, R26 514 178 (2023: R25 326 925) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	2,765,273	2,618,506
2 months past due	3,085,544	5,239,405
3 months past due	20,663,361	17,469,014
<b>Receivables from non-exchange transactions impaired</b>		
The amount of the provision was R9 836 719 ( as of 30 June 2024 (2023: R 64 092 900).		
The ageing of these loans is as follows:		
Statutory receivables included in Receivables from exchange transactions above are as follows:		
Property rates	40,359,012	16,534,354
Interest	8,213,802	8,213,802
Availability charges	3,949,621	3,142,759

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
<b>6. Receivables from non-exchange transactions (continued)</b>		
<b>Reconciliation of provision for impairment of receivables</b>		
Opening balance	104,067,096	39,974,196
Provision for impairment	(9,836,719)	64,092,900
	<b>94,230,377</b>	<b>104,067,096</b>

The provision for impairment was calculated after grouping all the financial assets of similar nature, risk ratings and assessing the recoverability.

In determining the recoverability of the receivables from non-exchange transactions, the municipality considers any change in the credit quality of the assessment rate debtors from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that there is no further credit provision required in excess of the provision for impairment.

### 7. VAT receivable

VAT	25,196,333	18,327,868
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The municipality is registered on the cash basis for VAT purposes. Vat is only paid once vash is received or actual payments are made.

**Startutory receivables included in VAT receivables above are as follows:**

VAT	25,196,333	18,327,868
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### 8. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	143,764	324,306
Short-term deposits	54,079	19,029
	<b>197,843</b>	<b>343,335</b>

There is no cash on hand as at year end.

The management of the municipality is of the opinion that the carrying value of the current investments and bank balances recorded at amortised cost in the financial statements approximate amortised cost.

The municipal bank account was attached by Eskom during the financial period.

The municipality used the investment account to make payments towards salaries.

Xhariep Local Municipality made a payment towards salaries on behalf of Letsemeng Local Municipality on behalf of Letsemeng utilising Letsemeng's funds in 2023.

### Cash and cash equivalents pledged as collateral

The municipality did not pledge any of its cash and cash equivalents as collateral for its financial liabilities. No restrictions have been imposed on the municipality in terms of the utilisation of its cash and cash equivalents

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
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### 8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
First National Bank - Current account - 527115689918	139,071	324,241	488,959	139,071	324,241	488,959
First National Bank - Call account - 62711355132	66	66	66	66	66	66
ABSA Bank - Current account - 409262218	-	-	190,312	-	-	190,312
Nedbank - Money Market - 03/7881110481/000003	19,527	18,008	16,907	-	18,008	16,907
First National Bank - Money Market - 62847543528	136	136	136	136	136	136
ABSA Bank - Current account - 9358983129	34,415	884	463,895	884	884	463,895
<b>Total</b>	<b>193,215</b>	<b>343,335</b>	<b>1,160,275</b>	<b>140,157</b>	<b>343,335</b>	<b>1,160,275</b>

### 9. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	81,308,927	(19,238,151)	62,070,776	78,584,567	(77,450)	78,507,117

#### Reconciliation of investment property - 2024

	Opening balance	Fair value adjustment	Disposals	Donations	Total
Investment property	78,507,117	(18,888,514)	(234,877)	2,687,050	62,070,776

#### Reconciliation of investment property - 2023

	Opening balance	Fair value adjustment	Impairments	Total
Investment property	77,119,300	1,465,267	(77,450)	78,507,117

The fair value of the investment property was provided by First National Bank registered as a Professional Associated Valuers under subsection (2) of section 22 of (Act 47) of 2000 Property Valuers Profession Bill. Amounts recognised in surplus and deficit for the year. Rental revenue from investment property.

Amounts recognised in surplus and deficit for the year.- Rental revenue from investment property **R 975 684** (2023: **R 559 192**)

A register containing the information required by section 63 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) is available for inspection at the registered office of the municipality.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024	2023
	R	R

### 9. Investment property (continued)

#### Adjustment to fair value

The valuation was based on open market value for existing use. These assumptions are based on current market conditions.

The investment properties were valued in terms of the requirements of GRAP 16 and the details of the valuation is available for inspection at the registered office of the municipality. Properties were individually investigated to confirm classification as investment properties. Investment properties are identified under GRAP16.

The following criteria was used to determine whether a property should be classified as an investment property:

A building owned by the municipality and leased out to third parties under one or more operating leases.

Land held for a current undeterminable future use.

Property being constructed or developed for future use as investment property.

No restrictions exist unless the property is being leased out to third parties.

#### Under construction and Contractual commitments

No investment property was under construction or incurred towards contractual commitments during the financial year.

#### Repairs and maintenance

No repairs and maintenance was incurred in the running of these properties for the financial year.

Maintenance by condition, nature and type of expenditure - corrective maintenance is in place. Maintenance is done as reported on.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 10. 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	16,498,479	-	16,498,479	16,498,479	-	16,498,479
Buildings	126,134,159	(73,298,296)	52,835,863	133,620,576	(74,323,238)	59,297,338
Other property, plant and equipment	18,442,499	(9,082,625)	9,359,874	17,329,399	(9,065,720)	8,263,679
Infrastructure	1,394,679,496	(816,611,307)	578,068,189	1,394,531,105	(787,149,006)	607,382,099
Leased assets	1,354,116	(809,260)	544,856	1,174,462	(753,253)	421,209
<b>Total</b>	<b>1,557,108,749</b>	<b>(899,801,488)</b>	<b>657,307,261</b>	<b>1,563,154,021</b>	<b>(871,291,217)</b>	<b>691,862,804</b>

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

	Opening balance	Additions	Donations	Disposals	Transfer through WIP	Transfers to completed	Landfill site change in estimate	Depreciation	Impairment loss	Total
Land	16,498,479	-	-	-	-	-	-	-	-	16,498,479
Buildings	59,297,338	-	-	(78,540)	-	-	-	(4,236,433)	(2,146,502)	52,835,863
Other property, plant and equipment	8,263,679	2,830,545	-	(560,831)	-	-	-	(868,230)	(305,289)	9,359,874
Infrastructure	607,382,099	14,034,505	2,742,115	(3,693,351)	12,520,106	(12,520,106)	(3,352,240)	(31,453,142)	(7,591,797)	578,068,189
Leased assets	421,209	546,887	-	-	-	-	-	(423,240)	-	544,856
	<b>691,862,804</b>	<b>17,411,937</b>	<b>2,742,115</b>	<b>(4,332,722)</b>	<b>12,520,106</b>	<b>(12,520,106)</b>	<b>(3,352,240)</b>	<b>(36,981,045)</b>	<b>(10,043,588)</b>	<b>657,307,261</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Transferred through WIP	Disposals	Transfer to completed	Depreciation	Impairment loss	Total
Land	16,498,621	-	-	-	-	-	(142)	16,498,479
Buildings	68,053,175	450,000	2,893,860	(1,677,911)	(2,893,860)	(4,919,515)	(2,608,411)	59,297,338
Other property, plant and equipment	5,371,525	4,147,678	-	(87,343)	-	(746,856)	(421,325)	8,263,679
Infrastructure	598,547,833	46,342,405	7,277,639	(1,100,575)	(7,277,639)	(33,891,723)	(2,515,841)	607,382,099
Leased assets	844,694	-	-	(17,364)	-	(406,121)	-	421,209
	<b>689,315,848</b>	<b>50,940,083</b>	<b>10,171,499</b>	<b>(2,883,193)</b>	<b>(10,171,499)</b>	<b>(39,964,215)</b>	<b>(5,545,719)</b>	<b>691,862,804</b>

#### Assets subject to finance lease (Net carrying amount)

Other equipment	618,316	421,208
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#### Other information

Expenditure incurred on repairs and maintenance of property, plant and equipment

Other property, plant and equipment	4,060,640	6,568,081
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# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
<b>10. Property, plant and equipment (continued)</b>		
<b>Reconciliation of Work-in-Progress 2024</b>		
	<b>Included within infrastructure</b>	<b>Total</b>
Opening balance	48,199,012	48,199,012
Additions/capital expenditure	14,034,505	14,034,505
Transferred to completed items	(12,520,106)	(12,520,106)
	<b>49,713,411</b>	<b>49,713,411</b>

### Reconciliation of Work-in-Progress 2023

	<b>Included within infrastructure</b>	<b>Included within buildings</b>	<b>Total</b>
Opening balance	10,357,095	2,443,861	12,800,956
Additions/capital expenditure	45,997,641	450,000	46,447,641
Other movements [specify]	(878,085)	-	(878,085)
Transferred to completed items	(7,277,638)	(2,893,861)	(10,171,499)
	<b>48,199,013</b>	<b>-</b>	<b>48,199,013</b>

Other property, plant and equipment includes: computer equipment, furniture and office equipment, machinery and equipment and transport assets.

A register containing the information required by section 63 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) is available for inspection at the registered office of the municipality.

