



Lesedi Local Municipality  
(Registration number GT423)  
Annual Financial Statements  
for the year ended 30 June 2023

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## General Information

---

### Legal form of entity

Municipality  
Municipal demarcation code - GT423

### Nature of business and principal activities

Local municipal functions as set out in the Constitution of South Africa (Act No. 105 of 1996)

### Members of Council

Executive Mayor  
Speaker  
Chief Whip  
Mayoral Committee

MNR Nkosi  
PR Mpemvu  
TJ Gama  
MS Lukhele  
ME Magazi  
T Mashinini  
MV Motsepe  
T Motsepe  
M Boshoff  
J Coetzee  
C Collen  
Y Combrinck  
LS Gamede  
GC Holtzhausen  
MJ Kubheka  
FEJ Khumalo  
MF Langa  
LM Machitje  
BM Mkhize  
SJ Mnyakeni  
BV Mogorosi  
LB Moloi  
CG Naidoo  
HAC Paul  
CD Simelane  
D Tsotetsi

### Councillors

### Grading of local authority

Grade 4 Local Municipality

### Accounting Officer

S Dlamini

### Chief Finance Officer (CFO)

G Mncube (Acting)

### Registered office

Civic Centre  
c/o HF Verwoerd and Louw Street  
Heidelberg  
1441

### Postal address

PO Box 201  
Heidelberg  
1438

### Bankers

FNB

### Auditors

Auditor General of South Africa

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Index

---

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

	<b>Page</b>
Accounting Officer's Responsibilities and Approval	3
Audit Committee Report	4 - 5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10 - 12
Appropriation Statement	13 - 14
Accounting Policies	15 - 33
Notes to the Annual Financial Statements	34 - 77

### Abbreviations used:

CPI	Consumer Price Index
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
LG Seta	Local Government Sector Education and Training Authority
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
PPE	Property, Plant and Equipment
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
WCA	Workmen's Compensation Fund

# **Lesedi Local Municipality**

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## **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 2024 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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 31 August 2023 and were signed on its behalf by:

---

**S Dlamini**  
**Accounting Officer**

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Audit Committee Report

---

We are pleased to present our report for the financial year ended 30 June 2023.

### 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 8 were held.

Name of member	Number of meetings attended
Mr. M Nondwangu (Chairperson)	8
Mr. K Mokgokong	8
Ms. N Dhlamini	8
Ms. A Noah	7
Ms. T Motseto	6

### Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 38(10)(1) of the PFMA and Treasury Regulation 3.1.

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 controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

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

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review. It was however noted that..... (e.g. suspense accounts were not cleared on a monthly basis).

### Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the 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 and that it has addressed the risks pertinent to the municipality and its audits.

### Auditor-General of South Africa

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

# **Lesedi Local Municipality**

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## **Audit Committee Report**

---

---

**Chairperson of the Audit Committee**

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

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	70 550 307	39 971 761
Receivables from exchange transactions	4&6	59 473 081	226 822 230
Receivables from non-exchange transactions	5&6	29 923 097	57 859 186
Inventories	7	8 521 475	11 462 074
		<b>168 467 960</b>	<b>336 115 251</b>
<b>Non-Current Assets</b>			
Investment property	8	82 135 588	120 185 228
Property, plant and equipment	9	1 115 599 840	1 091 138 894
Intangible assets	10	6 067 001	3 985 784
Heritage assets	11	4 718 964	4 718 964
		<b>1 208 521 393</b>	<b>1 220 028 870</b>
<b>Total Assets</b>		<b>1 376 989 353</b>	<b>1 556 144 121</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	12	322 976 685	223 735 218
Unspent conditional grants and receipts	13	7 192 509	11 488 336
Consumer deposits	14	23 180 544	21 623 122
VAT payable	15	12 431 608	17 546 929
Long term loans	16	4 339 747	6 788 253
Employee benefit obligation	17	2 189 264	2 124 135
Provisions	18	29 315 280	25 941 749
		<b>401 625 637</b>	<b>309 247 742</b>
<b>Non-Current Liabilities</b>			
Long term loans	16	28 469 118	32 783 843
Employee benefit obligation	17	20 071 183	20 069 558
Provisions	18	35 942 812	30 040 464
		<b>84 483 113</b>	<b>82 893 865</b>
<b>Total Liabilities</b>		<b>486 108 750</b>	<b>392 141 607</b>
<b>Net Assets</b>		<b>890 880 603</b>	<b>1 164 002 514</b>
Accumulated surplus		890 880 603	1 164 002 494
<b>Total Net Assets</b>		<b>890 880 603</b>	<b>1 164 002 494</b>

\* See Note 43

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	19	612 337 940	629 215 801
Rental of facilities and equipment	20	6 551 172	6 547 850
Interest income	21	47 190 656	45 547 734
Licences and permits	22	129 747	83 518
Recoveries	23	5 221 130	412 743
Other income	24	3 661 478	4 419 621
Actuarial gains		235 819	2 102 211
Inventories reversal		9 897	-
<b>Total revenue from exchange transactions</b>		<b>675 337 839</b>	<b>688 329 478</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	25	154 088 247	147 134 865
Interest income	26	3 661 167	4 607 627
<b>Transfer revenue</b>			
Government grants & subsidies	27	285 059 253	281 827 912
Public contributions and donations	28	-	10 000
Fines, Penalties and Forfeits	29	1 200 100	1 569 650
<b>Total revenue from non-exchange transactions</b>		<b>444 008 767</b>	<b>435 150 054</b>
<b>Total revenue</b>		<b>1 119 346 606</b>	<b>1 123 479 532</b>
<b>Expenditure</b>			
Employee related costs	30	(231 389 316)	(217 565 380)
Remuneration of councillors	31	(12 523 062)	(11 727 558)
Depreciation and amortisation	32	(44 681 330)	(41 447 593)
Impairment loss	33	(20 163 276)	(3 295 047)
Finance costs	34	(20 376 098)	(6 966 833)
Lease rentals on operating lease	35	(4 187 129)	(2 569 621)
Debt Impairment	36	(416 910 437)	(206 388 285)
Bulk purchases	37	(388 029 367)	(399 169 055)
Contracted services	38	(115 795 704)	(119 880 016)
Loss on disposal of assets and liabilities		(34 206 924)	(1 877 140)
Inventories losses/write-downs		-	(102 561)
General Expenses	39	(104 205 353)	(84 989 855)
Financial losses	39&55	-	(9 060 633)
<b>Total expenditure</b>		<b>(1 392 467 996)</b>	<b>(1 105 039 577)</b>
<b>(Deficit) surplus for the year</b>		<b>(273 121 390)</b>	<b>18 439 955</b>

\* See Note 43



# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	1 102 346 790	1 102 346 790
Adjustments		
Prior year adjustments 43	43 215 749	43 215 749
<b>Balance at 01 July 2021 as restated*</b>	<b>1 145 562 539</b>	<b>1 145 562 539</b>
Changes in net assets		
Surplus for the year	18 439 955	18 439 955
Total changes	18 439 955	18 439 955
<b>Restated* Balance at 01 July 2022</b>	<b>1 164 001 993</b>	<b>1 164 001 993</b>
Changes in net assets		
Surplus for the year	(273 121 390)	(273 121 390)
Total changes	(273 121 390)	(273 121 390)
<b>Balance at 30 June 2023</b>	<b>890 880 603</b>	<b>890 880 603</b>

Note(s)

\* See Note 43

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		135 507 038	128 892 003
Sale of goods and services		468 246 051	437 921 413
Grants		282 681 843	273 557 922
Interest income		6 284 696	8 810 819
		892 719 628	849 182 157
<b>Payments</b>			
Employee costs		(242 460 244)	(228 613 855)
Suppliers		(513 310 400)	(535 933 236)
Finance costs		(17 494 388)	(2 739 500)
		(773 265 032)	(767 286 591)
<b>Net cash flows from operating activities</b>	42	<b>119 454 596</b>	<b>81 895 566</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(79 503 600)	(93 309 365)
Proceeds from sale of investment property	8	2	-
Purchase of other intangible assets	10	(2 608 696)	(1 408 569)
<b>Net cash flows from investing activities</b>		<b>(82 112 294)</b>	<b>(94 717 934)</b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(6 763 231)	(2 233 458)
<b>Net cash flows from financing activities</b>		<b>(6 763 231)</b>	<b>(2 233 458)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>30 579 071</b>	<b>(15 055 826)</b>
Cash and cash equivalents at the beginning of the year		39 971 761	55 027 571
<b>Cash and cash equivalents at the end of the year</b>	3	<b>70 550 832</b>	<b>39 971 745</b>

The accounting policies on pages 15 to 33 and the notes on pages 34 to 77 form an integral part of the annual financial statements.

\* See Note 43

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	655 362 203	23 181 652	<b>678 543 855</b>	612 337 940	<b>(66 205 915)</b>	Note 56(1)
Rental of facilities and equipment	6 105 491	-	<b>6 105 491</b>	6 551 172	<b>445 681</b>	
Licences and permits	11 480	-	<b>11 480</b>	129 747	<b>118 267</b>	
Recoveries	-	-	-	5 221 130	<b>5 221 130</b>	Note 56(2)
Other income - (rollup)	4 457 433	-	<b>4 457 433</b>	3 661 478	<b>(795 955)</b>	
Interest received	45 835 063	-	<b>45 835 063</b>	47 190 656	<b>1 355 593</b>	Note 56(3)
<b>Total revenue from exchange transactions</b>	<b>711 771 670</b>	<b>23 181 652</b>	<b>734 953 322</b>	<b>675 092 123</b>	<b>(59 861 199)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	153 385 816	5 658 772	<b>159 044 588</b>	154 088 247	<b>(4 956 341)</b>	
Interest - Taxation revenue	4 495 863	-	<b>4 495 863</b>	3 661 167	<b>(834 696)</b>	
<b>Transfer revenue</b>						
Government grants & subsidies	286 623 067	8 786 428	<b>295 409 495</b>	285 059 253	<b>(10 350 242)</b>	Note 56(4)
Fines, Penalties and Forfeits	31 000 000	(30 000 000)	<b>1 000 000</b>	1 200 100	<b>200 100</b>	
<b>Total revenue from non-exchange transactions</b>	<b>475 504 746</b>	<b>(15 554 800)</b>	<b>459 949 946</b>	<b>444 008 767</b>	<b>(15 941 179)</b>	
<b>Total revenue</b>	<b>1 187 276 416</b>	<b>7 626 852</b>	<b>1 194 903 268</b>	<b>1 119 100 890</b>	<b>(75 802 378)</b>	
<b>Expenditure</b>						
Personnel	(231 465 655)	-	<b>(231 465 655)</b>	(231 389 316)	<b>76 339</b>	
Remuneration of councillors	(13 061 950)	-	<b>(13 061 950)</b>	(12 523 062)	<b>538 888</b>	
Depreciation and amortisation	(43 097 622)	-	<b>(43 097 622)</b>	(44 681 330)	<b>(1 583 708)</b>	
Impairment loss/ Reversal of impairments	-	-	-	(20 163 276)	<b>(20 163 276)</b>	Note 56(5)
Finance costs	(4 247 817)	-	<b>(4 247 817)</b>	(20 376 098)	<b>(16 128 281)</b>	Note 56(6)
Lease rentals on operating lease	(3 529 703)	(31 581)	<b>(3 561 284)</b>	(4 187 129)	<b>(625 845)</b>	
Debt Impairment	(158 012 623)	(51 261 500)	<b>(209 274 123)</b>	(416 910 437)	<b>(207 636 314)</b>	Note 56(7)
Bulk purchases	(457 893 348)	(27 888 056)	<b>(485 781 404)</b>	(388 029 367)	<b>97 752 037</b>	Note 56(8)
Contracted Services	(117 948 641)	11 321 802	<b>(106 626 839)</b>	(115 795 704)	<b>(9 168 865)</b>	Note 56(9)
General Expenses	(110 642 789)	2 915 992	<b>(107 726 797)</b>	(104 205 353)	<b>3 521 444</b>	
<b>Total expenditure</b>	<b>(1 139 900 148)</b>	<b>(64 943 343)</b>	<b>(1 204 843 491)</b>	<b>(1 358 261 072)</b>	<b>(153 417 581)</b>	
<b>Operating deficit</b>	<b>47 376 268</b>	<b>(57 316 491)</b>	<b>(9 940 223)</b>	<b>(239 160 182)</b>	<b>(229 219 959)</b>	
Loss on disposal of assets and liabilities	-	-	-	(34 206 924)	<b>(34 206 924)</b>	Note (10)
Actuarial gains/losses	-	-	-	235 819	<b>235 819</b>	
Inventories losses/write-downs	-	-	-	9 897	<b>9 897</b>	
	-	-	-	<b>(33 961 208)</b>	<b>(33 961 208)</b>	
<b>Deficit before taxation</b>	<b>47 376 268</b>	<b>(57 316 491)</b>	<b>(9 940 223)</b>	<b>(273 121 390)</b>	<b>(263 181 167)</b>	

## Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>47 376 268</b>	<b>(57 316 491)</b>	<b>(9 940 223)</b>	<b>(273 121 390)</b>	<b>(263 181 167)</b>	

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Figures in Rand

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	6 105 058	1 665 142	<b>7 770 200</b>	8 521 475	<b>751 275</b>	
Receivables from exchange transactions	382 593 473	(38 456 859)	<b>344 136 614</b>	59 473 081	<b>(284 663 533)</b>	Note 56(11)
Receivables from non-exchange transactions	(33 588 824)	(47 058 159)	<b>(80 646 983)</b>	29 923 097	<b>110 570 080</b>	Note 56(12)
Cash and cash equivalents	56 615	(344 079)	<b>(287 464)</b>	70 550 307	<b>70 837 771</b>	Note 56(13)
	<b>355 166 322</b>	<b>(84 193 955)</b>	<b>270 972 367</b>	<b>168 467 960</b>	<b>(102 504 407)</b>	

##### Non-Current Assets

Investment property	113 672 860	-	<b>113 672 860</b>	82 135 588	<b>(31 537 272)</b>	Note 56(14)
Property, plant and equipment	1 111 961 961	4 277 785	<b>1 116 239 746</b>	1 115 599 840	<b>(639 906)</b>	
Intangible assets	3 635 290	1 022 100	<b>4 657 390</b>	6 067 001	<b>1 409 611</b>	
Heritage assets	4 662 664	-	<b>4 662 664</b>	4 718 964	<b>56 300</b>	
	<b>1 233 932 775</b>	<b>5 299 885</b>	<b>1 239 232 660</b>	<b>1 208 521 393</b>	<b>(30 711 267)</b>	

<b>Total Assets</b>	<b>1 589 099 097</b>	<b>(78 894 070)</b>	<b>1 510 205 027</b>	<b>1 376 989 353</b>	<b>(133 215 674)</b>	
---------------------	----------------------	---------------------	----------------------	----------------------	----------------------	--

#### Liabilities

##### Current Liabilities

Long term loans	4 600 561	-	<b>4 600 561</b>	4 339 747	<b>(260 814)</b>	
Payables from exchange transactions	142 373 543	172 927 004	<b>315 300 547</b>	322 976 685	<b>7 676 138</b>	Note 56(15)
VAT payable	202 196 402	(184 637 734)	<b>17 558 668</b>	12 431 608	<b>(5 127 060)</b>	Note 56(16)
Consumer deposits	21 032 376	-	<b>21 032 376</b>	23 180 544	<b>2 148 168</b>	Note 56(17)
Employee benefit obligation	2 060 017	-	<b>2 060 017</b>	2 189 264	<b>129 247</b>	
Unspent conditional grants and receipts	-	3 419 420	<b>3 419 420</b>	7 192 509	<b>3 773 089</b>	Note 56(18)
Provisions	24 765 593	-	<b>24 765 593</b>	29 315 280	<b>4 549 687</b>	
	<b>397 028 492</b>	<b>(8 291 310)</b>	<b>388 737 182</b>	<b>401 625 637</b>	<b>12 888 455</b>	

##### Non-Current Liabilities

Long term loans	37 176 159	-	<b>37 176 159</b>	28 469 118	<b>(8 707 041)</b>	Note 56(19)
Employee benefit obligation	22 159 619	-	<b>22 159 619</b>	20 071 183	<b>(2 088 436)</b>	Note 56(20)
Provisions	25 950 540	-	<b>25 950 540</b>	35 942 812	<b>9 992 272</b>	Note 56(21)
	<b>85 286 318</b>	<b>-</b>	<b>85 286 318</b>	<b>84 483 113</b>	<b>(803 205)</b>	

<b>Total Liabilities</b>	<b>482 314 810</b>	<b>(8 291 310)</b>	<b>474 023 500</b>	<b>486 108 750</b>	<b>12 085 250</b>	
--------------------------	--------------------	--------------------	--------------------	--------------------	-------------------	--

<b>Net Assets</b>	<b>1 106 784 287</b>	<b>(70 602 760)</b>	<b>1 036 181 527</b>	<b>890 880 603</b>	<b>(145 300 924)</b>	
-------------------	----------------------	---------------------	----------------------	--------------------	----------------------	--

#### Net Assets

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

##### Reserves

Accumulated surplus	1 106 784 287	(70 602 760)	<b>1 036 181 527</b>	890 880 603	<b>(145 300 924)</b>	
---------------------	---------------	--------------	----------------------	-------------	----------------------	--

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2023</b>											
<b>Financial Performance</b>											
Property rates	153 385 816	5 658 772	159 044 588	-		159 044 588	154 088 247		(4 956 341)	97 %	100 %
Service charges	655 362 203	23 181 652	678 543 855	-		678 543 855	612 337 940		(66 205 915)	90 %	93 %
Interest income	50 330 926	-	50 330 926	-		50 330 926	50 851 823		520 897	101 %	101 %
Transfers recognised - operational	195 593 067	8 884 531	204 477 598	-		204 477 598	199 620 467		(4 857 131)	98 %	102 %
Other own revenue	41 574 404	(30 000 000)	11 574 404	-		11 574 404	17 009 343		5 434 939	147 %	41 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>1 096 246 416</b>	<b>7 724 955</b>	<b>1 103 971 371</b>	<b>-</b>		<b>1 103 971 371</b>	<b>1 033 907 820</b>		<b>(70 063 551)</b>	<b>94 %</b>	<b>94 %</b>
Employee costs	(231 465 665)	-	(231 465 665)	-	-	(231 465 665)	(231 389 316)	-	76 349	100 %	100 %
Remuneration of councillors	(13 061 950)	-	(13 061 950)	-	-	(13 061 950)	(12 523 062)	-	538 888	96 %	96 %
Depreciation and asset impairment	(43 097 622)	-	(43 097 622)			(43 097 622)	(64 844 606)	-	(21 746 984)	150 %	150 %
Finance charges	(4 247 817)	-	(4 247 817)	-	-	(4 247 817)	(20 376 098)	-	(16 128 281)	480 %	480 %
Inventory consumed and bulk purchases	(492 886 397)	(23 680 437)	(516 566 834)	-	-	(516 566 834)	(388 029 367)	-	128 537 467	75 %	79 %
Other expenditure	(355 140 697)	(41 262 906)	(396 403 603)	-	-	(396 403 603)	(675 305 507)	-	(278 901 904)	170 %	190 %
<b>Total expenditure</b>	<b>(1 139 900 148)</b>	<b>(64 943 343)</b>	<b>(1 204 843 491)</b>	<b>-</b>	<b>-</b>	<b>(1 204 843 491)</b>	<b>(1 392 467 956)</b>	<b>-</b>	<b>(187 624 465)</b>	<b>116 %</b>	<b>122 %</b>
<b>Surplus/(Deficit)</b>	<b>(43 653 732)</b>	<b>(57 218 388)</b>	<b>(100 872 120)</b>	<b>-</b>		<b>(100 872 120)</b>	<b>(358 560 136)</b>		<b>(257 688 016)</b>	<b>355 %</b>	<b>821 %</b>

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	91 030 000	(98 103)	90 931 897	-		90 931 897	85 438 786		(5 493 111)	94 %	94 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>47 376 268</b>	<b>(57 316 491)</b>	<b>(9 940 223)</b>	-		<b>(9 940 223)</b>	<b>(273 121 350)</b>		<b>(263 181 127)</b>	<b>2 748 %</b>	<b>(576)%</b>
<b>Surplus/(Deficit) for the year</b>	<b>47 376 268</b>	<b>(57 316 491)</b>	<b>(9 940 223)</b>	-		<b>(9 940 223)</b>	<b>(273 121 350)</b>		<b>(263 181 127)</b>	<b>2 748 %</b>	<b>(576)%</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	105 242 827	4 981 042	110 223 869	-		110 223 869	82 112 296		(28 111 573)	74 %	78 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	83 242 827	7 689 074	90 931 901	-		90 931 901	76 676 886		(14 255 015)	84 %	92 %
Internally generated funds	22 000 000	(2 708 032)	19 291 968	-		19 291 968	5 435 410		(13 856 558)	28 %	25 %
<b>Total sources of capital funds</b>	<b>105 242 827</b>	<b>4 981 042</b>	<b>110 223 869</b>	-		<b>110 223 869</b>	<b>82 112 296</b>		<b>(28 111 573)</b>	<b>74 %</b>	<b>78 %</b>

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

Figures in Rand	Note(s)	2023	2022
-----------------	---------	------	------

### 1. Significant accounting policies

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

#### 1.1 Basis of preparations

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

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

These accounting policies are consistent with the previous period.

#### 1.2 Presentation currency

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

#### 1.3 Going concern assumption

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

#### 1.4 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:

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

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

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

##### 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 18 - Provisions.

##### Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.



# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

---

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

#### 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.

### 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.

#### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Land is considered to have an unlimited life; therefore, land is not depreciated.

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from the previous estimates, the change is accounted for as a change in accounting estimate.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

---

### 1.5 Investment property (continued)

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.

### 1.6 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.

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 any accumulated depreciation and any accumulated impairment losses.

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

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

---

Item	Depreciation method	Average useful life
Land		indefinite

---

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

---

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

Infrastructure	Straight-line	
• Roads and paving		5-80 years
• Electricity		10-50 years
• Water		10-40 years
• Sewerage		12-20 years
• Landfill site		15-30 years
Community	Straight-line	
• Buildings		30-60 years
• Recreational facilities		20-50 years
• Security		5 years
Other property, plant and equipment	Straight-line	
• Buildings		30-60 years
• Specialist vehicles		5-20 years
• Other vehicles		5-20 years
• Furniture and fittings		3-18 years
• Plant and machinery		2-20 years
• Bins and containers		3-18 years
• Office equipment		3-18 years
• Library books		5-25 years

Land is considered to have an unlimited life; therefore, land is not depreciated.

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from the estimates, the change is accounted for as a change in accounting estimate.

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 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.

### 1.7 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.

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

---

### 1.7 Intangible assets (continued)

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

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.

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

---

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3 years
Servitudes	Straight-line	indefinite

---

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).

### 1.8 Heritage assets

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.

