Masilonyana Local Municipality
(Registration number FS181)
Annual Financial Statements
for the year ended 30 June 2024

# Index



**Abbreviations used:**

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

# Masilonyana Local Municipality
(Registration number FS181)
Annual Financial Statements for the year ended 30 June 2024

## General Information

| | |
|---|---|
| **Legal form of entity** | Municipality<br>Municipal demarcation code - FS181 |
| **Nature of business and principal activities** | Local municipal functions as set out in the Constitution of South Africa (Act No. 105 of 1996) |
| **Mayoral committee** | |
| Executive Mayor | Cllr. Dimakatso Elizabeth Modise |
| Councillors | Cllr. Mosunane Samuel Letsie<br>Cllr. Ben Phehlane<br>Cllr. Mokone Tumelo Moroane<br>Cllr. Brunhilde Gudrun Rossouw<br>Cllr. Phuthi Samson Tlahadi<br>Cllr. Nkone Stephen Makata<br>Cllr. Thabiso Collin Tladi<br>Cllr. Matshediso Zachariah Likoebe<br>Cllr. Ndabazabantu Herman Kototsa<br>Cllr. Mbulelo Goodwill Fosi<br>Cllr. Kama Mabesa<br>Cllr. Willem Potgieter<br>Cllr. Marieta Visser<br>Cllr. Brown. Sienah<br>Cllr Tshediso Molahloe<br>Cllr Ernest Putsoenyane<br>Cllr Koloi Mokalolise<br>Cllr Dieketseng Xhalabile |
| **Grading of local authority** | Grade 4 Local Municipality |
| **Chief Finance Officer (CFO)** | Amos Makoae |
| **Accounting Officer** | Mojalefa Matlole |
| **Registered office** | 47 Le Roux Street<br>Theunissen<br>Free State<br>South Affrica<br>9410 |
| **Postal address** | PO Box 8<br>Theunissen<br>9410 |
| **Bankers** | ABSA |
| **Auditors** | Auditor General South Africa |

# Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 06 December 2024 and were signed on its behalf by:

**Mojalefa Matlole**
**Municipal Manager**

# Audit Committee Report

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

### Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 30 June 2024 number of meetings were held.

| Name of member | Number of meetings attended |
|---|---|
| T Kareebos (Chairperson) | 1 |
| F Tshikhudo | 1 |
| N Panyani | 1 |
| T Tsotetsi | 1 |

### Audit committee responsibility

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

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

### The effectiveness of internal control

The system of internal control remains an area of great concern resulting in material misstatements, and non-compliance

in the Annual Financial Statements as reflected in both Internal Audit and Auditor General South Africa audit reports.

The quality of in year management quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

During the year under review, the audit committee expressed its concerns on the content and quality of quarterly reports

submitted and engaged with the Accounting Officer on expected improvements going forward. Further to that, the

committee has provided some changing interventions for the next financial year for effective internal controls and quality of

reports to be submitted in terms of the MFMA and the Division of Revenue Act.

The audit committee is not satisfied with the content and quality of monthly and quarterly reports prepared and issued by the accounting officer of the municipality during the year under review. (Provide details of what the audit committee was not satisfied with.)

### Evaluation of annual financial statements

The audit committee has:

- reviewed the Auditor-General of South Africa's management report and management s response thereto;
- reviewed the municipality's compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

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

### Internal audit

The audit committee is satisfied that the internal audit function is operating effectively in providing risk based audit as per the annual audit plan in relation to the Masilonyana Local Municipal financial management affairs..

### Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues. The audit committee is satisfied with quality of services and value added by the Auditor-General of South Africa..

# Audit Committee Report

______________________________________

**Chairperson of the Audit Committee**

**Date:** ______________________________

# Accounting Officer's Report

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

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 06 December 2024 and were signed on its behalf by:

Mojalefa Matlole
Municipal Manager

# Statement of Financial Position as at 30 June 2024

| Figures in Rand | Note(s) | 2024 | 2023 Restated* |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Inventories | 9 | (811 156) | (10 158 218) |
| Receivables from exchange transactions | 10 | 641 838 691 | 438 983 257 |
| Receivables from non-exchange transactions | 11 | 398 636 584 | 352 149 123 |
| VAT receivable | 12 | 148 567 130 | 139 013 511 |
| Cash and cash equivalents | 13 | 123 630 796 | - |
| | | **1 311 862 045** | **919 987673** |
| **Non-Current Assets** | | | |
| Investment property | 2 | 181 322 807 | 180 420 703 |
| Property, plant and equipment | 3 | 919 568 377 | 981 374 580 |
| Heritage assets | 5 | 75 430 | 75 430 |
| Investments | 4 | 85 806 | 85 806 |
| Receivables from non-exchange transactions | 11 | (30 959) | (30 959) |
| | | **1 101 021 461** | **1 161 925 560** |
| **Total Assets** | | **1 421 964 191** | **2 081 913 233** |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Payables from exchange transactions | 6 | 111 975 317 | 97 692 530 |
| VAT payable | 7 | 382 518 101 | 368 139 167 |
| Consumer deposits | 8 | 927 852 | 778 948 |
| Unspent conditional grants and receipts | 14 | 174 425 631 | 156 857 139 |
| Bank overdraft | 13 | - | 109 775 621 |
| | | **1 179 573 406** | **1 089 182 202** |
| **Non-Current Liabilities** | | | |
| Provisions | 15 | 69 285 236 | 66 465 073 |
| **Total Liabilities** | | **1 248 858 642** | **1 155 647 275** |
| **Net Assets** | | **1 504 438 113** | **1 244 452 496** |
| Accumulated surplus | | 424 833 744 | 155 068 631 |
| **Total Net Assets** | | **424 833 744** | **155 068 631** |

* See Note 37

## Statement of Financial Performance

| Figures in Rand | Note(s) | 2024 | 2023 Restated* |
| --- | --- | --- | --- |
| **Revenue** | | | |
| **Revenue from exchange transactions** | | | |
| Service charges | 17 | 110 757 383 | 37 604 000 |
| Rendering of services | | 274 046 | 203 285 |
| Rental of facilities and equipment | 18 | 705 007 | 487 006 |
| Interest received | | 87 786 517 | 170 031 |
| **Total revenue from exchange transactions** | | **199 522 953** | **38 464 322** |
| **Revenue from non-exchange transactions** | | | |
| **Taxation revenue** | | | |
| Property rates | 20 | 100 601 309 | 63 792 438 |
| **Transfer revenue** | | | |
| Government grants & subsidies | 21 | 236 434 627 | 42 541 000 |
| Fines, Penalties and Forfeits | 19 | 90 150 | 10 100 |
| **Total revenue from non-exchange transactions** | | **100 691 459** | **106 343 538** |
| **Total revenue** | 16 | **300 214 412** | **142 807 860** |
| **Expenditure** | | | |
| Employee related costs | 22 | (119 529 788) | (111 662 477) |
| Remuneration of councillors | 23 | (8 734 027) | (10 385 913) |
| Administration | 24 | (66 145) | (2 100) |
| Depreciation and amortisation | 25 | (33 077 108) | (32 973 718) |
| Finance costs | 27 | (9 039 129) | (3 240 974) |
| Bulk purchases | 29 | (63 881 652) | (31 093 671) |
| Contracted services | 30 | (32 298 059) | (23 386 045) |
| General Expenses | 28 | (21 219 007) | (13 666 630) |
| **Total expenditure** | | **(287 844 915)** | **(226 411 528)** |
| **Operating surplus** | 32 | **12 369 497** | **(83 603 668)** |
| Fair value adjustments | 33 | 902 104 | 2 666 316 |
| (Impairment loss) Reversal of impairments | 26 | (45 451 514) | 8 415 392 |
| | | **(32 179 913)** | **(72 521 960)** |
| **Surplus for the year** | | **240 011 253** | **46 723 667** |