## 11. Intangible assets

	2024			2023		
	<b>Cost / Valuation</b>	<b>Accumulated amortisation and accumulated impairment</b>	<b>Carrying value</b>	<b>Cost / Valuation</b>	<b>Accumulated amortisation and accumulated impairment</b>	<b>Carrying value</b>
Computer software	1,006,977	(947,995)	58,982	1,006,977	(908,544)	98,433

### Reconciliation of intangible assets - 2024

	<b>Opening balance</b>	<b>Amortisation</b>	<b>Total</b>
Computer software	98,433	(39,451)	58,982

### Reconciliation of intangible assets - 2023

	<b>Opening balance</b>	<b>Amortisation</b>	<b>Total</b>
Computer software	137,776	(39,343)	98,433

### Pledged as security

All of the municipality's intangible assets are held under freehold interests and no intangible assets had been pledged as security for any liabilities of the municipality.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
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### 12. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	15,000	-	15,000	15,000	-	15,000

#### Reconciliation of heritage assets - 2024

	Opening balance	Total
Mayoral chain	15,000	15,000

#### Reconciliation of heritage assets - 2023

	Opening balance	Total
Mayoral chain	15,000	15,000

### 13. Other financial assets

#### Designated at fair value

Unlisted shares	288,318	251,068
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The municipality holds the following non-controlling interests:

Senwes Limited: 3 600 (2023: 3 600) shares  
 Senwesbel Limited: 4 990 (2023: 4 990) shares  
 OVK: Operational Shares: 4 000 (2023: 4 000) shares  
 OVK: Holding Shares: 4 000 (2023: 4 000) shares

#### Non-current assets

Designated at fair value	288,318	251,068
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# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
<b>13. Other financial assets (continued)</b>		
<b>Financial assets at fair value</b>		
<b>Fair values of financial assets measured or disclosed at fair value</b>		
Class 1: Senwes Limited These shares are valued as per the valuation obtained from the Senwes Limited Transfer Secretaries and represents the fair value as at 30 June.	68,400	54,000
Class 2: Senwesbel Limited These shares are valued as per the valuation obtained from the Senwesbel Limited Transfer Secretaries and represents the fair value as at 30 June.	40,918	40,669
Class 3: OVK Operational shares These shares are valued as per the valuation obtained from the OVK Transfer Secretaries and represents the fair value as at 30 June.	97,000	84,400
Class 4: OVK Holding shares These shares are valued as per the valuation obtained from the OVK Transfer Secretaries and represents the fair value as at 30 June.	82,000	72,000
	<b>288,318</b>	<b>251,069</b>
<b>Fair value hierarchy of financial assets at fair value</b>		
For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:		
Level 1 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).		
Level 2 applies inputs which are not based on observable market data.		
Level 3 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.		
<b>Level 1</b>		
Class 1: Senwes Limited	68,400	54,000
Class 2: Senwesbel Limited	40,918	40,669
Class 3: OVK Operational shares	97,000	84,400
Class 4: OVK Holding shares	82,000	72,000
	<b>288,318</b>	<b>251,069</b>
<b>14. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	318,052	255,462
- in second to fifth year inclusive	300,264	74,643
<b>Present value of minimum lease payments</b>	<b>618,316</b>	<b>330,105</b>
<b>Present value of minimum lease payments due</b>		
- within one year	318,052	255,462
- in second to fifth year inclusive	300,264	74,643
	<b>618,316</b>	<b>330,105</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
<b>14. Finance lease obligation (continued)</b>		
Non-current liabilities	300,264	74,644
Current liabilities	318,052	255,461
	<b>618,316</b>	<b>330,105</b>

It is municipality policy to lease certain other property, plant and equipment under finance leases.

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

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

### 15. Payables from exchange transactions

Trade payables	40,969,137	57,895,484
Accrued bonus	1,535,596	1,545,866
Accrued leave pay	8,199,054	6,212,758
Retention monies	548,082	548,082
Employee related liabilities	7,197,621	1,624,288
Eskom	212,915,546	157,696,884
Oranje-Riet	1,072,453	876,351
Kalkfontein	24,589,693	18,498,597
Debtors with credit balances	5,603,365	4,011,856
	<b>302,630,547</b>	<b>248,910,166</b>

	>90 days R	60 days R	30 days R	Current R	Total R
Auditor-General South Africa	1,288,000	52,781	167,131	13,201	1,533,783
Eskom	199,726,515	3,005,779	3,958,584	6,224,686	212,915,546
Kalkfontein	23,747,444	356,761	221,972	263,515	24,589,693
Oranje-riet	542,199	105,775	148,437	276,041	1,072,453

### 16. Consumer deposits

Water and electricity	1,131,382	1,079,452
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# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
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### 17. Employee benefit obligations

#### Defined benefit plan

##### Post-employment medical aid benefit liability

The municipality provides certain post-employment health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the respective medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The municipality makes monthly contributions for health care arrangements to the Hosmed, LA Health and Key Health Medical Aid schemes.

The members of the Post-employment medical aid (health care) benefit plan are made up as follows:

- In-service members (employees): 70 (2023: 70)
- In-service non-members (employees): 0 (2023: 0)
- Continuation members (retirees, widowers and orphans): 6 (2023: 6)

Employees may choose from medical aids

##### Long service award liability

The municipality operates an unfunded defined benefit liability for all its employees. Under the plan, a long service award is every 5 years of continuous service, from 5 to 45 years of service, inclusive. The provision is an estimate of the long service based on historical staff turnover. No other long service benefits are provided to employees.

The most recent actuarial valuation of the present value of the defined benefit obligation were carried out at 30 June 2024. The present value of the defined benefit obligation, and the related current and past service cost, were measured using the Projected Unit Credit Method.

The current service cost for the year ending 30 June 2024 is estimated to be R386 000, whereas the cost for ensuing year is estimated to be R404 000.

##### Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the respective medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2024. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
<b>17. Employee benefit obligations (continued)</b>		
<b>The amounts recognised in the statement of financial position are as follows:</b>		
<b>Carrying value</b>		
Present value of the Post-employment medical aid benefit liability	(5,652,000)	(4,928,000)
Present value of the Long service award liability	(4,090,000)	(3,447,000)
	<b>(9,742,000)</b>	<b>(8,375,000)</b>
Non-current liabilities	(8,382,000)	(7,967,000)
Current liabilities	(1,360,000)	(408,000)
	<b>(9,742,000)</b>	<b>(8,375,000)</b>
The municipality made a contribution of R144 (2023: R216 000) and R69 900 (2023: R493 000) in the next financial year to the post-employment medical aid benefit and long service award liabilities, respectively.		
<b>Changes in the present value of the post-employment medical aid benefit obligation are as follows:</b>		
Opening balance	(4,927,000)	(1,711,000)
Net expense recognised in the statement of financial performance	710,000	(3,216,000)
	<b>(4,217,000)</b>	<b>(4,927,000)</b>
<b>Net expense recognised in the statement of financial performance: Post-employment medical aid benefit liability</b>		
Benefits paid	289,000	216,000
Interest cost	984,000	(186,000)
Actuarial (gains) losses	(563,000)	(3,246,000)
	<b>710,000</b>	<b>(3,216,000)</b>
<b>Changes in the present value of the long service award liability are as follows:</b>		
Opening balance	3,448,000	3,399,000
Net expense recognised in the statement of financial performance	642,000	49,000
	<b>4,090,000</b>	<b>3,448,000</b>
<b>Changes in the fair value of plan assets are as follows:</b>		
Current service cost	386,000	404,000
Interest cost	376,000	375,000
Actuarial gains (losses)	(189,000)	(237,000)
Benefits paid	69,000	(493,000)
	<b>642,000</b>	<b>49,000</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
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### 17. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Discount rate: Post-employment medical aid benefit liability	10.65 %	12.91 %
Discount rate: Long service award liability	12.28 %	11.07 %
Health care cost inflation rate	8.98 %	8.98 %
General salary inflation	6.50 %	7.35 %
Net discount rate: Post-employment medical aid benefit liability	3.90 %	3.61 %
Net discount rate: Long service award liability	3.82 %	3.47 %
Maximum subsidy inflation rate	5.50 %	6.35 %
Net discount rate: Maximum subsidy inflation rate	7.15 %	7.00 %

#### Other assumptions

The effect of a 1% movement in the assumed rate of post-employment health care benefit inflation is as follows:

#### Increase:

Effect on the aggregate of the current service cost and the interest cost	1,064,000	148,000
Effect on the defined benefit obligation	6,059,000	1,251,000

#### Decrease:

Effect on the aggregate of the current service cost and the interest cost	140,000	140,000
Effect on the defined benefit obligation	1,104,000	1,195,000

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

#### Increase:

Effect on the aggregate of the current service cost and the interest cost	826,000	816,000
Effect on the defined benefit obligation	3,871,000	3,668,000

#### Decrease:

Effect on the aggregate of the current service cost and the interest cost	928,000	714,000
Effect on the defined benefit obligation	4,330,000	3,247,000

#### Other assumptions

Amounts for the current and previous four years are as follows:

	2024 R	2023 R	2022 R	2021 R	2020 R
Post-employment medical aid benefit liability	5,652,000	4,928,000	1,711,000	2,056,000	1,933,000
Long service award liability	4,090,000	3,447,000	3,399,000	2,903,000	2,481,000

#### Actuarial gains

Post-employment medical aid benefit liability	563,000	2,772,000
Long service award liability	69,000	237,000
	<b>632,000</b>	<b>3,009,000</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
<b>18. Unspent conditional grants</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Municipal Infrastructure Grant (MIG)	7,944,281	9,280,023
Integrated National Electrification Programme (INEP)	-	2,933,417
Water Services Infrastructure Grant (WSIG)	18,158,278	19,063,705
Energy Efficiency and Demand Side Management Grant (EEDSM)	1,000,000	87,559
	<b>27,102,559</b>	<b>31,364,704</b>

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

See note 26 for reconciliation of grants from National/Provincial Government.