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.

#### 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.

#### 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.

#### Derecognition

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

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

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

---

### 1.9 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.

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

A financial asset is:

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

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

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

#### 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
Other receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables from non-exchange transactions	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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
Long term loans	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
VAT payable	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.

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

---

### 1.9 Financial instruments (continued)

#### 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 amortised cost.

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

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.

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:

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.

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

---

### 1.9 Financial instruments (continued)

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 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.

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.

#### 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.

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

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.

### 1.10 Statutory receivables

#### Identification

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

---

### 1.10 Statutory receivables (continued)

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

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

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

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

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

#### Recognition

The municipality recognises statutory receivables as follows:

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

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

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

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

#### Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

#### Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

#### Impairment losses

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

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



# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

---

### 1.10 Statutory receivables (continued)

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

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

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

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

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

### Derecognition

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

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

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

### 1.11 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.

#### Operating leases - lessor

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

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.

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

---

### 1.12 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.

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.

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.

### 1.13 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).

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.

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.

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

---

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

#### 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.

#### 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.

#### Reversal of impairment loss

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

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

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

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

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

#### Identification

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.

#### 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.

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

---

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

#### Reversal of an impairment loss

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

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

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

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

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

### 1.15 Employee benefits

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

#### 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 cellphones) for current employees.

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

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

#### 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.

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

---

### 1.15 Employee benefits (continued)

#### 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 recognises 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 recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

#### 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.

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.

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

---

### 1.16 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.

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.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:

- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 48.

### 1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

### 1.18 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.

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

---

### 1.18 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 charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved by Council and are levied monthly.

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from public contributions is recognised when all the conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the conditions, a liability is recognised.

Debt impairment is calculated as follows:

- all residential debts which are 90 days and above will be provided for at 100% of the outstanding amount;
- all residential debt which are above 60 days and below 90 days will be provided for at 10% of the outstanding amount;
- residential debt below 60 days will not be provided for; and
- no provision will be made for outstanding government, business and agricultural debt.

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

---

### 1.18 Revenue from exchange transactions (continued)

#### Interest, royalties and dividends

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

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

Interest is recognised in surplus and deficit using the effective interest rate method.

### 1.19 Revenue from non-exchange transactions

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.

#### Measurement

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

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

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

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

#### Fines

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

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

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

Fines are impaired based on the "average collection rate" in the previous two financial years..

### 1.20 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.

### 1.21 Comparative figures

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

### 1.22 Unauthorised expenditure

Unauthorised expenditure means:



# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

---

### 1.22 Unauthorised expenditure (continued)

- 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.

### 1.23 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.

### 1.24 Irregular expenditure

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

Irregular expenditure 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.

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.

### 1.25 Segment information

A segment is an activity of an entity:

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

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

### Measurement

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

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

### 1.26 Budget information

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.

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

---

### 1.27 Related parties

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

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

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

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

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

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

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

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

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 control of the municipality are considered to be related parties.

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.

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

### 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 municipality'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: Guideline on Accounting for Landfill Sites	01 April 2023	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	01 April 2023	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unable to reliably estimate the impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

### 3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 080	2 080
Bank balances	27 608 128	14 340 878
Short-term deposits	42 940 099	25 628 803
	<b>70 550 307</b>	<b>39 971 761</b>

#### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
ABSA Bank - 50000066	12 542 059	7 750 852	2 584 329	12 033 277	7 750 852	(1 954 649)
ABSA Bank - 4083802528	126 413	126 215	80 541	126 413	126 215	80 541
ABSA Bank - 4076802751	5 469 801	4 504 110	29 581 515	5 469 801	4 504 110	29 581 515
Investec - 1400137177	37 470 299	21 124 693	21 545 491	37 470 299	21 124 693	21 545 491
FNB - 62795102088	14 939 658	6 211 115	755 141	12 916 210	6 463 810	755 141
<b>Total</b>	<b>70 548 230</b>	<b>39 716 985</b>	<b>54 547 017</b>	<b>68 016 000</b>	<b>39 969 680</b>	<b>50 008 039</b>

### 4. Receivables from exchange transactions

Consumer debtors - Electricity	24 864 090	98 050 205
Consumer debtors - Water	14 658 034	48 868 046
Consumer debtors - Sewerage	4 362 541	9 272 261
Consumer debtors - Refuse	3 669 270	13 216 159
Consumer debtors - Other	3 792 694	51 717 778
Deposits	733 373	707 945
Accrued interest	405 199	121 944
Rental debtors	6 987 880	4 867 892
	<b>59 473 081</b>	<b>226 822 230</b>

#### Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

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

#### Trade and other receivables impaired

As of 30 June 2023, trade and other receivables of 1 390 349 757 (2022: 1 278 003 027) were impaired and provided for.

The amount of the provision was (1 339 003 128) as of 30 June 2023 (2022: 1 056 256 620).

The ageing of these receivables from exchange transactions is provided in note 6.

### 5. Receivables from non-exchange transactions

Consumer debtors - Rates	19 613 648	48 677 457
Fines	8 869 062	8 828 431
Government grants and subsidies	1 440 387	353 298
	<b>29 923 097</b>	<b>57 859 186</b>

#### Statutory receivables included in receivables from non-exchange transactions above are as follows:

Consumer debtors - Rates	19 613 648	48 677 457
Fines	8 869 062	8 828 431
	<b>28 482 710</b>	<b>57 505 888</b>

<b>Financial asset receivables included in receivables from non-exchange transactions above</b>	<b>1 440 387</b>	<b>353 298</b>
---	------------------	----------------

<b>Total receivables from non-exchange transactions</b>	<b>-</b>	<b>47 880 404</b>
---	----------	-------------------

#### Statutory receivables general information

##### Transaction(s) arising from statute

Property rates are levied in terms of the Municipal Property Rates Act (Act No 6 of 2004).

Traffic fines are issued in terms of s56 and s341 of the National Roads Traffic Act (Act No 93 of 1996).

##### Interest or other charges levied/charged

Interest on property rates is levied monthly at a rate of 10% per annum on the outstanding amounts.

##### Statutory receivables impaired

###### Consumer debtors - rates

As of 30 June 2023, consumer debtors - rates of 145 606 436 (2022: 131 447 588) were impaired and provided for.

The amount of the provision was 125 992 788 as of 30 June 2023 (2022: 82 770 131).

The ageing of consumer debtors - rates is provided in note 6

###### Traffic fines

As of 30 June 2023, traffic fines of R142 410 334 (2022: R141 318 333) were impaired and provided for.

The amount of the provision was R133 541 272 as of 30 June 2023. (2022: R132 443 339).

##### Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>6. Consumer debtors disclosure</b>		
<b>Gross balances</b>		
Consumer debtors - Rates	145 606 436	131 447 588
Consumer debtors - Electricity	458 112 205	409 315 177
Consumer debtors - Water	542 835 703	488 425 602
Consumer debtors - Sewerage	122 662 481	116 820 504
Consumer debtors - Refuse	166 119 727	155 107 425
Consumer debtors - Other	100 619 641	107 712 361
	<b>1 535 956 193</b>	<b>1 408 828 657</b>
<b>Less: Allowance for impairment</b>		
Consumer debtors - Rates	(125 992 788)	(82 770 131)
Consumer debtors - Electricity	(433 248 115)	(311 264 972)
Consumer debtors - Water	(528 177 669)	(439 557 556)
Consumer debtors - Sewerage	(118 299 940)	(107 548 243)
Consumer debtors - Refuse	(162 450 457)	(141 891 266)
Consumer debtors - Other	(96 826 947)	(55 994 583)
	<b>(1 464 995 916)</b>	<b>(1 139 026 751)</b>
<b>Net balance</b>		
Consumer debtors - Rates	19 613 648	48 677 457
Consumer debtors - Electricity	24 864 090	98 050 205
Consumer debtors - Water	14 658 034	48 868 046
Consumer debtors - Sewerage	4 362 541	9 272 261
Consumer debtors - Refuse	3 669 270	13 216 159
Consumer debtors - Other	3 792 694	51 717 778
	<b>70 960 277</b>	<b>269 801 906</b>
<b>Rates</b>		
Current (0 -30 days)	11 564 718	10 272 668
31 - 60 days	2 453 723	4 067 178
61 - 90 days	1 793 467	3 326 769
91 - 120 days	274 591	1 477 369
121 - 365 days	1 469 827	10 201 763
> 365 days	2 057 322	19 331 710
	<b>19 613 648</b>	<b>48 677 457</b>
<b>Electricity</b>		
Current (0 -30 days)	12 254 940	52 339 601
31 - 60 days	3 843 841	9 656 929
61 - 90 days	2 360 990	8 627 649
91 - 120 days	323 460	3 222 583
121 - 365 days	2 020 240	9 859 766
> 365 days	4 060 619	14 343 677
	<b>24 864 090</b>	<b>98 050 205</b>

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>6. Consumer debtors disclosure (continued)</b>		
<b>Water</b>		
Current (0 -30 days)	10 056 900	18 448 793
31 - 60 days	2 075 776	8 775 984
61 - 90 days	1 345 569	7 402 591
91 - 120 days	93 234	557 945
121 - 365 days	473 078	3 864 804
> 365 days	613 477	9 817 929
	<b>14 658 034</b>	<b>48 868 046</b>
<b>Sewerage</b>		
Current (0 -30 days)	1 982 992	2 824 938
31 - 60 days	441 864	1 971 778
61 - 90 days	295 994	1 713 286
91 - 120 days	40 948	106 579
121 - 365 days	290 584	660 131
> 365 days	1 310 159	1 995 549
	<b>4 362 541</b>	<b>9 272 261</b>
<b>Refuse</b>		
Current (0 -30 days)	2 014 457	5 762 591
31 - 60 days	333 005	2 691 360
61 - 90 days	223 981	2 299 243
91 - 120 days	31 276	107 123
121 - 365 days	218 252	682 616
> 365 days	848 299	1 673 226
	<b>3 669 270</b>	<b>13 216 159</b>
<b>Other</b>		
Current (0 -30 days)	384 897	2 049 315
31 - 60 days	158 865	798 061
61 - 90 days	132 700	826 906
91 - 120 days	33 943	411 442
121 - 365 days	278 522	5 054 199
> 365 days	2 803 767	42 577 855
	<b>3 792 694</b>	<b>51 717 778</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(1 139 026 751)	(931 086 867)
Contributions to allowance	(459 418 326)	(220 780 955)
Debt impairment written off against allowance	133 449 161	12 841 071
	<b>(1 464 995 916)</b>	<b>(1 139 026 751)</b>
<b>7. Inventories</b>		
Consumable stores	8 173 881	10 483 433
Water for distribution	153 701	461 091
Fuel (Diesel, Petrol)	193 893	517 550
	<b>8 521 475</b>	<b>11 462 074</b>

## Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand

#### 8. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	112 013 179	(29 877 591)	82 135 588	168 219 503	(48 034 275)	120 185 228

#### Reconciliation of investment property - 2023

	Opening balance	Disposals	Impairments	Depreciation	Total
Investment property	120 185 228	(24 576 819)	(11 391 240)	(2 081 581)	82 135 588

#### Reconciliation of investment property - 2022

	Opening balance	Depreciation	Total
Investment property	122 496 120	(2 310 892)	120 185 228

#### Pledged as security

No portion of investment property has been pledged as security for liabilities.

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.