* See Note 37

## Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus / deficit | Total net assets |
|---|---|---|
| **Balance at 01 July 2022** | **108 344 964** | **108 344 964** |
| Changes in net assets | | |
| Surplus for the year | 46 723 667 | 46 723 667 |
| Total changes | 46 723 667 | 46 723 667 |
| **Restated* Balance at 01 July 2023** | **184 822 491** | **184 822 491** |
| Changes in net assets | | |
| Surplus for the year | 240 011 253 | 240 011 253 |
| Total changes | 240 011 253 | 240 011 253 |
| **Balance at 30 June 2024** | **424 833 744** | **424 833 744** |

Note(s)

* See Note 37

## Cash Flow Statement

| Figures in Rand | Note(s) | 2024 | 2023 Restated* |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Taxation | | 54 203 998 | (287 879 241) |
| Sale of goods and services | | (100 672 616) | (539 702 476) |
| Grants | | 135 868 000 | 187 327 396 |
| Interest income | | 87 786 517 | 170 031 |
| | | 177 185 899 | (640 084 290) |
| **Payments** | | | |
| Employee costs | | (17 338 722) | (10 412 321) |
| Suppliers | | (35 114 167) | 397 224 469 |
| Finance costs | | (9 039 129) | (3 240 974) |
| | | (61 492 018) | 383 571 173 |
| **Net cash flows from operating activities** | 31 | **115 693 882** | **(256 513 116)** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 3 | (16 722 420) | (19 966 573) |
| Purchase of investment property | 2 | (902 104) | (2 666 316) |
| Movement in investments (incl. Controlled entities, JVs & Assoc) | | - | (85 806) |
| **Net cash flows from investing activities** | | **(17 624 524)** | **(22 718 695)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **98 069 358** | **(279 231 811)** |
| Cash and cash equivalents at the beginning of the year | | 257 833 722 | - |
| **Cash and cash equivalents at the end of the year** | 13 | **355 903 080** | **(279 231 811)** |

# Significant Accounting Policies

## 1. Significant accounting policies

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

### 1.1 Basis of preparation

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

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

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

These accounting policies are consistent with the previous period.

### 1.2 Presentation currency

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

### 1.3 Going concern assumption

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

### 1.4 Significant judgements and sources of estimation uncertainty

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

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

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

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

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

**Impairment asset**

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

# Significant Accounting Policies

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

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

**Useful lives of waste and water network and other assets**

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

### 1.5 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.

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

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

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

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

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

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

### 1.6 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.

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

## Significant Accounting Policies

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

Any decrease in an asset s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

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

| Asset Class | Useful life | Depreciation method |
|---|---|---|
| BUILDINGS | 30 Years | Straight Line |
| COMMUNITY ASSETS | 25 - 50 Years | Straight Line |
| ELECTRICITY | 20 - 50 Years | Straight Line |
| COMPUTER EQUIPMENT | 5 Years | Straight Line |
| FURNITURE & OFFICE EQUIPMENT | 5 - 7 Years | Straight Line |
| MACHINERY & EQUIPMENT | 4 - 15 Years | Straight Line |
| TRANSPORT | 7 - 10 Years | Straight Line |
| ROADS & STORM WATER | 15 - 80 Years | Straight Line |
| SOLID WASTE DISPOSAL | 15 - 60 Years | Straight Line |
| WASTE WATER | 15 - 60 Years | Straight Line |
| WATER | 10 - 50 Years | Straight Line |

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

## Significant Accounting Policies

reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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

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

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

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

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

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

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

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

### 1.7 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  formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

### 1.8 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.

# Significant Accounting Policies

### 1.8 Provisions and contingencies (continued)

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

has a detailed formal plan for the restructuring, identifying at least:
- the activity/operating unit or part of an activity/operating unit concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for services being terminated;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

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

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

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

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

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

# Significant Accounting Policies

### 1.8 Provisions and contingencies (continued)

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

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

### 1.9 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.

#### Interest, royalties and dividends

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

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

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

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

# Significant Accounting Policies

### 1.10 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.

### 1.11 Borrowing costs

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

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

# Significant Accounting Policies

### 1.11 Borrowing costs (continued)

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits or service potential to the municipality, and the costs can be measured reliably. The municipality applies this consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the municipality. The amount of borrowing costs eligible for capitalisation is determined as follows:

To the extent that the municipality borrows funds specifically for the purpose of obtaining a qualifying asset, the entity determines the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on that borrowing during the period, less any investment income on the temporary investment of those borrowings.

To the extent that an municipality borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity determines the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to all borrowings of the municipality that are outstanding during the period. However, the municipality excludes from this calculation borrowing costs applicable to borrowings made specifically for the purpose of obtaining a qualifying asset until substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

The amount of borrowing costs that the municipality capitalises during a period does not exceed the amount of borrowing costs it incurred during that period.

The capitalisation of borrowing costs commences when all the following conditions have been met:

expenditures for the asset have been incurred;
borrowing costs have been incurred; and
activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets and Inventories as per accounting policy number1.7. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is suspended.

Extended periods are periods that exceed X months.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the municipality ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.12 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is defined in section 1 of the MFMA as follows: "fruitless and wasteful expenditure" means

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

According to section 125(2)(d) of the MFMA, the municipality is required to disclose all Fruitless and wasteful expenditure identified. This entails disclosure in the notes to the financial statements once identified. Once fruitless and wasteful expenditure is identified, processes of Recovery/Write-off by Council in terms of section 32(2)(b) of the MFMA must occur.

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.

Fruitless and wasteful expenditure reported to council is referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to council. Where MPAC after investigation, recommends to council to certify the fruitless and wasteful expenditure as irrecoverable and write - off, the fruitless and wasteful expenditure is disclosed in the notes to the financial statements as certified and written - off by council as irrecoverable. Where MPAC determines after investigation, that the fruitless and wasteful expenditure must be recovered from the relevant official, the fruitless and wasteful expenditure is recognised as an asset (debtor) in the statement of financial position and also disclosed in the fruitless and wasteful expenditure note as fruitless and wasteful expenditure incurred in the current financial year.