Due to the adverse economic environment, a significant portion of amounts due to the municipality in respect of services rendered, property rates and taxes are tied up in receivables. This resulted in amounts earmarked for conditional projects being utilised to ensure smooth running of the municipality. Management is actively following up on outstanding receivables to ensure that projects are completed.

## 19. Provisions

### Reconciliation of provisions - 2024

	Opening Balance	Unwinding of interest	Change in estimate	Total
Environmental rehabilitation	14,242,863	2,008,244	(3,352,240)	12,898,867

### Reconciliation of provisions - 2023

	Opening Balance	Additions	Unwinding of interest	Change in discount factor	Total
Environmental rehabilitation	12,174,228	-	1,723,871	344,764	14,242,863
Provision	4,000,000	(4,000,000)	-	-	-
	<b>16,174,228</b>	<b>(4,000,000)</b>	<b>1,723,871</b>	<b>344,764</b>	<b>14,242,863</b>

The provision was based on 100% of the landfill site areas effected as this area is used for dumping of waste. Dumping is limited to a certain portion of landfill sites. The current area effected will have to be rehabilitated, therefore the provision was based on 100% of the current effected areas of the landfill sites.

Jacobsdal	3,416,090	3,802,174
Koffiefontein	4,918,575	5,505,216
Luckhoff	1,762,523	1,956,405
Oppermansgronde	1,317,421	1,444,955
Petrusburg	1,484,257	1,534,113
	<b>12,898,866</b>	<b>14,242,863</b>

## 20. Service charges

Sale of electricity	35,053,952	27,499,888
Sale of water	17,421,454	5,842,499
Sewerage and sanitation charges	10,412,198	9,671,497
Refuse removal	9,745,677	9,352,121
	<b>72,633,281</b>	<b>52,366,005</b>



# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
<b>21. Investment revenue</b>		
<b>Dividend revenue</b>		
Other financial assets	11,037	9,713
<b>Interest revenue</b>		
Interest earned - external investments	428,534	354,296
	<b>439,571</b>	<b>364,009</b>
<b>22. Interest earned on outstanding debtors</b>		
Interest - non-exchange transactions	10,152,292	9,012,007
Interest - exchange transactions	26,293,947	21,711,407
	<b>36,446,239</b>	<b>30,723,414</b>
<b>23. Rental of facilities and equipment</b>		
<b>Rental</b>		
Premises	344,232	295,112
Venue hire	631,452	264,080
	<b>975,684</b>	<b>559,192</b>
<b>24. Other income</b>		
Administration fees	261,754	-
Building plan fees	4,092	10,017
Connection and re-connection fees	159,751	102,760
Grave sales	66,068	76,905
Photocopies	26,930	22,581
Tax certificates	54,215	58,029
Tender documents	9,640	56,623
	<b>582,450</b>	<b>326,915</b>
<b>25. Property rates</b>		
<b>Rates received</b>		
Property rates	26,333,530	25,105,895
Availability charges	4,034,310	10,732,624
	<b>30,367,840</b>	<b>35,838,519</b>
<b>Valuations</b>		
Residential	836,845,000	836,845,000
Commercial	179,540,000	179,540,000
State	93,390,000	93,390,000
Municipal	22,330,000	22,330,000
Small holdings and farms	2,258,975,000	2,258,975,000
Other	219,348,000	219,348,000
	<b>3,610,428,000</b>	<b>3,610,428,000</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
<b>26. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	84,906,000	65,028,000
Financial Management Grant (FMG)	3,000,000	3,000,000
National Treasury	-	2,084,705
	<b>87,906,000</b>	<b>70,112,705</b>
<b>Capital grants</b>		
Water Services Infrastructure Grant (WSIG)	11,104,426	19,899,999
Municipal Infrastructure Grant (MIG)	11,743,718	17,372,208
Expanded Public Works Programme Grant (EPWP)	665,000	1,073,000
Integrated National Electrification Programme Grant (INEP)	528,000	16,348,583
Energy Efficiency and Demand Side Management Grant (EEDSM)	-	4,912,441
	<b>24,041,144</b>	<b>59,606,231</b>
	<b>111,947,144</b>	<b>129,718,936</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
<b>26. Government grants and subsidies (continued)</b>		
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received	27,041,144	62,606,231
Unconditional grants received	84,906,000	67,112,705
	<b>111,947,144</b>	<b>129,718,936</b>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the nation.

#### National: Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	9,280,023	8,693,230
Current-year receipts	19,688,000	17,959,000
Conditions met - transferred to revenue	(19,688,000)	(17,372,207)
Repayment of funds (withheld from the Equitable share allocation)	(1,335,742)	-
	<b>7,944,281</b>	<b>9,280,023</b>

Conditions still to be met - remain liabilities (see note 18).

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions, and to provide for new, rehabilitation and upgrading of municipal infrastructure.

#### National: Integrated National Electrification Programme (INEP)

Balance unspent at beginning of year	2,933,417	782,000
Current-year receipts	528,000	18,500,000
Conditions met - transferred to revenue	(528,000)	(16,348,583)
Repayment of funds (withheld from the Equitable share allocation)	(2,933,417)	-
	<b>-</b>	<b>2,933,417</b>

Conditions still to be met - remain liabilities (see note 18).

The grant is allocated to municipalities to improve and upgrade the electricity infrastructure and enhance the electricity capacity within the municipality.

#### National: Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	19,063,705	13,963,705
Current-year receipts	10,198,999	25,000,000
Conditions met - transferred to revenue	(11,104,426)	(19,900,000)
	<b>18,158,278</b>	<b>19,063,705</b>

Conditions still to be met - remain liabilities (see note 18).

The grant is allocated and used to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
<b>26. Government grants and subsidies (continued)</b>		
<b>National: Financial Management Grant (FMG)</b>		
Current-year receipts	3,000,000	3,000,000
Conditions met - transferred to revenue	(3,000,000)	(3,000,000)
	-	-

The Financial Management Grant (FMG) is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003). All conditions attached to the grant were met and no funds were withheld.

### National: Expanded Public Works Programme (EPWP)

Current-year receipts	665,000	1,073,000
Conditions met - transferred to revenue	(665,000)	(1,073,000)
	-	-

The Expanded Public Works Programme (EPWP) Grant is allocated to incentives municipalities to expand work creation efforts through the use of labour incentive delivery methods in the identified focus areas in compliance with the EPWP guidelines. All conditions attached to the grant were met and no funds were withheld.

### Energy Efficiency and Demand Side Management Grant (EEDSM)

Balance unspent at beginning of year	87,559	-
Current-year receipts	-	5,000,000
Conditions met - transferred to revenue	-	(4,912,441)
	<b>87,559</b>	<b>87,559</b>

This grant was paid towards electrical infrastructure. All conditions attached to the grant were met and no funds were withheld.

### Changes in level of government grants

Based on the allocations set out in the Division of Revenue Bill, 2018 (Bill No. 2 of 2018), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

## 27. Fines, Penalties and Forfeits

Law enforcement fines	15,800	12,420
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## 28. Donations

Assets that have been recognised, but which are subject to restrictions, the amount of restriction are as follows:

Road	2,742,115	2,483,007
A road in Oppermansgronde was transferred to the municipality.		
Investment property	2,687,050	-
A farm was donated to the municipality.		

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
<b>29. Employee related costs</b>		
Basic salaries and wages	40,826,946	47,882,282
Bonus	6,293,378	3,194,984
Overtime payments	7,782,459	7,386,000
Retirement Benefit Liabilities	-	60,089
Housing benefits and allowances	173,013	140,703
Other allowance	10,818,986	8,844,462
Telephone allowance	-	159,792
Pension funds - council contributions	5,725,589	5,979,238
Medical aid funds - council contributions	4,480,882	2,314,166
Long service awards	72,703	165,272
Industrial council	24,152	24,490
UIF	402,307	394,698
Skills Development Levy	602,852	589,811
Short term benefit	758,065	708,472
Employee benefit obligation	722,000	(693,000)
Pensioners allowance	353,004	329,910
Leave pay provision charge	178,013	1,162,465
	<b>79,214,349</b>	<b>78,643,834</b>

### Remuneration of Chief Finance Officer - SJ Tooi

Annual remuneration	711,460	733,125
Car allowance	197,932	197,932
Bonus	122,945	60,564
Contributions to UIF, medical aid and pension funds	110,415	72,972
Other allowances	37,225	292,963
	<b>1,179,977</b>	<b>1,357,556</b>

Appointed for the period 01/07/2023 to 31/01/2024 and again 15/03/2024 until 30/06/2024.