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 9. Property, plant and equipment

	2023			2022		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	174 485 092	-	174 485 092	174 485 092	-	174 485 092
Plant and machinery	2 271 452	(1 495 185)	776 267	2 241 503	(1 324 903)	916 600
Furniture and fixtures	13 951 322	(11 427 466)	2 523 856	13 536 936	(10 180 732)	3 356 204
Motor vehicles	54 589 715	(27 161 477)	27 428 238	44 017 731	(23 050 199)	20 967 532
Office equipment	10 759 260	(7 323 522)	3 435 738	9 393 696	(5 587 991)	3 805 705
Infrastructure	1 253 118 031	(463 709 761)	789 408 270	1 209 353 749	(444 817 616)	764 536 133
Community	252 343 192	(150 869 724)	101 473 468	248 128 103	(141 385 691)	106 742 412
Library books	26 089 437	(12 228 526)	13 860 911	24 037 842	(9 916 626)	14 121 216
Spare parts	2 208 000	-	2 208 000	2 208 000	-	2 208 000
<b>Total</b>	<b>1 789 815 501</b>	<b>(674 215 661)</b>	<b>1 115 599 840</b>	<b>1 727 402 652</b>	<b>(636 263 758)</b>	<b>1 091 138 894</b>



## Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Disposals	Movement in provisions	Depreciation	Impairment loss	Total
Land	174 485 092	-	-	-	-	-	174 485 092
Plant and machinery	916 600	29 950	-	-	(170 234)	(49)	776 267
Furniture and fixtures	3 356 204	414 386	-	-	(1 201 341)	(45 393)	2 523 856
Motor vehicles	20 967 532	10 562 112	-	-	(3 578 818)	(522 588)	27 428 238
Office equipment	3 805 705	1 817 084	(451 520)	-	(1 716 711)	(18 820)	3 435 738
Infrastructure	764 536 133	57 236 564	(8 183 515)	5 431 755	(26 865 332)	(2 747 335)	789 408 270
Community	106 742 412	7 109 804	(890 521)	-	(6 050 376)	(5 437 851)	101 473 468
Library books	14 121 216	2 333 700	(104 550)	-	(2 489 455)	-	13 860 911
Spare parts	2 208 000	-	-	-	-	-	2 208 000
	<b>1 091 138 894</b>	<b>79 503 600</b>	<b>(9 630 106)</b>	<b>5 431 755</b>	<b>(42 072 267)</b>	<b>(8 772 036)</b>	<b>1 115 599 840</b>

## Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand

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

##### Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Movement in provisions	Depreciation	Impairment loss	Total
Land	174 485 092	-	-	-	-	-	-	174 485 092
Plant and machinery	1 060 142	23 988	-	-	-	(167 530)	-	916 600
Furniture and fixtures	3 770 111	477 520	(11 015)	-	-	(880 379)	(33)	3 356 204
Motor vehicles	16 523 331	7 123 155	(122 132)	-	-	(2 352 028)	(204 794)	20 967 532
Office equipment	2 871 589	2 257 894	(4 470)	-	-	(1 319 263)	(45)	3 805 705
Infrastructure	713 037 865	78 210 654	(1 739 521)	1 092 000	2 318 337	(25 644 661)	(2 738 541)	764 536 133
Community	112 432 200	789 048	-	-	-	(6 127 202)	(351 634)	106 742 412
Library books	14 193 548	2 219 106	-	-	-	(2 291 438)	-	14 121 216
Spare parts	1 092 000	2 208 000	-	(1 092 000)	-	-	-	2 208 000
	<b>1 039 465 878</b>	<b>93 309 365</b>	<b>(1 877 138)</b>	<b>-</b>	<b>2 318 337</b>	<b>(38 782 501)</b>	<b>(3 295 047)</b>	<b>1 091 138 894</b>

##### Pledged as security

No portion of property, plant and equipment has been pledged as security for liabilities.

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>9. Property, plant and equipment (continued)</b>		
<b>Property, plant and equipment in the process of being constructed or developed</b>		
<b>Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)</b>		
Upgrade sewer pipeline Thokolohong Agri Village The project for the installation of the sewer pipeline was halted due to community unrest and instability but the project should resume as soon as the budget has been approved and allocated by the council.	6 581 127	6 581 127
Maintenance Devon The project was halted as the appointed contractor did not adhere to the required building specification.	122 757	122 757
Roads Lesedi The project was halted due to community unrest and instability and therefore the contractor was unable to carry out their duties. The project funds were redirected to other projects.	1 236 649	1 236 649
Upgrading of roads in Devon The project was halted due to community unrest and instability and therefore the contractor was unable to carry out their duties. The project funds were redirected to other projects.	1 432 423	1 432 423
Water feeder pipeline in Kwazenzele The project was halted due to differences with the contractor regarding the agreed contract price.	9 288 729	9 288 729
Vischkuil reservoir The project was halted due to differences with the contractor regarding the agreed contract price.	13 670 079	13 670 079
Upgrade of water network LLM paid for professional fees and is waiting for the Department of Human Settlements to complete the construction of RDP houses. The project should resume.	23 684	23 684
Upgrade of Vischkuil sewer plant The project was halted as LLM is waiting for the Department of Human Settlements to complete the construction of RDP houses.	520 376	520 376
Bulk sewer upgrade Kwazenzele Phase 2 The project was halted due to differences with the contractor regarding the agreed contract price.	888 739	888 739
Residential development on stand 1813/1814 (Mayor's house) The project was halted by the municipal council and the property is to be auctioned.	1 867 532	1 867 532
Sportsfield Impumelelo The project was halted due to community unrest and instability and therefore the contractor was unable to carry out their duties.	971 890	971 890
Upgrade of library - Jameson Park and Shalimar Ridge The project was halted as the appointed contractor did not adhere to the required building specification.	358 596	358 596
Impumelelo switching station The project should resume as soon as the department of human settlement has completed with the construction of RDP houses. The capacity required to be provided in the new phase/section is to be determined.	87 615	87 615
	<b>37 050 196</b>	<b>37 050 196</b>

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

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

#### Reconciliation of Work-in-Progress 2023

	Opening balance	Additions/capital expenditure	Transferred to completed assets	Total
Infrastructure	47 959 598	57 236 565	(68 487 348)	36 708 815
Community	3 225 776	7 109 806	(7 014 806)	3 320 776
	<b>51 185 374</b>	<b>64 346 371</b>	<b>(75 502 154)</b>	<b>40 029 591</b>

#### Reconciliation of Work-in-Progress 2022

	Opening balance	Additions/capital expenditure	Transferred to completed assets	Total
Infrastructure	58 241 329	78 210 654	(88 492 385)	47 959 598
Community	3 526 430	789 048	(1 089 702)	3 225 776
	<b>61 767 759</b>	<b>78 999 702</b>	<b>(89 582 087)</b>	<b>51 185 374</b>

#### 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	22 409 467	30 171 043
Materials	23 522 977	24 661 120
	<b>45 932 444</b>	<b>54 832 163</b>

In addition to the property, plant and equipment above, the municipality has land on which RDP houses have been built. The land is still registered in the deeds office in the name of the municipality. The municipality does not have control over these properties and it is therefore not recognised as assets as it does not comply with the definition of assets as per GRAP17.

Total value: R147 313 000 (2022: R147 313 000)

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

### 10. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	4 521 424	(3 680 051)	841 373	4 521 423	(3 152 571)	1 368 852
Servitudes	5 225 628	-	5 225 628	2 616 932	-	2 616 932
<b>Total</b>	<b>9 747 052</b>	<b>(3 680 051)</b>	<b>6 067 001</b>	<b>7 138 355</b>	<b>(3 152 571)</b>	<b>3 985 784</b>

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

### 10. Intangible assets (continued)

#### Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Computer software	1 368 852	-	(527 479)	841 373
Servitudes	2 616 932	2 608 696	-	5 225 628
	<b>3 985 784</b>	<b>2 608 696</b>	<b>(527 479)</b>	<b>6 067 001</b>

#### Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software	314 486	1 408 569	(354 203)	1 368 852
Servitudes	2 616 932	-	-	2 616 932
	<b>2 931 418</b>	<b>1 408 569</b>	<b>(354 203)</b>	<b>3 985 784</b>

#### Pledged as security

No portion of intangible assets have been pledged as security for liabilities.

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.

### 11. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	4 718 964	-	4 718 964	4 718 964	-	4 718 964

#### Reconciliation of heritage assets 2023

	Opening balance	Total
Historical monuments	4 718 964	4 718 964

#### Reconciliation of heritage assets 2022

	Opening balance	Total
Historical monuments	4 718 964	4 718 964

#### Pledged as security

No portion of heritage assets have been pledged as security for liabilities.

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.

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>12. Payables from exchange transactions</b>		
Trade payables	265 841 939	165 246 840
Payments received in advanced	34 161 235	39 184 396
Retentions	9 546 455	7 297 866
Grants payable	7 797 853	4 792 346
Accrued bonus	4 592 127	4 404 986
Accrued interest	-	1 771 708
Deposits received	1 037 076	1 037 076
	<b>322 976 685</b>	<b>223 735 218</b>
<b>13. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Libraries Plan	788 114	3 399 267
Performance System Management Grant	351 022	351 022
Energy Efficiency and Demand Side Management Grant	63 136	63 136
Recapitalization of Community Libraries Grant	5 785 220	5 674 911
Cogta Fire and Rescue Services Grant	205 017	2 000 000
	<b>7 192 509</b>	<b>11 488 336</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	11 488 336	20 400 501
Additions during the year	282 681 843	273 557 921
Income recognition during the year	(285 059 252)	(281 827 912)
Transfer (to)/from payables	(3 005 507)	(995 472)
Grants receivable	1 087 089	353 298
	<b>7 192 509</b>	<b>11 488 336</b>
See note 27 for reconciliation of grants from National/Provincial Government.		
These amounts are invested in a ring-fenced investment until utilised.		
<b>14. Consumer deposits</b>		
All services	23 180 544	21 623 122
<b>15. VAT payable</b>		
VAT	12 431 608	17 546 929
<b>16. Long term loans</b>		
<b>At amortised cost</b>		
Bank loan	32 808 865	39 572 096
Terms and conditions		
<b>Non-current liabilities</b>		
At amortised cost	28 469 118	32 783 843

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

### 16. Long term loans (continued)

#### Current liabilities

At amortised cost	4 339 747	6 788 253
-------------------	-----------	-----------

Loan description	Loan number	Redeemable	Balance at 30 June 2022	Received during the period	Redeemed during the period	Balance at 30 June 2023
R14 Electrical Upgrade - 9.59% fixed	102986_1	20 years	11 217 110	-	1 997 550	9 219 560
R15 Electrical upgrade - 5% fixed	102986_2	20 years	6 127 527	-	1 245 819	4 881 708
R16 Vehicles - 11.87% fixed	6100956	12 years	296 351	-	296 351	-
R17 Infrastructure - 6.75%	6100955	20 years	1 995 423	-	276 127	1 719 296
R18 Other - 14.24% fixed	6100954	20 years	3 923 429	-	407 340	3 516 089
R19 Electrical infrastructure - 12% fixed	61006830	20 years	5 955 635	-	518 469	5 437 166
R20 Electrical upgrade - 6.75% fixed	61006831	20 years	8 644 699	-	943 229	7 701 470
R21 Roads and stormwater - 11.65% fixed	61006809	120 years	1 411 922	-	1 078 346	333 576
			<b>39 572 096</b>	<b>-</b>	<b>6 763 231</b>	<b>32 808 865</b>

### 17. Employee benefit obligations

#### Defined benefit plan

##### Post retirement medical aid plan

The municipality's post employment health care liability consists of a commitment to pay a portion of the pensioners post employment medical scheme contributions. This liability is also generated in respect of dependents who are offered continued membership of the medical scheme on the death of the primary pensioner.