The accounting officer of the municipality promptly informs the mayor, the MEC for local government in the province and the Auditor - General, in writing, of:
(a) Any irregular expenditure incurred by the municipality;
(b) Whether any person is responsible or under investigation for such fruitless and wasteful expenditure; and
(c) The steps that have been taken-
(i) To recover or rectify such expenditure; and
(ii) To prevent a recurrence of such expenditure

### 1.13 Irregular expenditure

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

According to section 125(2)(d) of the MFMA, the municipality is required to disclose all irregular expenditure identified. This entails disclosure in the notes to the financial statements once identified. Once irregular expenditure is identified, processes of Recovery/Write-off by Council in terms of section 32(2)(b) of the MFMA must occur.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Every expenditure item is reviewed before payment is made to identify any instances of non-compliance with the relevant Acts and supply chain management policy of the municipality. Where an expenditure item is identified as irregular expenditure, it is recorded in the irregular expenditure register and reported to the accounting officer, mayor and council in terms of MFMA section 32.

# Notes to the Annual Financial Statements

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

## 2. Investment property

| | 2024 | | | 2023 | | |
| --- | --- | --- | --- | --- | --- | --- |
| | Fair Value | | Fair Value | Fair Value | | Fair Value |
| Investment property | 181 322 807 | - | 181 322 807 | 180 420 703 | - | 180 420 703 |

**Reconciliation of investment property - 2024**

| | Opening balance | Fair value adjustments | Total |
| --- | --- | --- | --- |
| Investment property | 180 420 703 | 902 104 | 181 322 807 |

**Reconciliation of investment property - 2023**

| | Opening balance | Fair value adjustments | Total |
| --- | --- | --- | --- |
| Investment property | 177 754 387 | 2 666 316 | 180 420 703 |

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

**Details of valuation**

The effective date of the revaluations was 2024/06/30. Revaluations were performed by Municipex (Pty) Ltd. Mr. P.H. Venter was the valuer at West Rand Consulting (Pty) Ltd performing the valuations. Mr. P.H. Venter is a registered Professional Associated Valuer with the SA Council for Valuers Profession (registration number 7428), a member of the SA Institute of Valuers and has the appropriate experience in performing valuation of investment properties.

The valuation for the land portion was based on adapted comparable sales and for the improvements there-on on replacement costs.

Prior year revaluation was performed from 2021 to 2023. These assumptions are based on current market conditions

Refer to note 43 for prior period corrections made to investment property

# Notes to the Annual Financial Statements

## 3. Property, plant and equipment

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying |
| Land | 87 368 284 | - | 87 368 284 | 87 368 284 | - | 87 36 |
| Buildings | 68 204 780 | (33 263 669) | 34 941 111 | 68 204 780 | (31 105 610) | 37 09 |
| Plant and machinery | 3 135 020 | (2 741 275) | 393 745 | 3 085 340 | (2 511 049) | 57 |
| Furniture and fixtures | 5 676 720 | (5 140 692) | 536 028 | 5 676 720 | (4 695 440) | 98 |
| Motor vehicles | 29 693 539 | (26 489 489) | 3 204 050 | 29 693 539 | (25 625 904) | 4 06 |
| IT equipment | 6 646 588 | (5 668 154) | 978 434 | 6 387 437 | (5 149 433) | 1 23 |
| Community | 140 947 013 | (77 840 621) | 63 106 392 | 137 740 641 | (69 268 319) | 68 47 |
| Electricity network | 167 533 744 | (56 288 770) | 111 244 974 | 166 129 897 | (50 314 136) | 115 81 |
| Solid waste disposal | 8 132 603 | (1 998 036) | 6 134 567 | 8 132 603 | (1 715 553) | 6 41 |
| Roads network | 315 521 633 | (99 349 465) | 216 172 168 | 315 521 633 | (93 167 784) | 222 35 |
| Landfill site asset | 25 968 822 | (17 735 694) | 8 233 128 | 26 773 091 | (16 131 365) | 10 64 |
| Wastewater network | 209 583 438 | (84 257 572) | 125 325 866 | 209 385 248 | (62 913 988) | 146 47 |
| Water network | 311 315 789 | (119 700 224) | 191 615 565 | 307 464 751 | (89 346 458) | 218 11 |
| Work in Progress | 70 314 065 | - | 70 314 065 | 61 755 655 | - | 61 75 |
| **Total** | **1 450 042 038** | **(530 473 661)** | **919 568 377** | **1 433 319 619** | **(451 945 039)** | **981 37** |

Figures in Rand

# Notes to the Annual Financial Statements

Figures in Rand

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

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

| | Opening balance | Additions | Transfers | Other changes, movements | Depreciation | Impairment loss | Impairment reversal | Tota |
|---|---|---|---|---|---|---|---|---|
| Land | 87 368 284 | - | - | - | - | - | - | 87 36 |
| Buildings | 37 099 170 | - | - | - | (2 158 059) | - | - | 34 94 |
| Plant and machinery | 574 291 | 49 680 | - | - | (214 947) | (27 399) | 12 120 | 39 |
| Furniture and fixtures | 981 280 | - | - | - | (452 794) | (1 397) | 8 939 | 53 |
| Motor vehicles | 4 067 635 | - | - | - | (1 261 125) | (57 908) | 455 448 | 3 20 |
| IT equipment | 1 238 004 | 259 151 | - | - | (477 203) | (55 709) | 14 191 | 97 |
| Community | 68 472 322 | - | 3 206 372 | - | (4 297 013) | (4 289 580) | 14 291 | 63 10 |
| Electricity network | 115 815 761 | 510 748 | 893 099 | - | (4 002 326) | (2 760 829) | 788 521 | 111 24 |
| Solid waste disposal | 6 417 050 | - | - | - | (282 483) | - | - | 6 13 |
| Roads network | 222 353 849 | - | - | - | (6 314 353) | (463 865) | 596 537 | 216 17 |
| Landfill site asset | 10 641 726 | - | - | (804 269) | (1 604 329) | - | - | 8 23 |
| Wastewater network | 146 471 260 | - | 198 190 | - | (4 404 507) | (17 225 524) | 286 447 | 125 32 |
| Water network | 218 118 293 | 3 751 185 | 99 853 | - | (7 607 969) | (24 102 554) | 1 356 757 | 191 61 |
| Work in Progress | 61 755 655 | 12 955 924 | (4 397 514) | - | - | - | - | 70 31 |
| | **981 374 580** | **17 526 688** | **-** | **(804 269)** | **(33 077 108)** | **(48 984 765)** | **3 533 251** | **919 56** |