### Remuneration of Municipal Manager (acting) - BC Mokomela

Annual remuneration	336,435	-
Bonus	28,811	-
Contributions to UIF, medical aid and pension funds	4,714	-
Other allowances	76,954	-
	<b>446,914</b>	<b>-</b>

Appointed for the period 06/10/2023 until 31 January 2024 and 24/03/2024 - 30 June 2024.

### Remuneration of Municipal Manager (acting) - T Maine

Annual remuneration	215,521	-
Car allowance	53,880	-
Contributions to UIF, medical aid and pension funds	48,667	-
Other allowances	10,776	-
	<b>328,844</b>	<b>-</b>

Appointed for the period 01/02/2024 until 05/03/2024.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
<b>29. Employee related costs (continued)</b>		
<b>Remuneration of the Director: Community Services - Mr. NI Bonani (acting)</b>		
Annual remuneration	118,507	111,823
Appointed for the period 01/07/2023 - 31/01/2024.		
<b>Remuneration of the Director: Technical Services - Mrs. P Morokolo (acting)</b>		
Acting allowance	249,920	-
Contributions to UIF, medical aid and pension funds	2,980	-
Other allowances	29,910	-
	<b>282,810</b>	-
15/03/2024 until 30 June 2024		
<b>Remuneration of the Director: Technical Services - Mrs. DG Motlogeloa (acting)</b>		
Annual remuneration	612,124	707,306
Car allowance	149,058	253,955
Bonus	-	58,431
Contributions to UIF, medical aid and pension funds	54,793	54,880
Other allowances	24,638	321,996
Acting allowance (Municipal Manager)	-	92,979
	<b>840,613</b>	<b>1,489,547</b>
Appointed for the period 01/07/2023 - 31/01/2024.		
<b>Remuneration of the Director: Community Services - Mr. KJ Motlhale (acting)</b>		
Annual remuneration	249,920	-
Contributions to UIF, medical aid and pension funds	2,980	-
Other allowances	29,910	-
	<b>282,810</b>	-
Appointed for the period 15/03/2024 until 30 June 2024.		
<b>Remuneration of the Director: Corporate Services - Mr. SG Qwelane (acting)</b>		
Acting allowance	105,994	290,991
Appointed for the period 01/07/2023 - 31/01/2024.		
<b>30. Remuneration of councilors</b>		
Mayor	874,593	852,431
Councillors	4,688,682	4,516,165
	<b>5,563,275</b>	<b>5,368,596</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
<b>30. Remuneration of councilors (continued)</b>		
<b>In-kind benefits</b>		
The executive mayor is full-time. The mayor is provided with an office, secretarial support and a full time driver at the cost of the Council.		
The salaries, allowances and benefits were paid within the upper limits of the framework envisaged in Section 219 of the Constitution.		
<b>31. Depreciation and amortisation</b>		
Property, plant and equipment	36,981,046	39,964,215
Intangible assets	39,450	39,343
	<b>37,020,496</b>	<b>40,003,558</b>
<b>32. Finance charges</b>		
Employee benefit obligations	1,013,000	561,000
Trade and other payables	19,749,201	14,132,345
Rehabilitation of landfill site	2,008,244	1,723,871
	<b>22,770,445</b>	<b>16,417,216</b>
<b>33. Debt impairment</b>		
Contributions to debt impairment provision	88,092,972	100,936,463
<b>34. Repairs and maintenance</b>		
Repairs and maintenance	2,509,439	7,328,742
<b>35. Bulk purchases</b>		
Electricity	42,700,241	37,057,761
Water	6,644,313	2,473,811
	<b>49,344,554</b>	<b>39,531,572</b>
<b>36. Professional and consulting fees</b>		
<b>Professional fees</b>		
Business and Financial management	6,789,150	10,549,815

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
<b>37. General expenses</b>		
Accommodation	288,236	283,348
Advertising	148,241	339,221
Auditors remuneration	5,057,175	4,974,221
Bank charges	586,946	789,056
Chemicals	2,485,420	3,636,343
Discount allowed	1,671,023	2,473,681
Commission paid	1,214,321	965,798
Conferences and seminars	-	1,670
Entertainment	219,930	586,136
Fuel and oil	2,179,524	1,753,366
Funeral cost	20,156	53,910
Hire	8,456,623	10,358,077
Insurance	2,763,661	1,819,351
License fees	1,598,675	2,774,784
Other expenses	21,500	36,209
Security (Guarding of municipal property)	-	29,256
Software expenses	-	(33,450)
Subscriptions and membership fees	908,689	786,095
Telephone and fax	468,256	774,981
Training	171,228	167,700
Travel - local	255,136	453,673
Uniforms	28,500	418,318
Ward committee expense	705,793	538,475
Water tests	628,478	688,187
	<b>29,877,511</b>	<b>34,668,406</b>

The amounts disclosed above for other expenses are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense. Inter-departmental charges are charged to other trading and economic services for support services rendered.

### 38. (Loss) gain on disposal of assets and liabilities

(Loss) gain on disposal of assets and liabilities (R4 567 599) in the current financial year and (R1 653 435) in the prior financial year.

This was due to: during physical verification some of the assets could not be located in the fields due to repairs and maintenance or theft.

### 39. Impairment of assets

#### Impairments

Property, plant and equipment	(10,043,588)	(5,545,577)
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Property, plant and equipment have been impaired due to the condition assessments that indicated a decrease in value in use since the last assessment.

### 40. Fair value adjustments

Other financial assets (Fair value model)	(18,851,266)	1,418,752
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### 41. Auditors' remuneration

Fees	5,057,175	4,974,221
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# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
<b>42. Cash generated from operations</b>		
Deficit	(96,436,957)	(86,995,860)
<b>Adjustments for:</b>		
Depreciation and amortisation	37,020,496	40,003,558
Gain on sale of assets and liabilities	4,567,599	2,666,655
Fair value adjustments	18,851,266	(1,259,220)
Impairment loss	10,043,588	5,468,127
Debt impairment	88,092,972	-
Movements in retirement benefit assets and liabilities	1,367,000	3,265,000
Movements in provisions	(1,343,996)	(1,931,365)
Other non-cash items	(2,076,925)	(6,823,826)
<b>Changes in working capital:</b>		
Inventories	278,061	(67,405)
Receivables from exchange transactions	36,486,100	37,437,058
Receivables from non-exchange transactions	(122,561,211)	(2,423,443)
Other receivables from exchange transactions	48,541	555,763
Payables from exchange transactions	53,720,380	65,490,290
VAT receivables	(6,868,465)	(16,381,412)
Unspent conditional grants	(4,262,145)	7,925,769
Consumer deposits	51,930	123,383
	<b>16,978,234</b>	<b>47,053,072</b>

## 43. Commitments

### Authorised capital expenditure

#### Already contracted for but not provided for

• Property, plant and equipment	38,968,217	5,967,210
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#### Total capital commitments

Already contracted for but not provided for	38,968,217	5,967,210
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This committed expenditure relates to property, plant and equipment and will be financed from government grants.

## 44. Related parties

These include the total remuneration per councilor and key management, in aggregate for the entire financial year. For remuneration of key management refer to note 29, employee related costs.

### Remuneration of councilors

AN November	322,730	311,773
HX Mthukwane	741,982	718,239
MA Lebaka	376,873	371,291
MM Potgieter	322,730	314,442
RBI Mocwaledi	893,498	886,014
TV Nthapo	409,548	396,292
II Ramohlabi	441,702	406,030
V Stuurman	329,047	318,165
M Lehare	342,352	308,867
SD Lichaba	322,730	309,175
NJT Kumalo	402,495	388,846
MM Terblanche	334,856	330,592
KD Molusi	322,732	308,870
	<b>5,563,275</b>	<b>5,368,596</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
<b>44. Related parties (continued)</b>		
<b>Related party transactions</b>		
<b>Compensation of councilors</b>		
Basic remuneration	4,854,147	4,678,377
Telephone allowance	573,300	530,400
Car allowance	52,531	52,531
Medical aid	-	1,096
Travel and subsistence (re-imbursement)	105,192	106,192

No related party transactions were identified during the year.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
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### 45. Financial instruments disclosure

#### Categories of financial instruments

#### 2024

##### Financial assets

	At fair value	At amortised cost	Total
Other financial assets	288,318	-	288,318
Other receivables from exchange transactions	-	1,739,968	1,739,968
Cash and cash equivalents	-	197,580	197,580
	<b>288,318</b>	<b>1,937,548</b>	<b>2,225,866</b>

##### Financial liabilities

	At amortised cost	Total
Finance lease liability	618,316	618,316
Payables from exchange transactions	302,630,546	302,630,546
Consumer deposits	1,131,382	1,131,382
Unspent conditional grants and receipts	27,102,559	27,102,559
	<b>331,482,803</b>	<b>331,482,803</b>

#### 2023

##### Financial assets

	At fair value	At amortised cost	Total
Other financial assets	251,068	-	251,068
Other receivables from exchange transactions	-	1,788,509	1,788,509
Cash and cash equivalents	-	343,335	343,335
	<b>251,068</b>	<b>2,131,844</b>	<b>2,382,912</b>

##### Financial liabilities

	At amortised cost	Total
Finance lease liability	330,105	330,105
Payables from exchange transactions	248,910,166	248,910,166
Consumer deposits	1,079,452	1,079,452
Unspent conditional grants and receipts	31,364,704	31,364,704
	<b>281,684,427</b>	<b>281,684,427</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
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### 46. Risk management

#### Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function. Further quantitative disclosures are included throughout these annual financial statements.