Lesedi Local Municipality operates on 5 accredited medical aid schemes, namely Bonitas, Hosmed, Key Health, LA Health and SAMWU Med.

The municipality provides post retirement benefits by subsidising the medical aid contributions of an employee who retires from employment and who, immediately prior to his or her retirement, enjoyed the benefit of the subsidy of his or her medical aid contributions by the municipality, will continue to receive a subsidy calculated as follows:

- If the employee was 55 years or older on 1 July 2003, his or her subsidy from the municipality as at the date of retirement will be 60% to a maximum amount of the norm, of the cost of his or her medical scheme contributions as at the day immediately prior to the date of his or her retirement.
- If the employee was 50 years or older on 1 July 2003, his or her subsidy from the municipality as at the date of retirement will be 50% to a maximum amount of the norm, of the cost of his or her medical scheme contributions as at the day immediately prior to the date of his or her retirement.

This benefit is subject to a maximum Rand cap of R5277.

The Rand cap amount is expected to increase each year in line with the health care cost inflation, effective 1 January each year.

Summary of membership:

Reason	Number	Average Age
Continuation members	35	76,63

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

### 17. Employee benefit obligations (continued)

The amounts recognised in the statement of financial position are as follows:

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(22 260 447)	(22 193 693)
Non-current liabilities	(20 071 183)	(20 069 558)
Current liabilities	(2 189 264)	(2 124 135)
	<b>(22 260 447)</b>	<b>(22 193 693)</b>

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

Opening balance	22 193 693	24 219 636
Net expense recognised in the statement of financial performance	66 754	(2 025 943)
	<b>22 260 447</b>	<b>22 193 693</b>

#### Net expense recognised in the statement of financial performance

Interest cost	2 411 118	2 043 006
Actuarial (gains) losses	(235 819)	(2 102 211)
Settlement	(2 108 545)	(1 966 738)
	<b>66 754</b>	<b>(2 025 943)</b>

#### Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(235 819)	(2 102 211)
---------------------------------------	-----------	-------------

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.47 %	11.41 %
Expected increase in healthcare costs	7.35 %	7.85 %
Consumer price inflation	5.85 %	6.85 %
Net discount rate	3.84 %	3.30 %

#### Other assumptions

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

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	2 239 072	2 639 675
Effect on defined benefit obligation	20 610 637	24 113 450

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

	2023	2022	2021	2020	2019
Defined benefit obligation	22 260 447	22 193 693	24 219 636	21 882 998	21 110 166



# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

### 17. Employee benefit obligations (continued)

#### Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

### 18. Provisions

#### Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Increase in liability	Total
Environmental rehabilitation	30 040 464	-	-	5 902 348	35 942 812
Provision for leave pay	25 941 749	8 692 739	(5 319 208)	-	29 315 280
	<b>55 982 213</b>	<b>8 692 739</b>	<b>(5 319 208)</b>	<b>5 902 348</b>	<b>65 258 092</b>

#### Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Increase in liability	Total
Environmental rehabilitation	27 309 507	-	-	412 620	2 318 337	30 040 464
Provision for leave pay	23 406 626	7 765 625	(5 230 502)	-	-	25 941 749
	<b>50 716 133</b>	<b>7 765 625</b>	<b>(5 230 502)</b>	<b>412 620</b>	<b>2 318 337</b>	<b>55 982 213</b>

Non-current liabilities	35 942 812	30 040 464
Current liabilities	29 315 280	25 941 749
	<b>65 258 092</b>	<b>55 982 213</b>

#### Environmental rehabilitation provision

The landfill rehabilitation is created for the rehabilitation of the current operational sites which are evaluated at each year end to reflect the best estimate at reporting date. The sites under consideration are the Devon landfill site and the Devon and Poortjie dumping sites.

Key financial assumptions used in this calculation were as follows:

	Devon landfill site	Poortjie dumping site	Devon dumping site
Discount rate	10.89%	0	0
CPI	7.14%	7.14%	7.14%
Net discount rate	3.75%	0	0
Remaining useful life	9 years	0 years	0 years

### 19. Service charges

Sale of electricity	360 246 205	397 852 714
Sale of water	176 984 196	159 032 629
Sewerage and sanitation charges	34 249 112	33 138 739
Refuse removal	40 858 427	39 191 719
	<b>612 337 940</b>	<b>629 215 801</b>

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>20. Rental of facilities and equipment</b>		
<b>Premises</b>		
Premises	4 721 854	4 731 857
<b>Facilities and equipment</b>		
Rental of facilities	-	1 544 102
Rental of equipment	1 829 318	271 891
	<b>1 829 318</b>	<b>1 815 993</b>
	<b>6 551 172</b>	<b>6 547 850</b>
<b>21. Interest income</b>		
<b>Interest revenue</b>		
Bank	5 220 308	1 702 756
Interest charged on trade and other receivables	41 970 348	43 844 978
	<b>47 190 656</b>	<b>45 547 734</b>
<b>22. Licences and permits</b>		
Flammable goods	129 747	83 518
<b>23. Recoveries</b>		
Insurance recoveries	671 838	412 743
Recoveries of financial losses	4 549 292	-
	<b>5 221 130</b>	<b>412 743</b>
<b>24. Other income</b>		
Abnormal loads	23 451	12 368
Admin fees	45 749	25 418
Cemetery fees	1 448 954	2 080 740
Clearance certificates	275 637	76 293
Development contributions	44 348	-
Fire services	3 121	19 659
Library fees	39 264	798 697
Planning fees	1 041 216	1 107 598
Escort fees	-	8 278
Inspection fees	10 287	-
Sundries	729 451	290 570
	<b>3 661 478</b>	<b>4 419 621</b>

## Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

#### 25. Property rates

##### Rates received

All categories	191 766 524	178 237 393
Less: Income forgone	(37 678 277)	(31 102 528)
	<b>154 088 247</b>	<b>147 134 865</b>

##### Valuations ('000)

Residential	8 604 854	8 544 398
Commercial	2 093 151	2 052 345
State	867 991	868 756
Municipal	450 682	451 318
Small holdings and farms	2 024 899	2 027 143
	<b>14 041 577</b>	<b>13 943 960</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

#### 26. Interest from non-exchange receivables

Interest charged on property rates	3 661 167	4 607 627
------------------------------------	-----------	-----------

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>27. Government grants &amp; subsidies</b>		
<b>Operating grants</b>		
Equitable Share	181 319 000	157 952 271
Finance Management Grant	1 950 000	1 750 000
Expanded Public Works Program Grant	1 228 001	1 100 000
Equitable Share - Covid 19	-	6 742 490
Libraries Plan	8 881 534	4 620 733
District health	3 516 379	3 455 257
Expanded Public Works Program (Cogta)	1 066 000	1 000 000
Grap 17 Compliance Grant	-	1 000 000
LG Seta	1 659 553	701 837
	<b>199 620 467</b>	<b>178 322 588</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant	29 698 000	22 716 000
Integrated National Electrification Program	25 458 000	40 400 000
Energy Efficiency and Demand Side Management Grant	-	3 936 864
Water Services Infrastructure Grant	13 874 000	27 000 000
Recapitalization of Community Libraries Grant	10 413 803	9 425 089
Cogta Fire and Rescue Services Grant	5 994 983	-
Bontle Ke Botho Grant	-	27 371
	<b>85 438 786</b>	<b>103 505 324</b>
	<b>285 059 253</b>	<b>281 827 912</b>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
All registered indigents receive a monthly subsidy of 638 (2022: 598), which is funded from the grant.		
<b>Finance Management Grant</b>		
Current-year receipts	1 950 000	1 750 000
Conditions met - transferred to revenue	(1 950 000)	(1 750 000)
	-	-
<b>Expanded Public Works Program Grant</b>		
Current-year receipts	1 228 000	1 100 000
Conditions met - transferred to revenue	(1 228 000)	(1 100 000)
	-	-
<b>Equitable Share - Covid 19</b>		
Balance unspent at beginning of year	-	6 742 490
Conditions met - transferred to revenue	-	(6 742 490)
	-	-
<b>Libraries plan</b>		
Balance unspent at beginning of year	3 399 267	2 062 805
Current-year receipts	7 000 000	5 706 404
Conditions met - transferred to revenue	(8 881 534)	(4 620 733)
Transfer to payables	(729 619)	(1 042 805)

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>27. Government grants &amp; subsidies (continued)</b>		
Transfer from payables	-	1 293 596
	<b>788 114</b>	<b>3 399 267</b>
Conditions still to be met - remain liabilities (see note 13).		
<b>Provincial clinics</b>		
Balance unspent at beginning of year	-	(440 684)
Written off	-	440 684
	-	-
<b>Performance Management System Grant</b>		
Balance unspent at beginning of year	351 022	351 022
Conditions still to be met - remain liabilities (see note 13).		
<b>District health</b>		
Balance unspent at beginning of year	(353 298)	(4 836 430)
Current-year receipts	2 429 290	3 101 959
Conditions met - transferred to revenue	(3 516 379)	(3 455 257)
Written off	-	4 836 430
	<b>(1 440 387)</b>	<b>(353 298)</b>
<b>Expanded Public Works Program (Cogta)</b>		
Current-year receipts	1 066 000	1 000 000
Conditions met - transferred to revenue	(1 066 000)	(1 000 000)
	-	-
<b>Grap 17 Compliance Grant</b>		
Current-year receipts	-	1 000 000
Conditions met - transferred to revenue	-	(1 000 000)
	-	-
<b>Bontle Ke Botho Grant</b>		
Balance unspent at beginning of year	-	27 371
Conditions met - transferred to revenue	-	(27 371)
	-	-
<b>LG Seta</b>		
Current-year receipts	1 659 553	701 837
Conditions met - transferred to revenue	(1 659 553)	(701 837)
	-	-
<b>Municipal Infrastructure Grant</b>		
Current-year receipts	29 698 000	22 716 000

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>27. Government grants &amp; subsidies (continued)</b>		
Conditions met - transferred to revenue	(29 698 000)	(22 716 000)
	-	-
<b>Integrated National Electrification Program</b>		
Balance unspent at beginning of year	-	1 338 382
Current-year receipts	25 458 000	40 400 000
Conditions met - transferred to revenue	(25 458 000)	(40 400 000)
Offset against equitable share	-	(1 338 382)
	-	-
<b>Energy Efficiency and Demand Side Management Grant</b>		
Balance unspent at beginning of year	63 136	-
Current-year receipts	-	4 000 000
Conditions met - transferred to revenue	-	(3 936 864)
	<b>63 136</b>	<b>63 136</b>
Conditions still to be met - remain liabilities (see note 13).		
<b>Water Services Infrastructure Grant</b>		
Balance unspent at beginning of year	-	1 828 890
Current-year receipts	13 874 000	27 000 000
Conditions met - transferred to revenue	(13 874 000)	(27 000 000)
Offset against equitable share	-	(1 828 890)
	-	-
<b>Recapitalization of Community Libraries Grant</b>		
Balance unspent at beginning of year	5 674 911	8 049 541
Current-year receipts	12 800 000	8 296 723
Conditions met - transferred to revenue	(10 414 047)	(9 425 089)
Transfer to payables	(2 275 644)	(3 749 541)
Transfer from payables	-	2 503 277
	<b>5 785 220</b>	<b>5 674 911</b>
Conditions still to be met - remain liabilities (see note 13).		
<b>Cogta Fire and Rescue Services Grant</b>		
Balance unspent at beginning of year	2 000 000	-
Current-year receipts	4 200 000	2 000 000
Conditions met - transferred to revenue	(5 994 983)	-
	<b>205 017</b>	<b>2 000 000</b>
Conditions still to be met - remain liabilities (see note 13).		
<b>28. Public contributions and donations</b>		
Rand water	-	10 000

## Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>29. Fines, Penalties and Forfeits</b>		
Municipal Traffic Fines	1 200 100	1 569 650

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>30. Employee related costs</b>		
Basic	135 153 426	125 226 995
Medical aid - company contributions	12 741 846	11 981 883
UIF	1 021 357	1 019 992
WCA	1 107 628	896 549
SDL	2 437 330	1 758 455
Other payroll levies	59 172	57 772
Leave pay provision charge	8 692 739	7 765 625
Pension costs	25 874 835	24 479 545
Group insurance	2 232 037	2 072 645
Overtime payments	15 329 593	16 709 839
Long-service awards	61 580	72 036
13th Cheques	10 764 974	10 237 729
Acting allowances	2 254 619	1 924 693
Car allowance	5 095 807	4 212 444
Housing benefits and allowances	805 741	736 136
Cellphone allowance	1 038 850	990 189
Entertainment allowance	-	490
Standby	1 771 247	1 722 427
Tool allowance	480	500
	<b>226 443 261</b>	<b>211 865 944</b>

### Remuneration of municipal manager

Annual Remuneration	1 517 083	128 233
Car Allowance	84 000	-
Contributions to UIF, Medical and Pension Funds	-	-
Cellphone Allowance	42 000	3 500
Leave Pay	-	134 060
	<b>1 643 083</b>	<b>265 793</b>

### Remuneration of chief finance officer

Annual Remuneration	-	-
Car Allowance	-	-
Contributions to UIF, Medical and Pension Funds	-	-
	-	-

The position has been vacant since 25 April 2019.