# Notes to the Annual Financial Statements

Figures in Rand

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

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

| | Opening balance | Additions | Transfers | Other changes, movements | Depreciation | Impairment loss | Impairment reversal | Tota |
|---|---|---|---|---|---|---|---|---|
| Land | 87 368 284 | - | - | - | - | - | - | 87 36 |
| Buildings | 39 251 333 | - | - | - | (2 152 163) | - | - | 37 09 |
| Plant and machinery | 790 306 | - | - | - | (261 275) | - | 45 260 | 57 |
| Furniture and fixtures | 1 390 894 | - | - | - | (478 893) | - | 69 279 | 98 |
| Motor vehicles | 4 931 614 | - | - | - | (1 533 912) | - | 669 933 | 4 06 |
| IT equipment | 1 617 588 | - | - | - | (527 314) | (2 048) | 149 778 | 1 23 |
| Community | 69 922 332 | - | 2 672 205 | - | (4 153 774) | - | 31 559 | 68 47 |
| Electricity network | 116 305 809 | 2 389 934 | 4 941 | - | (3 932 859) | - | 1 047 936 | 115 81 |
| Solid waste disposal | 6 698 760 | - | - | - | (281 710) | - | - | 6 41 |
| Roads network | 227 545 551 | - | 15 024 | - | (6 310 368) | - | 1 103 642 | 222 35 |
| Landfill site asset | 11 758 079 | - | - | 415 003 | (1 531 356) | - | - | 10 64 |
| Wastewater network | 149 647 838 | - | 5 342 | - | (4 400 372) | - | 1 218 452 | 146 47 |
| Water network | 218 006 643 | 3 439 770 | - | - | (7 409 722) | - | 4 081 602 | 218 11 |
| Work in Progress | 50 731 300 | 13 721 867 | (2 697 512) | - | - | - | - | 61 75 |
| | **985 966 331** | **19 551 571** | **-** | **415 003** | **(32 973 718)** | **(2 048)** | **8 417 441** | **981 37** |

### Pledged as security

No property, plant and equipment have been pledged as security.

# Notes to the Annual Financial Statements

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

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

**Property, plant and equipment in the process of being constructed or developed**

| Cumulative expenditure recognised in the carrying value of property, plant and equipment | | |
|---|---|---|
| Buildings | 17 556 937 | 18 193 254 |
| Other property, plant and equipment | 5 938 529 | 4 518 945 |
| Roads and Storm Water | 1 664 134 | 1 664 134 |
| Electrical Network | 690 608 | 690 608 |
| Wastewater network | 16 108 526 | 9 186 228 |
| Water network | 28 355 332 | 27 502 486 |
| | **70 314 066** | **61 755 655** |

**Reconciliation of Work-in-Progress 2024**

| | Included within Infrastructure | Total |
|---|---|---|
| Opening balance | 61 755 655 | 61 755 655 |
| Additions/capital expenditure | 12 955 924 | 12 955 924 |
| Transferred to completed items | (4 397 514) | (4 397 514) |
| | **70 314 065** | **70 314 065** |

**Reconciliation of Work-in-Progress 2023**

| | Included within Infrastructure | Total |
|---|---|---|
| Opening balance | 50 731 300 | 50 731 300 |
| Additions/capital expenditure | 13 721 867 | 13 721 867 |
| Transferred to completed items | (2 697 512) | (2 697 512) |
| | **61 755 655** | **61 755 655** |

**Expenditure incurred to repair and maintain property, plant and equipment**

| Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance | | |
|---|---|---|
| Contracted services | 6 970 585 | 6 150 098 |

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

## 4. Interests in other entities

Interests in controlled entities

Consequences of changes in the controlling entity s ownership interest in a controlled entity that resulted in a loss of control

# Notes to the Annual Financial Statements

Figures in Rand

## 5. Heritage assets

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying |
| Art Collections, antiquities and exhibits | 75 430 | - | 75 430 | 75 430 | - | 7 |

**Reconciliation of heritage assets 2024**

| | Opening balance | Tota |
|---|---|---|
| Art Collections, antiquities and exhibits | 75 430 | 7 |

**Reconciliation of heritage assets 2023**

| | Opening balance | Tota |
|---|---|---|
| Art Collections, antiquities and exhibits | 75 430 | 7 |

**Pledged as security**

Heritage assets has not been pledged as security.

## 6. Payables from exchange transactions

| | | |
|---|---|---|
| Trade payables | 111 975 317 | 97 692 530 |

# Notes to the Annual Financial Statements

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

## 7. VAT payable

| | | |
|---|---|---|
| VAT Control | 10 459 724 | 10 459 724 |
| VAT Output Accrual [on Receivables] | 372 058 377 | 357 679 443 |
| | **382 518 101** | **368 139 167** |

## 8. Consumer deposits

| | | |
|---|---|---|
| Rates | 927 852 | 778 948 |

## 9. Inventories

| | | |
|---|---|---|
| Inventory | (811 156 ) | (10 158 218) |

**Water for distribution**

## 10. Receivables from exchange transactions

| | | |
|---|---|---|
| Trade debtors | 1 237 559 870 | 1 034 730 062 |
| Deposits | 5 190 | 5 190 |
| Other receivables 1 | (595 726 369) | (595 751 995) |
| | **641 838 691** | **438 983 257** |

## 11. Receivables from non-exchange transactions

| | | |
|---|---|---|
| Fines | (30 959) | (30 959) |
| Government grants and subsidies | 50 000 | 50 000 |
| Levies | 420 214 574 | 376 809 001 |
| Other taxes | 21 698 647 | 18 616 759 |
| Other receivables from non-exchange revenue 1 | (43 326 637) | (43 326 637) |
| | **398 605 625** | **352 118 164** |

| | | |
|---|---|---|
| Non-current assets | (30 959) | (30 959) |
| Current assets | 398 636 584 | 352 149 123 |
| | **398 605 625** | **352 118 164** |

## 12. VAT receivable

| | | |
|---|---|---|
| VAT Control | 148 567 130 | 139 013 511 |

## 13. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---|---|---|
| Short-term deposits | 413 413 062 | 258 208 493 |
| Bank overdraft | (484 503 650) | (448 244 908) |
| | **(71 090 588)** | **(190 036 415)** |

| | | |
|---|---|---|
| Current assets | 463 669 274 | 308 464 705 |
| Current liabilities | (534 759 862) | (498 501 120) |
| | **(71 090 588)** | **(190 036 415)** |

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

### 14. Unspent conditional grants and receipts

**Unspent conditional grants and receipts comprises of:**

| | | |
|---|---|---|
| **Unspent conditional grants and receipts** | | |
| INEP Grant | 893 000 | 893 000 |
| MIG | 74 736 203 | 62 443 616 |
| RBIG | 7 600 068 | 7 600 068 |
| USDG | 56 368 558 | 46 806 308 |
| WSIG | 902 545 | 902 545 |
| EPWP | 2 132 055 | 1 315 055 |
| ISDG | 98 797 | 98 797 |
| LGFM | 6 661 048 | 4 011 048 |
| | **149 392 274** | **124 070 437** |

**Movement during the year**

| | | |
|---|---|---|
| Balance at the beginning of the year | 124 070 437 | 124 070 437 |
| Additions during the year | 51 444 000 | - |
| Income recognition during the year | (26 122 163) | - |
| | **149 392 274** | **124 070 437** |

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

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

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

These amounts are invested in a ring-fenced investment until utilised.