It is the policy of the municipality to disclose information that enables the user of its annual financial statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

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

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial environment.

Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

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.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
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### 46. Risk management (continued)

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Cash and cash equivalents:

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with ABSA Bank, First National Bank, Nedbank and Standard Bank.

Receivables from exchange and non-exchange transactions:

Receivables from exchange and non-exchange transactions are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

The application of section 118(3) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property.

- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount.
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA.
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually.
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of financial position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
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### 46. Risk management (continued)

Long-term receivables and other debtors are individually evaluated annually at reporting date for impairment or discounting.

A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment /discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

#### Market risk

##### Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with ABSA Bank and First National Bank. No investments with a tenure exceeding twelve months are made.

Consumer debtors (included in Receivables from exchange and non-exchange transactions) comprise of a large number of ratepayers, dispersed across different industries and geographical areas.

Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer deposits are increased accordingly.

Long-term receivables and other debtors are individually evaluated annually at the reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on financial assets and financial liabilities are detailed in the Credit Risk Management section of this note.

#### Price risk

Although shares are held by the municipality, it is not exposed to equity price risks arising from equity investments as the municipality does not actively trade in these investments and the balance is immaterial to the municipality's operations.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
<b>47. Irregular expenditure</b>		
Opening balance	615,474,233	583,781,007
Add: Current year irregular expenditure	12,602,903	31,693,226
	<b>628,077,136</b>	<b>615,474,233</b>

### 48. Fruitless and wasteful expenditure

Opening balance	44,280,957	30,148,612
Add: current year fruitless and wasteful expenditure	24,346,762	14,132,345
Less: amount written-off	(14,906,833)	-
	<b>53,720,886</b>	<b>44,280,957</b>

The fruitless and wasteful expenditure for the current year is represented by interest levied on overdue payables due to cash flow constraints experienced by the municipality.

### 49. Unauthorised expenditure

Opening balance	1,125,180,349	901,155,139
Add: Current year unauthorised capital and operating expenditure	127,262,723	224,025,210
	<b>1,252,443,072</b>	<b>1,125,180,349</b>

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

#### Contributions to organised local government

Opening balance	795,900	608,623
Current year subscription / fee	904,236	795,900
Amount paid - current year	-	(608,623)
	<b>1,700,136</b>	<b>795,900</b>

#### Distribution losses

Electricity	Lost units	Tariff	Value
Unaccounted Electricity Losses for 2024	4,346,214	0.89	3,868,130
Unaccounted Electricity Losses for 2023	8,423,780	0.89	7,497,164

Electricity losses occur due to inter alia, technical and non-technical losses. Technical losses include inherent resistance of conductors, transformers and other electrical equipment, whilst Non-technical losses include the tampering of meters, incorrect ratio used on bulk meters, faulty meters and illegal connections.

#### Volumes in kWh per year

System input volume	39,400,166	32,485,906
Billed consumption	(35,053,952)	(24,062,126)
	<b>4,346,214</b>	<b>8,423,780</b>

Percentage distribution loss (%)	11.03 %	25.93 %
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Water	Lost units	Tariff	Value
Unaccounted Water Losses for 2024	3,399,633	0.65	2,209,761
Unaccounted Water Losses for 2023	2,773,605	0.65	1,802,843

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
<b>50. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
Water losses occur due to inter alia, tampering of meters, incorrect ratio used on bulk meters, faulty meters and illegal connections.		
<b>Volumes in kWh per year</b>		
System input volume	4,332,015	3,765,605
Billed consumption	(932,382)	(992,000)
	<b>3,399,633</b>	<b>2,773,605</b>
Percentage distribution loss (%)	78.00 %	73.00 %
<b>Audit fees</b>		
Opening balance	815,163	2,543,042
Current year subscription / fee	5,057,175	5,110,317
Amount paid - current year	(5,358,132)	(8,329,531)
Other adjustments	138,132	-
Value add tax	758,576	766,548
Credit notes - current year	-	500,673
Interest charges	122,869	224,114
	<b>1,533,783</b>	<b>815,163</b>
<b>PAYE, UIF and SDL</b>		
Opening balance	1,178,898	2,724,228
Current year subscription / fee	11,550,290	10,815,861
Amount paid - current year	(14,563,171)	(15,805,658)
Other (interest and penalties included)	1,335,812	3,444,467
	<b>(498,171)</b>	<b>1,178,898</b>
<b>Pension and medical aid fund contributions</b>		
Opening balance	8,061,119	2,323,009
Current year subscription / fee	16,174,460	9,310,203
Amount paid - current year	-	(3,572,093)
	<b>24,235,579</b>	<b>8,061,119</b>

The balance represents pension aid fund contributions owing to the pension funds, which have been deducted from employees' salaries, however not paid over to the pension funds.



# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
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### 50. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

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

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
AN November	3,717	33,261	36,978
HX Mthukwane	3,874	45,602	49,476
J Khumalo	4,942	63,274	68,216
KD Molusi	2,035	51,369	53,404
LE Ramohlabi	3,166	13,469	16,635
M Lehare	3,705	59,649	63,354
MA Lebaka	2,186	9,138	11,324
MM Potgieter	3,724	-	3,724
S Lichaba	3,735	24,283	28,018
TV Nthapo	681	29,888	30,569
V Stuurman	4,607	63,972	68,579
Erfdeel Trust MM (Cllr Terblanche)	6,394	49,849	56,243
	<b>42,766</b>	<b>443,754</b>	<b>486,520</b>

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
AN November	463	6,729	7,192
HX Mthukwane	(663)	44,241	43,578
J Khumalo	342	56,459	56,801
KD Molusi	1,957	44,603	46,560
LE Ramohlabi	-	8,423	8,423
MA Lebaka	1,027	5,392	6,419
MM Terblanche	-	36,566	36,566
V Stuurman	3,841	50,943	54,784
	<b>6,967</b>	<b>253,356</b>	<b>260,323</b>

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by Council. The expenses incurred as listed hereunder have been condoned.

The municipality maintains a detailed register at its offices.

#### Incident

Emergency procurement	1,670,043	2,190,475
Sole provider	120,348	210,585
Impractical	170,933	-
	<b>1,961,324</b>	<b>2,401,060</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
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### 51. Non-compliance with the MFMA

Chapter	Section	Description
8	62	Not all general financial management function requirements were adhered to during the year, as not all controls operated effective and efficiently.
8	64	Not all revenue management requirements were met as not all controls operated effective and efficiently throughout the year.
8	65	Not all expenditure management requirements were met as not all controls operated effective and efficiently throughout the year.
8	65	Due to financial constraints, not all invoices were paid within the legislative 30-days deadline.
14	166	The MFMA requirements for the audit committees were not complied with throughout the financial year.

### 52. Prior period errors

#### Statement of financial position

2023

	As previously reported	Correction of error	Restated
Receivables from exchange transactions	59,514,605	(1,200,546)	58,314,059
Receivables from non-exchange transactions	30,628,797	(2,282,729)	28,346,068
VAT receivable	17,844,738	483,130	18,327,868
Property plant and equipment	688,386,651	3,476,153	691,862,804
Payables from exchange transactions	(246,791,301)	(2,118,865)	(248,910,166)
Employee benefit obligation	(4,673,000)	(3,702,000)	(8,375,000)
Accumulated Surplus	(580,753,435)	5,344,857	(575,408,578)
	<b>(35,842,945)</b>	<b>-</b>	<b>(35,842,945)</b>

#### Statement of financial performance

2023

	As previously reported	Correction of error	Restated
Actuarial gains	5,187,452	(2,178,452)	3,009,000
Depreciation and amortisation	40,026,412	(22,854)	40,003,558
Debt impairment	98,492,306	2,444,157	100,936,463
Repairs and maintenance	6,568,081	760,661	7,328,742
General expenses	32,754,214	1,914,193	34,668,407
Impairment loss	4,667,634	800,493	5,468,127
<b>Surplus for the year</b>	<b>187,696,099</b>	<b>3,718,198</b>	<b>191,414,297</b>

During physical verification certain assets estimated useful lives was changed.

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

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
<b>52. Prior period errors (continued)</b>		
<b>Statement of financial position</b>		
Property, plant and equipment	3,476,153	3,476,153
Accumulated surplus	(3,476,153)	-
<b>Statement of financial performance</b>		
Depreciation and amortisation	-	(22,854)
Loss on disposal of assets	-	(4,331,242)
Impairment loss	-	877,943

Correction on Receivables from exchange and non-exchange due to debt impairment calculation. The prior year calculation was reversed, reperformed and accounted for.