### Remuneration of executive manager: corporate services

Annual Remuneration	206 016	633 894
Car Allowance	60 000	240 000
Housing allowance	96 000	384 000
Cellphone Allowance	7 500	30 000
Leave Pay	241 516	-
	<b>611 032</b>	<b>1 287 894</b>

### Remuneration of executive manager: community services

Annual Remuneration	1 132 370	1 074 294
Car Allowance	183 600	183 600
Cellphone Allowance	30 000	30 000
	<b>1 345 970</b>	<b>1 287 894</b>



# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

### 30. Employee related costs (continued)

#### Remuneration of executive manager: infrastructure services

Annual Remuneration	1 143 170	1 085 094
Car Allowance	172 800	172 800
Cellphone Allowance	30 000	30 000
	<b>1 345 970</b>	<b>1 287 894</b>

#### Remuneration of executive manager: development and planning

Annual Remuneration	-	1 173 901
Car Allowance	-	84 000
Acting Allowance	-	282 060
Cellphone Allowance	-	30 000
	-	<b>1 569 961</b>

The position has been vacant since 1 July 2022.

### 31. Remuneration of councillors

Executive Mayor	988 262	934 648
Speaker	789 089	741 261
Chief Whip	750 236	463 062
Mayoral Committee Members	3 755 181	3 513 602
Councillors	6 240 294	6 074 985
	<b>12 523 062</b>	<b>11 727 558</b>

#### In-kind benefits

The Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time. Each is provided with an office and the Executive Mayor and Speaker are provided with secretarial support at the cost of the Council.

The Executive Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

The Executive Mayor has four full-time bodyguards. The speaker has two full-time bodyguards.

#### Additional information

Councillors are remunerated in terms of the Remuneration of the Public Office Bearers Act.

### 32. Depreciation and amortisation

Property, plant and equipment	42 072 267	38 782 501
Investment property	2 081 583	2 310 890
Intangible assets	527 480	354 202
	<b>44 681 330</b>	<b>41 447 593</b>

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>33. Impairment loss</b>		
<b>Impairments</b>		
Property, plant and equipment	8 772 036	3 295 047
Investment property	11 391 240	-
	<b>20 163 276</b>	<b>3 295 047</b>
<b>Main classes of assets affected by impairment losses</b>		
Investment properties	11 391 240	-
Plant and machinery	49	-
Furniture and fixtures	45 399	33
Motor vehicles	532 460	204 794
Office equipment	18 820	45
Infrastructure assets	2 747 335	2 738 541
Community assets	5 437 851	351 634
	<b>20 173 154</b>	<b>3 295 047</b>
<b>34. Finance costs</b>		
Non-current borrowings	3 332 940	3 677 058
Trade and other payables	14 161 447	834 149
Interest cost on employee benefits	2 411 118	2 043 006
Fair value adjustments on landfill sites	470 593	412 620
	<b>20 376 098</b>	<b>6 966 833</b>
<b>35. Lease rentals on operating lease</b>		
<b>Motor vehicles</b>		
Contractual amounts	-	1 550
<b>Equipment</b>		
Contractual amounts	4 187 129	2 568 071
	<b>4 187 129</b>	<b>2 569 621</b>
<b>36. Debt impairment</b>		
Impairment on traffic fines	1 097 933	1 437 717
Contributions to debt impairment provision	415 809 204	199 648 254
Bad debts written off	3 300	5 302 314
	<b>416 910 437</b>	<b>206 388 285</b>
<b>37. Bulk purchases</b>		
Electricity - Eskom	291 161 904	307 834 398
Water	96 867 463	91 334 657
	<b>388 029 367</b>	<b>399 169 055</b>

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023		2022	
37. Bulk purchases (continued)				
Electricity losses				
	Number 2023	Number 2022		
Units purchased	173 978 591	208 788 475	215 761 812	233 118 137
Units sold	(134 864 474)	(155 750 138)	(167 253 932)	(173 899 359)
Total loss	39 114 117	53 038 337	48 507 880	59 218 778
Comprising of:				
Technical losses	9 046 887	10 857 001	11 219 614	12 122 142
Non-technical losses	30 067 230	42 181 336	37 288 266	47 096 636
Total	39 114 117	53 038 337	48 507 880	59 218 778
Percentage Loss:				
Technical losses	5.20 %	5.20 %	5.20 %	5.20 %
Non-technical losses	17.28 %	20.20 %	17.28 %	20.20 %
Total	22.48 %	25.40 %	22.48 %	25.40 %
Water losses				
	Number 2023	Number 2022		
Units purchased	8 256 963	8 486 350	95 898 100	90 683 066
Units sold	(5 522 491)	(5 105 638)	(64 139 370)	(54 557 601)
Total	2 734 472	3 380 712	31 758 730	36 125 465
Comprising of:				
Technical losses	445 876	458 263	5 178 497	4 896 886
Non-technical losses	2 288 596	2 922 449	26 580 233	31 228 579
Total	2 734 472	3 380 712	31 758 730	36 125 465
Percentage Loss:				
Technical losses	5.54 %	5.54 %	5.54 %	5.54 %
Non-technical losses	27.58 %	34.30 %	27.58 %	34.30 %
Total	33.12 %	39.84 %	33.12 %	39.84 %

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>38. Contracted services</b>		
<b>Outsourced Services</b>		
Animal Care	168 000	99 000
Burial Services	69 118	46 152
Business and Advisory	7 900 007	9 666 793
Catering Services	361 904	923 129
Cleaning Services	77 468	124 300
Hygiene Services	728 198	4 722 824
Internal Auditors	2 573 603	372 713
Meter Management	10 271 874	9 838 087
Connection/Dis-connection	189 719	1 351 883
Security Services	6 566 069	3 475 645
Sewerage Services	185 721	-
Transport Services	1 700	3 318
<b>Consultants and Professional Services</b>		
Business and Advisory	6 406 067	5 349 908
Infrastructure and Planning	6 615 654	-
Laboratory Services	1 661 965	-
Legal Cost	13 172 717	5 986 623
<b>Contractors</b>		
Electrical	7 613 327	17 133 786
Employee Wellness	180 180	91 260
Event Promoters	23 667	1 000
Inspection Fees	1 061 675	1 164 658
Maintenance of Buildings and Facilities	437 717	439 874
Maintenance of Equipment	1 580 167	1 642 282
Maintenance of Unspecified Assets	4 860 136	10 955 102
Tracing Agents and Debt Collectors	138 163	612 258
Traffic and Street Lights	331 790	5 762 397
Safeguard and Security	21 381 975	21 026 605
Sewerage Services	21 237 123	19 090 419
	<b>115 795 704</b>	<b>119 880 016</b>

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>39. General expenses</b>		
Advertising	1 415 361	675 799
Auditors remuneration	3 916 206	3 585 467
Bank charges	1 687 863	1 856 950
Commission paid	4 828 940	5 660 770
Consumables	975 474	951 498
Entertainment	-	2 120
Hire	1 696 700	1 832 523
Insurance	4 091 917	3 451 367
IT expenses	3 500	50 670
Fleet	6 954 822	6 599 292
Magazines, books and periodicals	285 415	542 208
Fuel and oil	518	1 361
Postage and courier	4 740 011	3 295 849
Protective clothing	1 690 613	1 528 146
Software expenses	7 712 382	6 007 360
Subscriptions and membership fees	2 467 352	2 236 212
Telephone and fax	6 305 799	3 046 364
Transport and freight	51 900	20 950
Training	537 579	471 339
Travel - local	410 945	168 695
Refuse	23 441 649	13 314 637
Assets expensed	259 755	220 331
Management fees	5 091 935	5 395 195
Financial losses	-	9 060 633
Materials	23 522 977	22 183 055
Other expenses	2 115 740	1 891 697
	<b>104 205 353</b>	<b>94 050 488</b>

## 40. Operating deficit

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

### Operating lease charges

Motor vehicles		
• Contractual amounts	-	1 550
Equipment		
• Contractual amounts	4 187 129	2 568 071
	<b>4 187 129</b>	<b>2 569 621</b>

Loss on sale of property, plant and equipment	(9 630 107)	(1 877 140)
Loss on sale of investment property	(24 576 817)	-
Impairment on property, plant and equipment	8 772 036	3 295 047
Impairment on investment property	11 391 240	-
Amortisation on intangible assets	527 480	354 202
Depreciation on property, plant and equipment	42 072 267	38 782 501
Depreciation on investment property	2 081 583	2 310 890
Employee costs	243 912 378	229 292 938

## 41. Taxation

The municipality is exempt from income tax in terms of the Income Tax Act (Act No 58 of 1962) Section 10(1)(a).