### 15. Provisions

**Reconciliation of provisions - 2024**

| | Opening Balance | Change in provision | Finance Cost | Total |
|---|---|---|---|---|
| Environmental rehabilitation | 49 405 090 | (804 268) | 3 624 431 | 52 225 253 |
| Provision 1 | 12 982 983 | - | - | 12 982 983 |
| Employee benefit cost | 4 077 000 | - | - | 4 077 000 |
| | **66 465 073** | **(804 268)** | **3 624 431** | **69 285 236** |

**Reconciliation of provisions - 2023**

| | Opening Balance | Change in provision | Finance Cost | Total |
|---|---|---|---|---|
| Environmental rehabilitation | 45 749 113 | 415 003 | 3 240 974 | 49 405 090 |
| Provision 1 | - | - | - | 12 982 983 |
| Employee benefit cost | - | - | - | 4 077 000 |
| | **45 749 113** | **415 003** | **3 240 974** | **66 465 073** |

**Environmental rehabilitation provision**

Masilonyana Local Municipality consists of four (4) towns (Winburg, Theunissen, Brandfort and Verkeerdevlei). Winburg, Theunissen, Brandfort and Verkeerdevlei are located in an area of agricultural significance and Parys is the central business district of Ngwathe Municipality.

Landfill operations continue until all the available permitted airspace has been filled. Once this happens, the site close and capped with a layer of impermeable clay and a layer of the top soil. Grass and other suitable vegetation types are planted to stabilize the soil and improve the appearance. Environmental monitoring continues for a period of up to 30 years after the closure of the site. No appointment for the closure of the sites has been made, and therefore only rough estimates have been compiled without site visits with no detailed inspections or investigations. Basic information on the size and classification of each site was supplied.

**Key assumptions used:**

Accounting Standard GRAP19 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term/life of the landfill site.

The discount rate was deduced from the average of the Zero-Coupon Yield Curve (Nominal Bond) over the entire durations applicable in the future. The annualised long term discount rate at 30 June 2024 was 12.40% p.a. The consumer price inflation of 5.10% p.a. was obtained from the differential between the averages of the Nominal Bond Yield Curve and the Real Bond Yield Curve (Zero Yield Curves).

The Zero-Coupon Yield Curves were obtained from the Bond Exchange of South Africa after the market closed on 30 June 2024.

Discount rate (D) 12.40%

Consumer price inflation (C) 5.10%

Net discount rate 6.94%

**15. Provisions (continued)**
**Site life calculation:**

**Winburg Landfill Site:**

Winburg is a small town in the Free State province of South Africa, located approximately 112 kilometres northeast of Bloemfontein, the capital of the Free State. With an estimated population of 17 138 (adjusted from the 2011 census at a growth rate of 1.38% annually).

The site is accessed by a gravel road and its coordinates are -28.519076407036387, 26.99800540673919. The estimated total footprint of the site is approximately 43 600 $m^2$ and the fully utilized area is approximately 13 000 $m^2$. A total of 12 800 $m^2$ (calculated from drone survey) is partially utilized leaving room for further utilization. The total cubes of fill within the partially utilized area is 6982.58 $m^3$.

The remaining life is hence calculated at 11 years, up to 2035 based on the annual population growth and available air space .

**Theunissen Landfill Site:**

Theunissen is a town in the Free State province of South Africa, located approximately 95 kilometres northeast of Bloemfontein, the provincial capital. With an estimated population of 27 427, Theunissen's economy is primarily based on agriculture. The town also functions as a service centre for the surrounding farming communities, contributing significantly to the region's agricultural activities. Its rural setting and agricultural importance make it a vital part of the Free State's farming industry.

The site is accessed by a gravel road and its coordinates are -28.398683549024295, 26.693484866298576. The estimated total footprint of the item is approximately 49 100 $m^2$ and the fully utilized area is approximately 35 100 $m^2$. A total of 4 800 $m^2$ (calculated from drone survey) is partially utilized leaving room for further utilization. The total cubes of fill within the partially utilized area is 595.89 $m^3$.

The remaining life is calculated at 4 years, up to 2028 based on the annual population growth and available air space.

**Brandfort Landfill Site:**

Brandfort is a town in the Free State province of South Africa, situated approximately 65 kilometres northeast of Bloemfontein. With an estimated population of 15 078, (adjusted from the 2011 census at a growth rate of 1.38% annually). Brandfort is a significant rural community with a strong agricultural base. The town is known for its livestock farming and crop production, and it serves as a local centre for surrounding farming areas.

The site is accessed by a gravel road linked to an asphalt main road and its coordinates are -28.676552732896223, 26.466400348740116. The estimated total footprint of the item is approximately 41 500 $m^2$ and the fully utilized area is approximately 32 800 $m^2$. The partially utilized area is 5 200 m with the cubes filled in this area amounting to 2837.51 m .

The remaining life is calculated at 4 years, up to 2028 based on the annual population growth and available air space.

**Verkeerdevlei Landfill Site:**

Verkeerdevlei is a small settlement located in the Free State province of South Africa, situated approximately 80 kilometres northeast of Bloemfontein. With an estimated population of 2 490, (adjusted from the 2011 census at a growth rate of 1.38% annually.) Verkeerdevlei is primarily an agricultural community. It relies on livestock farming and crop production for its economic activities.

The site is accessed by a gravel road and its coordinates are -28.836778001154602, 26.76669999972156. The estimated total footprint the item is approximately 12 00 $m^2$ and the fully utilized area is approximately 4 100 $m^2$. A total of 6 371.04 $m^2$ (calculated from drone survey) is partially utilized leaving room for further utilization. The total cubes of fill within the partially utilized area is 3083.91 $m^3$.

The remaining life is calculated at 17 years, up to 2041 based on the annual population growth and available air space.

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

### 16. Revenue

| | | |
|---|---|---|
| Rendering of services | 274 046 | 203 285 |
| Service charges | 110 757 383 | 37 604 000 |
| Rental of facilities and equipment | 705 007 | 487 006 |
| Interest received (trading) | 87 786 517 | 170 031 |
| Property rates | 100 601 309 | 63 792 438 |
| Government grants & subsidies | 107 726 000 | 42 541 000 |
| Fines, Penalties and Forfeits | 90 150 | 10 100 |
| | **407 940 412** | **144 807 860** |

| | | |
|---|---|---|
| **The amount included in revenue arising from exchanges of goods or services are as follows:** | | |
| Service charges | 110 757 383 | 37 604 000 |
| Rendering of services | 274 046 | 203 285 |
| Rental of facilities and equipment | 705 007 | 487 006 |
| Interest received (trading) | 87 786 517 | 170 031 |
| | **199 522 953** | **38 464 322** |

| | | |
|---|---|---|
| **The amount included in revenue arising from non-exchange transactions is as follows:** | | |
| **Taxation revenue** | | |
| Property rates | 100 601 309 | 63 792 438 |
| **Transfer revenue** | | |
| Government grants & subsidies | 107 726 000 | 42 541 000 |
| Fines, Penalties and Forfeits | 90 150 | 10 100 |
| | **208 417 459** | **106 343 538** |

### 17. Service charges

| | | |
|---|---|---|
| Service charges | 315 302 439 | 5 183 705 |
| Sale of electricity | - | 3 931 793 |
| Sale of water | (244 898 608) | 45 649 147 |
| Solid waste | 13 707 277 | 14 737 309 |
| Sewerage and sanitation charges | 32 572 964 | 31 541 172 |
| Refuse removal | (5 926 689) | (63 439 126) |
| | **110 757 383** | **37 604 000** |

### 18. Rental of facilities and equipment

Included in the above rentals are operating lease rentals at straight-lined amounts of - (2023: -) as well as contingent rentals of - (2023: -).