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

<b>Statement of financial position</b>		
Receivables from exchange transactions	(552,683)	(552,683)
Receivables from non-exchange transactions	(2,282,729)	(2,282,729)
Accumulated surplus	2,444,157	-
VAT receivables	-	391,255
<b>Statement of financial performance</b>		
Debt impairment	-	2,444,157

Correction on expenditure due to invoices that were not processed in the prior year which was accounted for now.

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

<b>Statement of financial position</b>		
VAT receivables	91,875	91,875
Payables from exchange transactions	(2,766,728)	(2,766,728)
Accumulated surplus	2,674,854	-
<b>Statement of financial performance</b>		
Rapairs and maintenance	-	760,661
General expenses	-	1,914,193

Correction on employee benefit obligations due to additional employees that needed to be accounted for.

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

<b>Statement of financial position</b>		
Employee benefit obligations	(3,702,000)	(3,702,000)
Accumulated surplus	(3,702,000)	-
<b>Statement of financial performance</b>		
Actuarial Gains/(Loss)	-	3,702,000

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024	2023
	R	R

### 53. Change in estimate

#### Property, plant and equipment

A change in the estimated useful life of various assets of the municipality has resulted in the following decreases (increases) in depreciation for the mentioned asset categories for the financial year:

Other property, plant and equipment	567,968	33,084
Infrastructure assets	8,531,225	-
Land, buildings and community assets	429,318	-
	<b>9,528,511</b>	<b>33,084</b>

#### Provisions

A change in the estimates of landfill site per town:

Koffiefontein	(1,362,876)	-
Oppermansgronde	(331,273)	-
Petrusburg	(266,167)	-
Luckhoff	(469,734)	-
Jacobsdal	(922,190)	-
	<b>(3,352,240)</b>	<b>-</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
<b>54. Contingencies</b>		
<b>Contingent liabilities</b>		
The municipality had the following contingent liabilities at 30 June 2024:		
Syabonga Anele Trading: Cancellation of service level agreement and claim the amount of R7 960 323.	500,000	500,000
Ducharme Consulting (Pty) Ltd: The claimant was appointed by the municipality to prepare the 2017 annual financial statements. The amount billed exceeded the project amount and it is claimed that the additional costs incurred were due to requests from management. The matter is still pending with an amount of R208 568.39 and no resolution has been taken to date.	200,000	200,000
Omphi NoBuhle Trading: Claim in the amount of R662 892 based on loss of profits suffered due to cancellation of tender.	200,000	200,000
M Matswane: Retrospective re-instatement.	150,000	150,000
Werner Diedericks: Summons were issued against the municipality in the amount of R59 306.	80,000	80,000
Veldman Mphatshehla: Claim in the amount of R1 184 634 of a child who got electrocuted by an electric pole in Dithake (Koffiefontein)	500,000	500,000
Motlhom obo Motlhom: The child was electrocuted at one of the Farms in the area of Koffiefontein, the farm is serviced by Eskom in terms of electricity supply, the maintenance and overall management of electricity supply is done by Eskom, Letsemeng is a second responded on this case due to the fact that this incident happened in the area of jurisdiction of Municipality	200,000	200,000
Sebata Municipal Solutions: Sebata continued to provided services to the Municipality despite the fact that Municipality had appointed a service provide in line with Transversal Contract 25 of Municipal Standard Chart of Accounts, Sebata's argument is that the services were not cancelled and such we are liable to pay for services rendered in 2017 financial year.	500,000	500,000
Refilwe Civil & Plant Hire: Municipality appointed Sotika Pty Ltd to refurbish Stadium in Koffiefontein, Refilwe was a cessionary to this contract. Municipality paid all the monies due from this contract to Sotika Pty Ltd and in terms of the contract, Sotika was supposed to pay Refilwe Plant hire but failed to do so, Refilwe is requesting the payment from Municipality as the right of this contact were partly ceded to them.	100,000	100,000
	<b>2,430,000</b>	<b>2,430,000</b>

## 55. Budget differences

### Material differences between budget and actual amounts

Material difference between the adjusted budget and actual amounts are deemed material if it differs with more than 15%. The following is reasons for the material differences identified:

#### Statement of financial performance:

**Service charges:** The municipality anticipated that more services would have been billed during the year due to tariff increases. The water consumption was materially less in the current year. They levied R5.6million less on water.

**Rental of facilities and equipment:** More contracts were entered and an increase in rental rate was applied.

**Sale of goods:** The municipality did budget for sales of goods. However the income did not materialise.

**Licences and permits:** The municipality did budget for licences and permits. However the income did not materialise.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
<b>55. Budget differences (continued)</b>		
<b>Levies:</b> The municipality did budget for levies However the income did not materialise.		
<b>Other income:</b> The actual income was less than budgeted for due to purchases during the year. There were less meters tampered with which resulted in less connection and re-connection fees; some of the tenders were available online at no costs which was a result in the decrease of other income.		
<b>Interest on outstanding receivables:</b> More interest was levied on consumer debtor accounts than what was budgeted for. This is a result of consumers not making regular payments on their accounts as anticipated.		
<b>Dividends received:</b> the actual amount received was less than management budgeted for. However the amount is immaterial. The anticipated that the price per share would have been higher at yearend		
<b>Interest on external investments:</b> the municipality did not expected the interest to be more on external investments than budgeted for. No new investments entered; due to higher interest rate the return on the investments were higher.		
<b>Property Rates:</b> due to availability charges that was allocated to revenue from non-exchange transactions, the actual amounts was more than budgeted for.		
<b>Interest on outstanding receivables:</b> More interest was levied on consumer debtor accounts than what was budgeted for. This is a result of consumers not making regular payments on their accounts as anticipated (budgeted amount is for exchange and non-exchange transactions).		
<b>Property rates:</b> Management did not expect that the municipality will levy this amount of availability charges. Management did not consider the tariff increases		
<b>Transfer and subsidies:</b> The municipality received more grants during the year which is stipulated on the DoRA.		
<b>Donations:</b> The municipality did not anticipate that the handover will be done in the current financial year.		
<b>Fines and penalties:</b> The municipality expected the fines and penalties to be more than the actual amount during the year and the amount is not material.		
<b>Depreciation, amortisation and impairment loss:</b> Management budgeted for more depreciation as they thought they would have more assets during the year. Assets were disposed during the year as well as impairment - this was only confirm on yearend when the physical verification was done. Management did expect that they will purchases new assets.		
<b>Finance cost:</b> Although the municipality did not have overdraft facilities whereby interest were charged, the budget was exceeded due to interest being charged on overdue accounts as well as the unwinding of the interest applicable to the provision for the rehabilitation of the landfill sites. Due to financial constraints the municipality is not able to pay suppliers within 30 days		
<b>Debt impairment:</b> The budget amount was a lot less than the actual amount. This amount is due to customers not being able to pay their accounts.		
<b>Bulk purchases:</b> Normal increases in bulk purchases occurred during the year. The budgeted amount lower than this. Management did not consider the tariff increases.		
<b>Contracted services:</b> The municipality anticipated that contracted services will be material. However, the actual amount was less than budgeted for due to assets being maintained and les vandilisem in the current financial year.		
<b>General expenses:</b> Management did not anticipate for general expenses to be this high during the year, which resulted in the budgeted amount being material lower than the actual expenses. Management did not anticipate that Hire cost will be this high during the year. Due to emergency expenses incurred as per the Deviation register.		
<b>Loss on disposal of assets:</b> this was due to physical verification that was done and found that the municipality due not have control on some of their Investment property as well as gains and losses on the municipality's assets was identified during physical verification.		
<b>Inventory consumed:</b> The municipality budgeted for this amount however it did not materialise.		

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
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### 55. Budget differences (continued)

**Fair value adjustments:** This represents a "non-cash flow" movement, management did not provide / budget for it. The actual amount was a result due to Investment property that is illegally occupied.

**Actuarial gains:** This represents the loss in employee benefit obligations. As this represents a "non-cash flow" movement, management did not provide / budget for it.

**Inventory losses / write-downs:** This is due to lack of internal controls over maintenance materials and stationary. As these represent controls within the municipality, management did not provide / budget for it. The amount is clearly trivial.

**Impairment loss:** management did not expect assets to be impaired in the current year.

#### Statement of financial position:

**Inventories:** Management anticipated that more inventory would have been purchased throughout the year, which did not materialise.

**Receivables from exchange/non-exchange transactions:** Management did not anticipate for the material movement during the year, which resulted in a material difference between the budgeted and actual amounts. Management budgeted for exchange and non-exchange under exchange transactions.

**Cash and cash equivalents:** Management anticipated to have more money in the bank at year-end, but it did not materialise due to higher expenses during the year. In addition the municipality applied the unspent grants for operational expenses.

**Intangible assets:** Management anticipated that the amortisation will be higher. However this was not the case.

**Other receivables:** The municipality anticipated that the other receivables will be higher due to an increase in the specific debtors. However the amount did not increase in the current year because of the other receivables not being that material.

**Investment property:** The municipality budgeted for the cost price on Investment property. However they did not take into consideration the impairment/fair value adjustment on illegal occupants.