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>42. Cash generated from operations</b>		
(Deficit) surplus	(273 121 390)	18 439 955
<b>Adjustments for:</b>		
Depreciation and amortisation	44 681 330	41 447 593
Gain on sale of assets and liabilities	34 206 924	1 877 140
Impairment deficit	20 163 276	3 295 047
Debt impairment	416 910 437	206 388 285
Movements in retirement benefit assets and liabilities	66 754	(2 025 943)
Movements in provisions	9 275 879	5 266 080
Other movements/changes in assets	(5 431 755)	(2 318 337)
<b>Changes in working capital:</b>		
Inventories	2 940 599	(5 354 921)
Receivables from exchange transactions	167 349 149	(55 114 046)
Consumer debtors	(416 910 437)	(206 388 285)
Other receivables from non-exchange transactions	27 936 089	(2 776 141)
Payables from exchange transactions	99 241 467	84 512 086
VAT	(5 115 321)	1 931 546
Unspent conditional grants and receipts	(4 295 827)	(8 912 165)
Consumer deposits	1 557 422	1 627 672
	<b>119 454 596</b>	<b>81 895 566</b>

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

### 43. Prior-year adjustments

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

#### Statement of financial position

##### 2022

	Note	As previously reported	Correction of error	Re-classification	Restated
Investment property	8	121 324 114	(1 138 886)	-	120 185 228
Property, plant and equipment	9	1 048 112 481	43 026 411	-	1 091 138 892
Consumer debtors - Electricity		86 488 550	-	11 561 655	98 050 205
Consumer debtors - Water		43 047 436	-	5 820 610	48 868 046
Consumer debtors - Sewerage		8 248 367	-	1 023 894	9 272 261
Consumer debtors - Refuse		11 627 821	-	1 588 338	13 216 159
Consumer debtors - Other		51 456 175	-	261 603	51 717 778
Consumer debtors - VAT		20 256 100	-	(20 256 100)	-
		<b>1 390 561 044</b>	<b>41 887 525</b>	<b>-</b>	<b>1 432 448 569</b>

#### Statement of financial performance

##### 2022

	Note	As previously reported	Correction of error	Restated
Depreciation and amortisation	32	37 911 369	3 536 224	41 447 593
General expenditure	39	87 197 855	(2 208 000)	84 989 855
<b>Surplus for the year</b>		<b>125 109 224</b>	<b>1 328 224</b>	<b>126 437 448</b>

#### Cash flow statement

##### 2022

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Suppliers		538 141 236	(2 208 000)	535 933 236
Cash flow from investing activities				
Purchase of property plant and equipment		91 101 364	2 208 000	93 309 364

#### Errors

The following prior period errors adjustments occurred:

##### Investment property

During the year under review management determined that certain privately owned properties with a carrying amount of R1,138,886 was erroneously included in investment property. The properties together with the related depreciation were subsequently derecognised.

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

### 43. Prior-year adjustments (continued)

#### Property, plant and equipment

During the year under review, management identified various errors in PPE (duplications and omissions) with a carrying value of R43,026,411. The above errors with the related depreciation and accumulated impairment were corrected in the affected financial years.

#### Reclassifications

The following reclassifications adjustment occurred:

#### Consumer debtors

Consumer debtors were restated due to the new financial system not allowing VAT on debtors for services charged to show as a separate line item on the face of the AFS. As a result, the prior year figures were restated to be comparable with the current period.

### 44. Change in estimate

#### Property, plant and equipment

During the current financial year a physical verification and condition assessment was undertaken. This resulted in changes in the condition of certain assets and the remaining of these assets were adjusted. The effect of this revision is as follows:

Decrease in depreciation expense for plant and machinery amounting to R5,962.48.  
Decrease in depreciation expense for furniture and fixtures amounting to R825,918.61.  
Increase in depreciation expense for motor vehicles amounting to R415,259.65.  
Decrease in depreciation expense for office equipment amounting to R358,298.83.  
Decrease in depreciation expense for infrastructure assets amounting to R113,777.19  
Increase in depreciation expense for community assets amounting to R241,466.43.  
Increase in depreciation expense for library books amounting to R149,266.63.

#### Investment property

During the current financial year a physical verification and condition assessment was undertaken. This resulted in changes in the condition of certain assets and the remaining of these assets were adjusted. The effect of this revision is as follows:

Increase in depreciation expense for investment property amounting R156,106.02.

#### Intangible assets

During the current financial year a physical verification and condition assessment was undertaken. This resulted in changes in the condition of certain assets and the remaining of these assets were adjusted. The effect of this revision is as follows:

Decrease in depreciation expense for computer software amounting R153,687.72.

### 45. Financial instruments disclosure

#### Categories of financial instruments

#### 2023

#### Financial assets

	At amortised cost	Total
Other receivables from exchange transactions	8 126 452	8 126 452
Other receivables from non-exchange transactions	10 309 449	10 309 449
Consumer debtors	70 960 277	70 960 277
Cash and cash equivalents	70 550 307	70 550 307



# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

### 45. Financial instruments disclosure (continued)

	<b>159 946 485</b>	<b>159 946 485</b>
--	--------------------	--------------------

#### Financial liabilities

	At amortised cost	Total
Long term loans	32 808 865	32 808 865
Payables from exchange transactions	318 384 559	318 384 559
Unspent conditional grants and receipts	7 192 509	7 192 509
Consumer deposits	23 180 544	23 180 544
VAT payable	12 431 608	12 431 608
	<b>393 998 085</b>	<b>393 998 085</b>

### 2022

#### Financial assets

	At amortised cost	Total
Other receivables from exchange transactions	5 697 781	5 697 781
Other receivables from non-exchange transactions	9 181 729	9 181 729
Consumer debtors	269 801 906	269 801 906
Cash and cash equivalents	39 971 761	39 971 761
	<b>324 653 177</b>	<b>324 653 177</b>

#### Financial liabilities

	At amortised cost	Total
Long term loans	39 572 096	39 572 096
Payables from exchange transactions	219 330 232	219 330 232
Unspent conditional grants and receipts	11 488 336	11 488 336
Consumer deposits	21 623 122	21 623 122
VAT payable	17 546 929	17 546 929
	<b>309 560 715</b>	<b>309 560 715</b>

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

### 46. Risk management

#### Liquidity risk

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

At 30 June 2023	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Long term loans	4 339 747	22 485 930	5 983 188	32 808 865
Payables from exchange transactions	322 976 686	-	-	322 976 686
Unspent conditional grants	7 192 509	-	-	7 192 509
Consumer deposits	23 180 544	-	-	23 180 544
VAT payable	12 431 608	-	-	12 431 608
At 30 June 2022	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Long term loans	6 788 253	24 228 124	8 555 719	39 572 096
Payables from exchange transactions	223 735 218	-	-	223 735 218
Unspent conditional grants	11 488 336	-	-	11 488 336
Consumer deposits	21 623 122	-	-	21 623 122
VAT payable	17 546 929	-	-	17 546 929

#### Credit risk

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

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

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

Financial instrument	2023	2022
Absa Bank - 500000066	12 542 059	7 750 852
Absa Bank - 4083802528	126 413	126 215
FNB - 62795102088	14 939 658	6 211 119
Absa - 4076802751	5 469 801	4 504 110
Investec - 1400137177	37 470 299	21 124 693
Trade and other receivables from exchange transactions	8 126 452	5 697 781
Receivables from non-exchange transactions	10 309 449	9 181 729
Consumer debtors	70 960 277	269 801 906

#### Market risk

##### Interest rate risk

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

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>47. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	5 043 252	10 195 278
<b>Total capital commitments</b>		
Already contracted for but not provided for	5 043 252	10 195 278
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Expenditure	24 933 403	5 635 357
<b>Total operational commitments</b>		
Already contracted for but not provided for	24 933 403	5 635 357
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	5 043 252	10 195 278
Authorised operational expenditure	24 933 403	5 635 357
	<b>29 976 655</b>	<b>15 830 635</b>
<b>Committed capital expenditure consists of:</b>		
984 Infinite Enterprise (Pty) Ltd	-	2 976 623
Aaron D Projects (Pty) Ltd	225 339	-
Absolute Business Consultants	-	13 622
BICS Engineering and Supply (Pty) Ltd	1 803 905	5 060 752
Dwellers Trading and Projects	1 349 574	-
Khosanto Holdings (Pty) Ltd	929 584	-
Mahlatji Mmethie Trading and Projects	734 850	-
Mbako Projects and Trading	-	1 826 024
Nissan SA	-	178 257
SLM Trading and Projects	-	140 000
	<b>5 043 252</b>	<b>10 195 278</b>
This committed expenditure relates to plant and equipment and will be financed by existing cash resources, funds internally generated and grant funding.		
<b>Committed operational expenditure consists of:</b>		
Bravo Span 90 CC	10 064 316	-
EWC Vehicle Communication (Pty) Ltd	-	338 420
Fidelity Cash Solutions (Pty) Ltd	555 015	877 383
Infratec Consulting (Pty) Ltd	497 036	3 290 756
Khosanto Holdings (Pty) Ltd	-	1 040 302
Mamadi and Company	777 500	-
Micro Alert CC	35 343	88 496
Munsoft (Pty) Ltd	13 004 193	-
	<b>24 933 403</b>	<b>5 635 357</b>

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>48. Contingencies</b>		
<b>Contingent liabilities</b>		
Claim by P Mpele against the municipality for reinstatement to position of CFO with backpay	2 408 333	2 300 000
Claim by P Mpele against the municipality for reinstatement to position of MM with backpay	3 385 630	302 145
Litigation is in the process against the municipality by a supplier for early termination of contract for debt collection, electricity vending and automated meter reading	12 416 476	16 876 664
Litigation against the municipality by a supplier for payment of services rendered for security services	-	6 100 000
Litigation against the municipality for the provision of municipal services	180 000	180 000
Litigation against the municipality regarding a dispute over the closing of a street	500 000	250 000
Labour matter regarding the payment for overlapping hours	-	250 000
Contractual dispute with regards to the leasing of a property	100 000	100 000
Personal injury claim against the municipality regarding injuries suffered by a minor as a result of a pole that fell	5 122 500	5 122 500
Personal injury claim against the municipality regarding injuries suffered by a minor as a result of a pole that fell	6 622 500	6 622 500
Litigation against the municipality regarding damage to property as a result of a veld fire	1 515 174	1 807 000
Litigation against the municipality by a supplier for alleged breach of Service Level Agreement relating to the construction of stalls	2 235 942	2 148 634
Litigation against the municipality by a supplier for services allegedly provided during the validity of their contract	23 139 690	-
Litigation against the municipality for construction services allegedly rendered	1 203 985	-
Personal injury claim by a municipal tenant against the municipality for injuries suffered	989 428	-
Litigation against the municipality for environmental compliance	1 255 000	-
	<b>61 074 658</b>	<b>42 059 443</b>
<b>Contingent assets</b>		
Claim by the municipality against a supplier regarding a contractual dispute	25 382 304	25 382 304
Claim by the municipality against a former employee for the unlawful and fraudulent transfer of municipal property	67 000	14 003 460
Claim by the municipality to recover funds fraudulently transferred out of the municipal bank account	2 450 708	-
	<b>27 900 012</b>	<b>39 385 764</b>

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

### 49. Related parties

Relationships

Accounting Officer

Members of key management

S Dlamini

G Mncube(Acting CFO)

J Marwa (Acting Executive Manager: Corporate Services)

N Khawula (Executive Manager: Community Services)

T Zondi (Executive Manager: Infrastructure Services)

### Related party transactions

There were no transactions with related parties other than those disclosed during the year.