### 19. Fines, Penalties and Forfeits

| | | |
|---|---|---|
| Law Enforcement Fines | 90 150 | 10 100 |

### 20. Property rates

**Rates received**

| | | |
|---|---|---|
| Property rates | 100 601 309 | 63 792 438 |

# Notes to the Annual Financial Statements

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

## 21. Government grants & subsidies

| | | |
|---|---|---|
| **Operating grants** | | |
| Equitable share | 139 510 000 | 42 541 000 |

**MDRG**

| | | |
|---|---|---|
| Balance unspent at beginning of year | - | - |
| Current-year receipts | 4 730 739 | - |
| | **4 730 739** | **-** |

Conditions still to be met - remain liabilities (see note 14).

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

**MIG**

| | | |
|---|---|---|
| Balance unspent at beginning of year | - | - |
| Conditions met - transferred to revenue | 19 802 363 | - |
| Other | - | - |
| | **19 802 363** | **-** |

Conditions still to be met - remain liabilities (see note 14).

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

**EPWP**

| | | |
|---|---|---|
| Balance unspent at beginning of year | - | - |
| Current-year receipts | 2 955 006 | - |
| | **2 955 006** | **-** |

Conditions still to be met - remain liabilities (see note 14).

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

**WSIG**

| | | |
|---|---|---|
| Balance unspent at beginning of year | - | - |
| Current-year receipts | 8 491 084 | - |
| | **8 491 084** | **-** |

Conditions still to be met - remain liabilities (see note 14).

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

## Notes to the Annual Financial Statements

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

### 21. Government grants & subsidies (continued)

**FMG**

| | | |
|---|---|---|
| Balance unspent at beginning of year | - | - |
| Current-year receipts | 3 578 434 | - |
| Other | - | - |
| | **3 578 434** | **-** |

### 22. Employee related costs

| | | |
|---|---|---|
| Basic, medical aid, pension fund & other | 119 529 788 | 111 662 477 |
| | **119 529 788** | **111 662 477** |

### 23. Remuneration of councillors

### 24. Administrative expenditure

| | | |
|---|---|---|
| Administration and management fees - third party | 66 145 | 2 100 |

### 25. Depreciation and amortisation

| | | |
|---|---|---|
| Property, plant and equipment | 33 077 108 | 32 973 718 |

# Notes to the Annual Financial Statements

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

## 26. Impairment loss

| | 2024 | 2023 |
|---|---|---|
| **Impairments** | | |
| Property, plant and equipment | 48 984 767 | 2 049 |
| GRAP 21 - Impairment of Non-Cash-Generating Assets: | | |

Paragraph .20: GRAP 21 requires entities to assess at each reporting date whether there is any indication that an asset may be impaired or if an impairment loss previously recognized may no longer exist or may have decreased.

Paragraph .64: When there is an indication that an impairment loss recognized in prior periods may no longer exist or may have decreased, the municipality is required to estimate the recoverable service amount of that asset. If the new estimate of the recoverable service amount is higher than the carrying amount, an impairment reversal should be recognized.

For infrastructure assets, according to GRAP 26.23, an entity should evaluate if there is any indication of asset impairment, at a minimum, by considering factors like:

(g) Evidence from internal reporting that suggests an asset s economic performance is,
or is likely to be, below expectations. Due to significant budget constraints, the municipality has been unable to fulfil the maintenance plan required for infrastructure assets. This limitation has resulted in a reduced "value in use" for these assets, falling below their economic value. Consequently, these assets were re-evaluated and impaired, with condition grades lowered based on their current physical assessments.

| | 2024 | 2023 |
|---|---|---|
| **Reversal of impairments** | | |
| Property, plant and equipment | (3 533 253) | (8 417 441) |

The reversal of impairment is not due to an improvement in the asset s condition but rather due to the diminishing gap between the expected depreciation curve and the actual observed condition. GRAP 21 allows for such reversals when new calculations show that the recoverable service amount is higher than the previously impaired carrying amount.

This approach ensures that the financial statements accurately reflect the asset s current service potential and value in use, as required by GRAP.

| | 2024 | 2023 |
|---|---|---|
| **Total impairment losses (recognised) reversed** | **45 451 514** | **(8 415 392)** |

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

The main classes of assets affected by impairment losses are:

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

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

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

## 27. Finance costs

| | 2024 | 2023 |
|---|---|---|
| Trade and other payables | 5 414 697 | - |
| Landfill site provision | 3 624 432 | 3 240 974 |
| | **9 039 129** | **3 240 974** |

Capitalisation rates used during the period were -% on specific borrowings for capital projects and -% being the weighted average cost of funds borrowed generally by the municipality.

## Notes to the Annual Financial Statements

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

### 27. Finance costs (continued)

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to - (2023: -).

### 28. General expenses

| | | |
|---|---|---|
| Consumables | 3 612 114 | 5 865 272 |
| IT expenses | 1 434 306 | 588 302 |
| Fuel and oil | 1 338 005 | 1 261 136 |
| Printing and stationery | 451 316 | 123 084 |
| Software expenses | 181 450 | - |
| Staff welfare | - | 4 000 |
| Subscriptions and membership fees | 10 243 | - |
| Travel - local | 183 753 | (346 490) |
| Uniforms | 2 000 | - |
| Expense 1 | 5 624 622 | 3 055 277 |
| Expense 2 | 151 173 | 129 872 |
| Expense 3 | 240 | - |
| Expense 6 | 2 223 001 | - |
| Expense 8 | 6 006 784 | 2 986 177 |
| | **21 219 007** | **13 666 630** |

### 29. Bulk purchases

| | | |
|---|---|---|
| Electricity - Eskom | 63 881 652 | 31 093 671 |
| Water | - | - |
| | **63 881 652** | **31 093 671** |