**Property, plant and equipment:** The municipality budgeted for the property, plant and equipment on the cost price and not on the carrying value. Therefore the budgeted amount is much higher than the actual amount.

**VAT payable:** The municipality anticipated that they will have a liability on VAT. However this was not the case due to a material amount on the debt impairment calculation.

**Heritage assets:** No balance was budgeted for, as it is immaterial to the municipality's operations.

**Other financial assets:** The assets are valued at fair value, which means the municipality should've provided/budgeted for the 2024 disclosed amount with a fair value adjustment, to account for the movement.

**Finance lease obligations:** management anticipated to enter into new contracts.

**Payables from exchange transactions:** Due to financial difficulties the actual amount is higher than budgeted for.

**Consumer deposits:** The actual amounts of deposits received was higher than budgeted for.

**Employee benefit obligations:** As the calculations are performed yearly. Management do not anticipate adjustments yearly. It is also a non-cash item.

**Unspent conditional grants and receipts:** The municipality anticipated that all grants received and paid will be utilised for the year, therefore no amount was budgeted for. In addition the conditional grants was used for operational expenditure, which was not the intended purposes of the conditional grant.

**VAT receivable:** The municipality did not budget for VAT receivable, although VAT materialised. It was not included in managements calculation when performing the budget.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
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### 55. Budget differences (continued)

**Provisions:** Management anticipated that a material current portion would have incurred however it did not materialise. This should have been budgeted for under non-current as an accumulated amount and not split between current and non-current. In addition a R4 000 000 legal fees which was budgeted for Eskom in the current year due to the legal fees that incurred.

#### Cash Flow Statement:

**Sales of goods and services:** Goods and services were not as much as expected and budgeted for. This was due to not all customers being levied.

**Grants:** Management anticipated that they will receive more grants during the year. However due to unspent grants money with withheld.

**Other receipts:** Management budgeted more for other receipts. However this did not materialise.

**Interest income:** The municipality should have budgeted more for suppliers as the trade payables shows the municipality owes suppliers a material amount.

**Finance lease payments:** Although the municipality did not budget for finance lease payments, the expense incurred during the year.

**Finance charges:** The amount budgeted for is less than the actual amounts due to the municipality not making payments within 30 days.

**Property, plant and equipment:** The municipality anticipated that more projects will be awarded and spend on. However this was not the case due to cash flow constraints.

**Net increase/(decrease) in cash and cash equivalents:** The amount budgeted for is much higher than the actual amount as per the bank statement. Due to unspent grants that was used for different departments.

### 56. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus (deficit) of R 478,971,624 and that the municipality's total assets exceed its total liabilities by R 478,971,624.

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

Management considered the following matters relating to the going concern assumption, which indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern:

- 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 municipality's budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.
- The ability of the municipality to continue as a going concern is dependant on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality is currently experiencing financial difficulties. Indicators of the financial problems are:



# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024 R	2023 R
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### 56. Going concern (continued)

- Surplus/Deficit of R96 436 957 (2023: R86 995 860) was realised, Government grants and subsidies contributed R111 947 144 (2023: R129 718 936).
- The municipality's unspent conditional grants for the current year amounted to R27 102 559 (2023: R31 364 704). This is an indication that monies received are not utilised for the specific projects under construction and should be paid back to the relevant parties.
- The municipality owed Eskom R212 915 546 (2023: R157 696 884) and the water boards R24 589 693 (2023: R19 374 948) as at 30 June 2024, which was long overdue.
- The creditors are not paid within 30 days as required by the MFMA due to cash constraints.
- Debt collection period has not improved during the current financial year.
- The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets should be impaired (GRAP 104). A provision for doubtful debt amounting to R88 092 972 (2023: R100 936 463) has been disclosed in the financial statements.
- As at 30 June 2024 the municipality's current liabilities amounted to R332 542 540 (2023: R282 017 783), whilst the current assets amounted to R113 354 958 (2023: R108 976 448).
- The current and acid test ratios are below the required ratio of 0.5:1 and 0.5:1, respectively.

Management have considered the risks, but based on their evaluation of the following mitigating factors have concluded that the going concern assumption is appropriate for the following 12 months:

- The Letsemeng Local Municipality is a municipality within the local government sphere. Currently, in the municipal environment, municipalities within South Africa rely heavily on government's financial assistance through the provision of grants. For the 2024 financial year, the allocated Equitable Share allocation amounts to R84 906 000 and the Financial Management Improvement Grant to R3 000 000.
- No intention by government has been identified that indicates the discontinuing of financial assistance through the provision of government grants. The DoRA and the Division of Revenue Bill, 2018 furthermore disclosed government's proposed allocation of the 2024 and 2025 financial years. This is evidence of government's continued financial support to be provided to the municipality for the following 36 months.
- The municipality has not been placed under administration for the 12 months ending 30 June 2024.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

2024	2023
R	R

### 57. Segment information

#### General information

#### Identification of segments

Refer below for the segments identified by the municipality. 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.

#### Goods and/or services

Finance and administration: vote 2, 3 and 15  
Community and social services: vote 9, 10, 11 and 14  
Public safety and sports and recreation and environmental protection: vote 5, 6 and 13  
Road transport and energy sources: vote 7 and 12  
Executive and council: vote 1  
Planning and development: vote 4  
Waste management: vote 8

#### Reportable segments

Budget and Treasury Office  
Community Services  
Corporate Services  
Technical Services  
Mayor's Office  
Municipal Manager  
Project Management Unit

#### Geographical considerations:

The municipality's operations are in the Free State Province, its major geographical areas within the province are Koffiefontein, Jacobsdal, Luckhoff, Petrusburg and Oppermansgronde. Management has as per the GRAP standards decided to report on Letsemeng as a single geographical area.

Management is of the opinion that as per paragraph 32, the cost of developing geographical information would be excessive, secondly that due to the nature of the municipality, the geographical area, although five towns are demarcated as a single municipal area in the same province and district municipality and it would therefore not be in the interest of the users of the financial statements to develop geographical information for reporting.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 57. Segment information (continued)

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

2024

	Budget and Treasury Office	Community Services	Corporate Services	Technical Services	Mayor's Office	Municipal Manager	Project Management Unit	Total
<b>Revenue</b>								
Services charges	72,633,281	-	-	-	-	-	-	72,633,281
Dividends	11,037	-	-	-	-	-	-	11,037
Interest received - outstanding debtors	36,038,917	407,321	-	-	-	-	-	36,446,238
Interest - external investments	428,534	-	-	-	-	-	-	428,534
Rental of facilities	943,045	32,639	-	-	-	-	-	975,684
Other income	572,810	-	9,640	-	-	-	-	582,450
Property rates	30,367,840	-	-	-	-	-	-	30,367,840
Government grants and subsidies	108,419,145	-	-	528,000	-	3,000,000	-	111,947,145
Fines and penalties	15,800	-	-	-	-	-	-	15,800
Inventory loss	-	-	-	2,513	-	-	-	2,513
Donations	5,429,165	-	-	-	-	-	-	5,429,165
<b>Total segment revenue</b>	<b>254,859,574</b>	<b>439,960</b>	<b>9,640</b>	<b>530,513</b>	<b>-</b>	<b>3,000,000</b>	<b>-</b>	<b>258,839,687</b>
<b>Entity's revenue</b>								<b>258,839,687</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 57. Segment information (continued)

#### Expenditure

	Budget and Treasury Office	Community Services	Corporate Services	Technical Services	Mayor's Office	Municipal Manager	Project Management Unit	Total
Employee costs	(13,573,914)	(17,314,046)	(8,952,125)	(32,325,954)	(2,074,923)	(4,973,387)	-	(79,214,349)
Remuneration of councilors	-	-	-	-	(5,563,275)	-	-	(5,563,275)
Depreciation and amortisation	(37,020,496)	-	-	-	-	-	-	(37,020,496)
Impairment loss	-	(10,043,588)	-	-	-	-	-	(10,043,588)
Finance costs	(22,770,445)	-	-	-	-	-	-	(22,770,445)
Debt impairment	(88,092,972)	-	-	-	-	-	-	(88,092,972)
Repairs and maintenance	(406,772)	(278,768)	-	(1,814,949)	-	(8,950)	-	(2,509,439)
Bulk purchases	(7,373,964)	-	-	(41,970,590)	-	-	-	(49,344,554)
Professional fees	(3,322,698)	(149,940)	(2,636,617)	(624,832)	-	(55,064)	-	(6,789,151)
General expenses	(6,316,674)	(936,744)	(2,092,548)	(13,198,156)	(2,054,423)	(5,278,965)	-	(29,877,510)
Loss on disposal of assets	(4,567,599)	-	-	-	-	-	-	(4,567,599)
Fair value adjustments	(18,851,266)	-	-	-	-	-	-	(18,851,266)
Actuarial gains/losses	-	-	(632,000)	-	-	-	-	(632,000)
<b>Total segment expenditure</b>	<b>(202,296,800)</b>	<b>(28,723,086)</b>	<b>(14,313,290)</b>	<b>(89,934,481)</b>	<b>(9,692,621)</b>	<b>(10,316,366)</b>	<b>-</b>	<b>(355,276,644)</b>
<b>Total segmental surplus/(deficit)</b>	<b>52,562,776</b>	<b>(28,283,126)</b>	<b>(14,303,650)</b>	<b>(89,403,968)</b>	<b>(9,692,621)</b>	<b>(7,316,366)</b>	<b>-</b>	<b>(96,436,955)</b>

#### Assets

Inventories	1,578,548	-	-	-	-	-	-	1,578,548
Other receivables	1,739,969	-	-	-	-	-	-	1,739,969
Receivables	14,674,184	8,779	977,669	68,981,634	-	-	-	84,642,266
Cash and cash equivalents	210,059	-	(12,216)	-	-	-	-	197,843
Investment property	62,070,776	-	-	-	-	-	-	62,070,776
Property, plant and equipment	683,721,237	(13,176,254)	(31,527,162)	(157,255,389)	4,580,569	3,326,851	167,637,410	657,307,262
Intangible assets	1,006,977	-	-	-	-	(947,995)	-	58,982
Heritage assets	-	15,000	-	-	-	-	-	15,000
Other financial assets	288,318	-	-	-	-	-	-	288,318
VAT receivables	25,196,333	-	-	-	-	-	-	25,196,333
<b>Total segment assets</b>	<b>790,486,401</b>	<b>(13,152,475)</b>	<b>(30,561,709)</b>	<b>(88,273,755)</b>	<b>4,580,569</b>	<b>2,378,856</b>	<b>167,637,410</b>	<b>833,095,297</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

	Budget and Treasury Office	Community Services	Corporate Services	Technical Services	Mayor's Office	Municipal Manager	Project Management Unit	Total
<b>57. Segment information (continued)</b>								
<b>Total assets as per Statement of financial Position</b>								<b>833,095,297</b>
<b>Liabilities</b>								
Finance lease obligation	(618,317)	-	-	-	-	-	-	(618,317)
Payables from exchange transactions	(302,630,547)	-	-	-	-	-	-	(302,630,547)
Consumer deposits	(1,131,382)	-	-	-	-	-	-	(1,131,382)
Employee benefit obligations	(9,742,000)	-	-	-	-	-	-	(9,742,000)
Unspent grants	(27,015,000)	-	-	-	-	-	-	(27,015,000)
Provisions	(12,898,867)	-	(1,000,000)	912,441	-	-	-	(12,986,426)
<b>Total segment liabilities</b>	<b>(354,036,113)</b>	<b>-</b>	<b>(1,000,000)</b>	<b>912,441</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(354,123,672)</b>
<b>Total liabilities as per Statement of financial Position</b>								<b>(354,123,672)</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 57. Segment information (continued)

2023

	Budget and Treasury Office	Community Services	Corporate Services	Technical Services	Mayor's Office	Municipal Manager	Project Management Unit	Total
<b>Revenue</b>								
Services charges	52,093,026	-	-	272,989	-	-	-	52,366,015
Dividends	9,713	-	-	-	-	-	-	9,713
Interest received - outstanding debtors	30,386,053	337,362	-	-	-	-	-	30,723,415
Interest - external investments	354,296	-	-	-	-	-	-	354,296
Rental of facilities	548,735	10,456	-	-	-	-	-	559,191
Other income	270,293	-	56,623	-	-	-	-	326,916
Property rates	35,838,518	-	-	-	-	-	-	35,838,518
Government grants and subsidies	105,457,912	-	-	21,261,024	-	3,000,000	-	129,718,936
Fines and penalties	12,420	-	-	-	-	-	-	12,420
Donations	2,276,089	-	-	-	-	-	-	2,276,089
<b>Total segment revenue</b>	<b>227,247,055</b>	<b>347,818</b>	<b>56,623</b>	<b>21,534,013</b>	<b>-</b>	<b>3,000,000</b>	<b>-</b>	<b>252,185,509</b>
<b>Entity's revenue</b>								<b>252,185,509</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 57. Segment information (continued)

#### Expenditure

	Budget and Treasury Office	Community Services	Corporate Services	Technical Services	Mayor's Office	Municipal Manager	Project Management Unit	Total
Employee costs	(12,688,089)	(17,993,190)	(6,484,131)	(32,388,945)	(5,210,123)	(3,879,356)	-	(78,643,834)
Remuneration of councilors	-	-	-	-	(5,368,597)	-	-	(5,368,597)
Depreciation and amortisation	(40,003,558)	-	-	-	-	-	-	(40,003,558)
Finance costs	(16,411,911)	-	-	-	-	(5,305)	-	(16,417,216)
Debt impairment	(100,936,463)	-	-	-	-	-	-	(100,936,463)
Repairs and maintenance	(3,400,876)	(131,557)	(12,322)	(3,658,883)	(83,979)	(5,397)	(35,728)	(7,328,742)
Bulk purchases	-	-	-	(39,531,572)	-	-	-	(39,531,572)
Professional fees	(7,195,899)	(188,600)	1,779,035	(3,297,012)	-	(1,647,339)	-	(10,549,815)
General expenses	(7,312,417)	(3,159,792)	(1,671,963)	(14,347,177)	(2,109,077)	(5,811,659)	(256,321)	(34,668,406)
Loss on disposal of assets	1,653,435	-	-	-	-	-	-	1,653,435
Fair value adjustments	1,418,752	-	-	-	-	-	-	1,418,752
Actuarial gains	-	-	(3,009,000)	-	-	-	-	(3,009,000)
Inventory loss	-	-	-	(250,767)	-	-	-	(250,767)
Impairment loss	-	(5,545,557)	-	-	-	-	-	(5,545,557)
<b>Total segment expenditure</b>	<b>(184,877,026)</b>	<b>(27,018,696)</b>	<b>(9,398,381)</b>	<b>(93,474,356)</b>	<b>(12,771,776)</b>	<b>(11,349,056)</b>	<b>(292,049)</b>	<b>(339,181,340)</b>
<b>Total segmental surplus/(deficit)</b>	<b>42,370,029</b>	<b>(26,670,898)</b>	<b>(9,341,758)</b>	<b>(71,940,353)</b>	<b>(86,995,861)</b>	<b>(8,349,056)</b>	<b>(292,049)</b>	<b>(86,995,861)</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

	Budget and Treasury Office	Community Services	Corporate Services	Technical Services	Mayor's Office	Municipal Manager	Project Management Unit	Total
<b>57. Segment information (continued)</b>								
<b>Assets</b>								
Inventories	1,856,609	-	-	-	-	-	-	1,856,609
Other receivables	1,788,509	-	-	-	-	-	-	1,788,509
Receivables	26,761,313	-	754,727	59,144,087	-	-	-	86,660,127
Cash and cash equivalents	343,335	-	-	-	-	-	-	343,335
Investment property	78,507,117	-	-	-	-	-	-	78,507,117
Property, plant and equipment	680,833,866	(17,583,052)	39,424	(132,852,546)	4,580,569	1,344,418	155,500,125	691,862,804
Intangible assets	1,006,977	-	-	-	-	(908,544)	-	98,433
Heritage assets	-	15,000	-	-	-	-	-	15,000
Other financial assets	251,068	-	-	-	-	-	-	251,068
VAT receivables	18,327,868	-	-	-	-	-	-	18,327,868
<b>Total segment assets</b>	<b>809,676,662</b>	<b>(17,568,052)</b>	<b>794,151</b>	<b>(73,708,459)</b>	<b>4,580,569</b>	<b>435,874</b>	<b>155,500,125</b>	<b>879,710,870</b>
<b>Total assets as per Statement of financial Position</b>								<b>879,710,870</b>
<b>Liabilities</b>								
Finance lease obligation	(330,105)	-	-	-	-	-	-	(330,105)
Payables from exchange transactions	(248,910,166)	-	-	-	-	-	-	(248,910,166)
Consumer deposits	(1,079,452)	-	-	-	-	-	-	(1,079,452)
Employee benefit obligations	(8,375,000)	-	-	-	-	-	-	(8,375,000)
Unspent grants	(31,364,704)	-	-	-	-	-	-	(31,364,704)
VAT payable	(14,242,863)	-	-	-	-	-	-	(14,242,863)
<b>Total segment liabilities</b>	<b>(304,302,290)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(304,302,290)</b>
<b>Total liabilities as per Statement of financial Position</b>								<b>(304,302,290)</b>



# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 57. Segment information (continued)

#### 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.

### 58. Accounting by principals and agents

#### Resources (assets and liabilities) of the municipality that are under the custodianship of the agent:

Fee paid as commission to the agent - prepaid electricity vending	(1,015,464)	(938,907)
Prepaid electricity sales	17,815,729	14,787,303
	<b>16,800,265</b>	<b>13,848,396</b>

#### Description of the arrangement

The municipality has a contractual arrangement with Syntel in terms of which they act as an agent of the municipality by vending of prepaid electricity to municipal customers.

#### Significant terms and conditions

The agent uses its infrastructure and systems to process the transactions on behalf of the municipality and to then pay over the monies collected to the municipality.

#### Purpose, significant risks and benefits of arrangement

The arrangement enables municipal customers to have convenient access to the agent's outlets and to also buy prepaid electricity.