**Water losses**

### 30. Contracted services

| | | |
|---|---|---|
| **Presented previously** | | |
| Other Contractors | 5 785 488 | 2 530 374 |
| | | |
| **Outsourced Services** | | |
| Burial Services | 16 000 | 2 000 |
| Catering Services | 16 187 | 68 017 |
| Professional Staff | - | 698 340 |
| Drivers Licence Cards | 842 | 220 146 |
| | | |
| **Consultants and Professional Services** | | |
| Legal Cost | 2 783 171 | 8 107 512 |
| | | |
| **Contractors** | | |
| Event Promoters | 736 | - |
| Maintenance of Buildings and Facilities | 78 711 | 380 560 |
| Maintenance of Unspecified Assets | 6 891 874 | 5 769 538 |
| Plants, Flowers and Other Decorations | 500 | - |
| | **15 573 509** | **17 776 487** |

# Notes to the Annual Financial Statements

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

## 31. Cash generated from (used in) operations

| | | |
|---|---|---|
| Surplus | 240 011 253 | 46 723 667 |
| **Adjustments for:** | | |
| Depreciation and amortisation | 33 077 108 | 32 973 718 |
| Fair value adjustments | (902 104) | (2 666 316) |
| Impairment loss (reversal) | 45 451 514 | (8 415 392) |
| Movements in provisions | 2 820 163 | 20 715 960 |
| **Changes in working capital:** | | |
| Inventories | - | 436 385 |
| Receivables from exchange transactions | (202 855 434) | (438 983 257) |
| Other receivables from non-exchange transactions | (46 487 461) | (352 118 164) |
| Payables from exchange transactions | 14 282 787 | 90 845 242 |
| VAT | 4 825 315 | 229 125 656 |
| Unspent conditional grants and receipts | 25 321 837 | 124 070 437 |
| Consumer deposits | 148 904 | 778 948 |
| | **115 693 882** | **(256 513 116)** |

## 32. Operating surplus

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

| | | |
|---|---|---|
| Impairment on property, plant and equipment | 48 984 767 | 2 049 |
| Reversal of impairment on property, plant and equipment | 3 533 253 | 8 417 441 |
| Depreciation on property, plant and equipment | 33 077 108 | 32 973 718 |
| Employee costs | 17 338 722 | 10 412 321 |

## 33. Fair value adjustments

| | | |
|---|---|---|
| Investment property (Fair value model) | 902 104 | 2 666 316 |

## 34. Commitments

**Authorised capital expenditure**

| | | |
|---|---|---|
| **Already contracted for but not provided for** | | |
| Property, plant and equipment | 117 878 697 | 123 883 099 |

| | | |
|---|---|---|
| **Total capital commitments** | | |
| Already contracted for but not provided for | 117 878 697 | 123 883 099 |

**Authorised operational expenditure**

| | | |
|---|---|---|
| **Already contracted for but not provided for** | | |
| Expenditure | 839 391 | - |

| | | |
|---|---|---|
| **Total operational commitments** | | |
| Already contracted for but not provided for | 839 391 | - |

**Total commitments**

| | | |
|---|---|---|
| **Total commitments** | | |
| Authorised capital expenditure | 117 878 697 | 123 883 099 |
| Authorised operational expenditure | 839 391 | - |
| | **118 718 088** | **123 883 099** |

# Notes to the Annual Financial Statements

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

**Investment properties**

The municipality has entered into a maintenance contract for the investment properties. Commitments regarding the maintenance are as follows.

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

## 35. Contingencies

| Case summary | 2024 | 2023 |
|---|---|---|
| Litigation against the municipality for the non-payment of services rendered: | | |
| - Land audit: Bokamoso Painting Firm vs MLM | | 3 849 600 |
| - HT Pelatona Projects (PTY) Limited vs MLM | | 3 754 786 |
| - Tsakani Maluleka Auditor-General South Africa vs MLM | | 4 638 742 |
| - Brits and Weideman/Kruger Venter Attorney vs MLM | 2 535 934 | 3 392 466 |
| - Pokomane Trading vs MLM | 87 234 | 87 234 |
| - Kutlwane Phenyo Trading vs MLM | 56 220 | |
| - Makhuva Protection Services (PTY) LTD vs MLM | 4 089 418 | |
| - Star Traders vs MLM | 118 425 | |
| - Star Traders vs MLM | 405 400 | |
| - WW Civil and Construction vs MLM | 5 375 975 | |
| - Maximum Profit Recovery vs MLM | 2 662 141 | |
| - Notha Azania Investment (PTY) LTD vs MLM (Appointed as Head of Supply Chain Management Unit to oversee the function of the Supply Chain Management Unit) | 990 000 | |
| Litigation against the municipality for failure to make contributions to the fund (SALA Pension fund vs MLM) | | 75 361 405 |
| Litigation against the municipality for a fire or fires originated on the farm Smaldeel at or near the Municipal Dumpsite. (Bennita Christina Earle & 6 others vs MLM) | 579 783 | 579 783 |
| Litigation against the municipality for a collision that occurred between the Plaintiffs and cattle that was kept in an area identified as Erf 368 Winburg where both applicants suffered damages (Cornelize Davidtz and Pieter Davidtz vs MLM) | 17 038 321 | |
| The Plaintiff was appointed as the Acting Director Corporate Services and is suing the Municipality for the acting allowance during the period 1st December 2020 to 28th February 2021, (Rapopi Melato vs MLM) | | - |
| Litigation against the municipality for the employee benefit not implemented from the 1st October 2020 to date (Eliama Lesimola vs MLM) | | 253 574 |
| Litigation against the municipality for unpaid 8 leave days (Martiens Kholumo vs MLM) | | 14 332 |
| Litigation against the municipality by an employee for various fund contributions: | | |
| - Nthabeleng Mekana vs MLM (Pension fundcontributions as well as interest thereon) | | 629 393 |
| - Itumeleng Mogaecho vs MLM (Pension fund contribution, medical aid contribution and leave days) | 439 791 | |
| - Tebelo Lekauta vs MLM (Municipal Workers Retirement Fund) | 33 183 | |
| - Retshidisitswe Williams vs MLM (Old Mutual policy for the period of April 2023 – 2024) | 4 726 | |

## Notes to the Annual Financial Statements

| | | |
|---|---|---|
| Litigation against the municipality by an employee for Municipal Service deductions for 50 months: | | |
| - Tello Jacob Monyako vs MLM | 122 686 | |
| Litigation against the municipality by an employee for Municipal Service deductions for for the period of January 2015-April 2024: | | |
| - Sello Kholong vs MLM | 66 044 | |
| - Tsietsi Guduza vs MLM | 111 600 | |
| - Sebatli Tlali vs MLM | 102 791 | |
| - Lesiamo Tladi vs MLM | 102 791 | |
| - Motswaole Moholo vs MLM | 102 791 | |
| - Boitumelo Mosuoane vs MLM | 123 982 | |
| - Bethuel Ntholeng vs MLM | 105 416 | |
| - Shuping Mohoje vs MLM | 111 600 | |
| - Thembeni Koppie vs MLM | 102 791 | |
| Litigation against the municipality by an employee for Municipal Service deductions for for the period of January 2016-April 2024: | | |
| - Charlie Mdaka vs MLM | 43 659 | |
| - Gus Mogebelo vs MLM | 21 084 | |
| Litigation against the municipality by an employee for Municipal Service deductions for for the period of January 2018-April 2024: | | |
| - Johannes Magashule vs MLM | 44 624 | |
| - Retshidisitswe Williams vs MLM | 89 528 | |
| Litigation against the municipality for unpaid rent for municipal offices for the month of May 2024 (JJ Venter Trust vs MLM) | 10 426 | |
| Litigation against the municipality for unpaid rent for municipal offices for the month of June 2024 (JJ Venter Trust vs MLM) | 10 426 | |
| Litigation against the municipality for allegations that the Municipality failed to provide necessary documents relating to land purchased (Motshehoa Chabane vs MLM) | 23 000 | |
| Litigation against the municipality for by the former Councillor of the Municipality for the house that was attacked on 14th December 2020 | | |
| Samson Rakhunoane vs MLM | 139 688 | |
| **Total** | **35 851 476** | **92 561 315** |

# Notes to the Annual Financial Statements

## 36. Related parties

Relationships

| | |
|---|---|
| Accounting Officer | M Matlole |
| Members of key management | |
| G Mncube (CFO) | A Makoae (CFO) |

Related party transactions

Remuneration of management

Management class: Councillors

**2024**

| Name | Salary | Backpay Salary | Cellphone Allowance | Travel allowance | Total |
|---|---|---|---|---|---|
| CLR DE Modise | 673 550 | 63 616 | 42 200 | 226 585 | 1 005 951 |
| Mr PS Tlahadi | 379 223 | 24 573 | 42 200 | | 445 996 |
| Mrs BG Rossouw | 379 223 | 24 573 | 42 200 | | 445 996 |
| Mrs M Visser | 245 458 | 18 887 | 42 200 | 41 366 | 347 910 |
| Mr TB Molahloe | 286 823 | 18 887 | 42 200 | | 347 910 |
| Mr KE Mokalolise | 286 823 | 14 152 | 42 200 | | 343 175 |
| Mr WA Portgieter | 286 823 | 18 887 | 42 200 | | 347 910 |
| Mr SN Makata | 725 073 | 44 008 | 42 200 | | 811 281 |
| MR HN Kototsa | 379 223 | 23 973 | 42 200 | | 445 396 |
| MRS DP Xhalabile | 374 684 | 45 809 | 42 200 | | 462 694 |
| MR MTW Moroane | 286 823 | 18 887 | 42 200 | | 347 910 |
| MR MS Letsie | 286 823 | 18 887 | 42 200 | | 347 910 |

# Masilonyana Local Municipality

(Registration number FS181)
Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

| | | | | | | |
|---|---|---|---|---|---|---|
| Mr TC Tladi | 286 823 | 18 887 | 42 200 | | | 347 910 |
| Mr MZ Likoebe | 286 823 | 25 005 | 42 200 | | | 354 028 |
| | | | 42 200 | | | |
| Mr LB Phehlane | 286 823 | 18 887 | | | | 347 910 |
| MR MG Fosi | 286 823 | 15 623 | 42 200 | | | 344 646 |
| Mr SE Putsoenyane | 286 823 | 18 887 | 42 200 | | | 347 910 |
| MS S Brown | 286 823 | 14 152 | 42 200 | | | 343 175 |
| MR SP Mabesa | 286 823 | 18 887 | 42 200 | | | 347 910 |
| | **6 598 311** | **465 466** | **801 800** | **267 951** | | **8 133 527** |

**2023**

| Name | Salary | Backpay Salary | Data allowance | Cellphone allowance | Travel allowance | Total |
|---|---|---|---|---|---|---|
| CLR DE Modise | 654 665 | 26 747 | 300 | 40 800 | 221 133 | 943 645 |
| Mr PS Tlahadi | 370 098 | 10 173 | 300 | 40 800 | | 421 372 |
| Mrs BG Rossouw | 370 098 | 10 173 | 300 | 40 800 | | 421 372 |
| Mrs M Visser | 209 941 | | 300 | 40 800 | 69 981 | 321 022 |
| Mr TB Molahloe | 279 922 | 5 335 | 300 | 40 800 | | 326 357 |
| Mr KE Mokalolise | 279 922 | 5 335 | 300 | 40 800 | | 326 357 |
| Mr WA Portgieter | 279 922 | 4 192 | 300 | 40 800 | | 325 214 |
| Mr SN Makata | 707 627 | 12 796 | 300 | 40 800 | | 761 523 |

## Notes to the Annual Financial Statements

| | | | | | | |
|---|---|---|---|---|---|---|
| MR HN Kototsa | 370 098 | 8 048 | 300 | 40 800 | | 419 247 |
| MRS DP Xhalabile | 359 233 | 5 167 | 300 | 40 800 | | 405 500 |
| MR MTW Moroane | 279 922 | 3 430 | 300 | 40 800 | | 324 452 |
| MR MS Letsie | 279 922 | 3 430 | 300 | 40 800 | | 324 452 |
| Mr TC Tladi | 279 922 | 3 430 | 300 | 40 800 | | 324 452 |
| Mr MZ Likoebe | 279 922 | 3 430 | 300 | 40 800 | | 324 452 |
| Mr LB Phehlane | 279 922 | 3 860 | 300 | 40 800 | | 324 882 |
| MR MG Fosi | 279 922 | 3 430 | 300 | 40 800 | | 324 452 |
| Mr SE Putsoenyane | 279 922 | 3 430 | 300 | 40 800 | | 324 452 |
| MS S Brown | 279 922 | 3 430 | 300 | 40 800 | | 324 452 |
| | | | 300 | | | |
| MR SP Mabesa | 279 922 | 3 430 | | 40 800 | | 324 452 |
| | **6 400 824** | **119 264** | **5 700** | **775 200** | **291 114** | **7 592 102** |

# Notes to the Annual Financial Statements

**Key management information**

## 37. Prior period errors

Property, plant and equipment were depreciated at the tax rates. The useful lives and residual values were not appropriately considered. (Give the nature of the error.)

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

## 37. Prior period errors (continued)

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

## 38. Unauthorised, Irregular and Fruitless and Wasteful Expenditure

### 38.1

**Fruitless and Wasteful Expenditure**

| | 2023/24 | 2022/23 |
|---|---|---|
| Opening Balance | 32 927 108 | 17 455 824 |
| Adjusted Movement (Prior Year Understatement) | | 15 471 284 |
| Current year movement | 6 829 898 | |
| | **39 757 006** | **32 927 108** |

### 38.2

**Irregular Expenditure**

| | 2023/24 | 2022/23 |
|---|---|---|
| Opening Balance | 100 473 399 | 875 692 258 |
| | | 218 199 407 |
| Adjusted Amount (Prior Year Overstatement) | | (993 418 266) |
| Current year movement | 11 929 680 | |
| | **112 403 079** | **100 473 399** |