### Key management information

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

### 49. Related parties (continued)

#### Remuneration of management

#### Management class: Councillors

#### 2023

Name	Basic salary	Travelling Allowance	Cellphone Allowance	Total
Cllr MNR Nkosi (Executive Mayor)	601 978	345 484	40 800	988 262
Cllr PR Mpemvu (Speaker)	684 288	64 000	40 800	789 088
Cllr TJ Gama (Chief Whip)	611 231	98 205	40 800	750 236
Cllr MV Motsepe	599 779	123 417	40 800	763 996
Cllr T Motsepe	477 821	233 409	40 800	752 030
Cllr ME Magazi	587 353	118 325	40 800	746 478
Cllr MS Lukhele	590 723	118 325	40 800	749 848
Cllr T Mashinini	558 032	144 000	40 800	742 832
Cllr SJ Mnyakeni	221 292	158 063	40 800	420 155
Cllr D Tsotetsi	379 562	-	40 800	420 362
Cllr M Boshoff	299 842	-	40 800	340 642
Cllr GC Holtzhausen	299 842	-	40 800	340 642
Cllr LS Gamede	201 564	98 278	40 800	340 642
Cllr BV Mogorosi	299 842	-	40 800	340 642
Cllr HACS Paul	162 234	137 608	40 800	340 642
Cllr MJ Khubeka	296 007	-	40 800	336 807
Cllr BM Mkhize	296 007	-	40 800	336 807
Cllr FEJ Khumalo	296 007	-	40 800	336 807
Cllr CG Naidoo	296 007	-	40 800	336 807
Cllr MF Langa	296 007	-	40 800	336 807
Cllr CD Simelane	296 007	-	40 800	336 807
Cllr LM Machitje	248 007	48 000	40 800	336 807
Cllr LB Moloi	296 007	-	40 800	336 807
Cllr C Collen	296 007	-	40 800	336 807
Cllr J Coetzee	296 007	-	40 800	336 807
Cllr Y Combrinck - Appointed May 2023	30 754	-	-	30 754
Cllr MA Mulder - Resigned February 2023	202 723	-	27 200	229 923
Cllr TS Moremi - Term ended November 2021	8 751	-	-	8 751
Cllr TE Ramothibe - Term ended November 2021	8 751	-	-	8 751
Cllr ZS Twala - Term ended November 2021	8 751	-	-	8 751
Cllr MK Rakitla - Term ended November 2021	8 751	-	-	8 751
Cllr RS Hlatshwayo - Term ended November 2021	3 646	-	-	3 646
Cllr NE Cindi - Term ended November 2021	3 646	-	-	3 646
Cllr AZ Abdullah - Term ended November 2021	3 646	-	-	3 646
Cllr JM Sabasaba - Term ended November 2021	3 646	-	-	3 646
Cllr TP Nyembe - Term ended November 2021	3 646	-	-	3 646
Cllr MP Mofokeng - Term ended November 2021	3 646	-	-	3 646
Cllr MP Mtshonyane - Term ended November 2021	3 646	-	-	3 646
Cllr MVM Malafela - Term ended November 2021	3 646	-	-	3 646
Cllr PR Mchunu - Term ended November 2021	3 646	-	-	3 646
	<b>9 788 748</b>	<b>1 687 114</b>	<b>1 047 200</b>	<b>12 523 062</b>

#### 2022

Name	Basic salary	Travelling Allowance	Cellphone Allowance	Total
Cllr MNR Nkosi (Executive Mayor)	548 366	345 484	40 800	934 650

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand			2023	2022
<b>49. Related parties (continued)</b>				
Cllr PR Mpemvu (Speaker) - Appointed November 2021	462 894	-	26 411	489 305
Cllr TJ Gama	431 947	98 206	40 800	570 953
Cllr T Mashinini - Appointed November 2021	349 964	84 000	26 411	460 375
Cllr T Motsepe	436 978	233 409	40 800	711 187
Cllr MS Lukhele	412 216	118 325	40 800	571 341
Cllr ME Magazi	405 702	128 209	40 800	574 711
Cllr MV Motsepe	511 497	163 180	40 800	715 477
Cllr LS Gamede	184 592	98 278	40 800	323 670
Cllr SJ Mnyakeni	191 596	158 063	40 800	390 459
Cllr GC Holtzhausen	250 111	32 759	40 800	323 670
Cllr HACS Paul	145 262	137 608	40 800	323 670
Cllr Mogorosi	282 870	-	40 800	323 670
Cllr Mulder	242 836	40 034	40 800	323 670
Cllr M Boshoff	241 475	41 395	40 800	323 670
Cllr C Collen - Appointed November 2021	183 111	-	26 411	209 522
Cllr LM Machitje - Appointed November 2021	155 111	28 000	26 411	209 522
Cllr MF Langa - Appointed November 2021	183 111	-	26 411	209 522
Cllr J Coetzee - Appointed November 2021	183 111	-	26 411	209 522
Cllr MJ Kubheka - Appointed November 2021	183 111	-	26 411	209 522
Cllr FEJ Khumalo - Appointed November 2021	183 111	-	26 411	209 522
Cllr D Tsotetsi - Appointed November 2021	216 506	-	26 411	242 917
Cllr CD Simelane - Appointed November 2021	183 111	-	26 411	209 522
Cllr BM Mkhize - Appointed November 2021	183 111	-	26 411	209 522
Cllr LB Mloi - Appointed November 2021	183 111	-	26 411	209 522
Cllr CG Naidoo - Appointed November 2021	177 642	-	26 411	204 053
Cllr TS Moremi - Term ended November 2021	140 928	95 942	14 416	251 286
Cllr TE Ramothibe - Term ended November 2021	154 566	82 304	14 416	251 286
Cllr ZS Twala - Term ended November 2021	140 928	95 942	14 416	251 286
Cllr MK Rakitla - Term ended November 2021	140 928	95 942	14 416	251 286
Cllr RS Hlatshwayo - Term ended November 2021	65 223	34 725	14 416	114 364
Cllr NE Cindi - Term ended November 2021	73 947	26 000	14 416	114 363
Cllr AZ Abdullah - Term ended November 2021	99 947	-	14 416	114 363
Cllr JM Sabasaba - Term ended November 2021	99 947	-	14 416	114 363
Cllr TP Nyembe - Term ended November 2021	99 947	-	14 416	114 363
Cllr MP Mofokeng - Term ended November 2021	51 828	48 119	14 416	114 363
Cllr MP Mtshonyane - Term ended November 2021	50 516	49 431	14 416	114 363
Cllr MVM Malafela - Term ended November 2021	99 947	-	14 416	114 363
Cllr PR Mchunu - Term ended November 2021	59 849	40 098	14 416	114 363
	<b>8 390 954</b>	<b>2 275 453</b>	<b>1 061 151</b>	<b>11 727 558</b>

**Management class: Executive management**

\*Refer to note 30 "Employee related costs"

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

### 50. 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.

### 51. Unauthorised expenditure

Opening balance as previously reported	274 199 126	234 708 125
Add: Expenditure identified - current	187 976 602	39 491 001
<b>Closing balance</b>	<b>462 175 728</b>	<b>274 199 126</b>

#### Unauthorised expenditure: Budget overspending – per municipal department:

Community Services	4 447 793	-
Corporate Services	2 069 837	-
Development and Planning	24 804 526	-
Executive and Council	3 257 922	949 915
Finance	54 921 835	1 650 089
Infrastructure	98 474 689	36 890 997
	<b>187 976 602</b>	<b>39 491 001</b>

### 52. Fruitless and wasteful expenditure

Opening balance as previously reported	15 881 488	14 856 874
Add: Fruitless and wasteful expenditure identified - current	14 161 447	1 024 614
<b>Closing balance</b>	<b>30 042 935</b>	<b>15 881 488</b>

Fruitless and wasteful expenditure is presented inclusive of VAT

#### Fruitless and wasteful expenditure identified include those listed below:

Balju Sheriff	7 879	263
City of Ekurhuleni	1 844	1 807
Eskom	12 688 941	730 673
Gobobo Transport	-	189 051
Munsoft	244	-
Rand Water	1 454 755	93 645
Telkom	7 784	9 175
	<b>14 161 447</b>	<b>1 024 614</b>

Fruitless and wasteful expenditure is presented inclusive of VAT.



# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>53. Irregular expenditure</b>		
Opening balance as previously reported	301 194 621	293 707 208
Add: Irregular expenditure - current	6 496 305	7 487 413
<b>Closing balance</b>	<b>307 690 926</b>	<b>301 194 621</b>

### Irregular expenditure identified include those listed below:

Absa Bank	525 749	483 129
Batho Bantsho Trading and Projects	545 928	-
Bidvest Steiner	-	10 147
BR Electrical	-	24 800
EBMAG	-	24 000
Combine Private Investigations	588 990	-
Focus Forms	-	351 719
Gobodo Forensic and Investigative Accounting	242 333	248 043
Kloofsig Motors	132 666	747 500
Makhoba Professional Services	-	28 800
Masimbuye	-	881 050
Mazobo Projects	1 408 400	-
Mkhabela Huntley Attorneys Inc	1 811	108 699
Phileza Tyres	437 706	766 925
Raphela Attorneys Inc	-	45 762
Rasegoete Attorneys	23 912	310 140
Shandukani Technologies	28 000	38 500
Singa Tel (Pty) Ltd	42 941	315 512
Siyqhubo Enterprise	-	105 600
Suikerbos Motors	2 502 825	2 452 050
Thembridge Support Services	-	487 025
Webb Industries	15 044	58 012
	<b>6 496 305</b>	<b>7 487 413</b>

The municipality commenced with irregular expenditure investigations during the 2022/2023 financial year on 2 June 2023. Investigations by an independent internal audit service provider were in progress as at 30 June 2023 and the investigation report was finalised on 8 August 2023.

### 54. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Twenty one procurements (spread over 15 companies), noted below, were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

The procurements noted above are:

Reason	Number 2023	Number 2022	Amount 2023	Amount 2022
Sole Supplier [S36(1)(a)(ii)]	3 Companies	1 Company	196 988	11 834
Impractical to follow SCM [S36(1)(a)(v)]	12 Companies	9 Companies	4 876 347	5 133 803
			<b>5 073 335</b>	<b>5 145 637</b>

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

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

#### Material losses through criminal conduct

Opening balance as previously reported	7 000 000	-
Add: Losses identified - current period	-	7 000 000
Less: Amounts recovered - current	(4 549 292)	-
	<b>2 450 708</b>	<b>7 000 000</b>

Funds amounting to R7,000,000 were fraudulently withdrawn from the municipality's bank account during the prior year. During the course of the financial year, an amount of R4,549,292 was recovered. Investigations are in process and the necessary steps have been taken to recover the balance of the money.

#### Other material losses

Opening balance as previously reported	2 060 635	-
Add: Losses identified - current period	-	2 060 635
	<b>2 060 635</b>	<b>2 060 635</b>

An amount of R2,060,635 was paid into an incorrect bank account. A case has been opened with the South African Police Services and the owner of the bank account has been arrested. Investigations are continuing.

#### Audit fees

Current year subscription / fee	3 916 206	3 585 467
Amount paid - current year	(3 916 206)	(3 585 467)
	-	-

#### PAYE and UIF

Current year subscription / fee	35 247 604	29 388 654
Amount paid - current year	(35 247 604)	(29 388 654)
	-	-

#### Pension and Medical Aid Deductions

Current year subscription / fee	60 648 292	54 308 532
Amount paid - current year	(60 648 292)	(54 308 532)
	-	-

#### VAT

VAT receivable	(12 431 608)	(17 546 929)
----------------	--------------	--------------

All VAT returns have been submitted by the due date throughout the year.

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

### 55. 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 2023:

30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr LM Machitje	5 991	112 667	118 658
Cllr FEJ Khumalo	5 262	5 042	10 304
	<b>11 253</b>	<b>117 709</b>	<b>128 962</b>

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr LM Machitje	6 009	100 239	106 248
Cllr T Mashinini	4 169	36 134	40 303
Cllr D Tsotetsi	2 897	2 872	5 769
Cllr BM Mkhize	1 472	-	1 472
Cllr FEJ Khumalo	3 664	49 454	53 118
Cllr CJ Naidoo	12 692	5 256	17 948
Cllr MJ Kubheka	2 466	19 127	21 593
Cllr CD Simelane	530	1 268	1 798
	<b>33 899</b>	<b>214 350</b>	<b>248 249</b>

### 56. Budget differences

#### Material differences between budget and actual amounts

Explanation for the variances between the budget and actual amounts:

#### Statement of Financial Performance

1. Service charges - Impact of loadshedding and consumers using alternative energy sources
2. Recoveries - Insurance recoveries and financial losses recovered
3. Interest received - Increase in consumer debtors due to low collection
4. Government grants and subsidies - Unspent grants at year end
5. Impairment loss - Impairment due verification of assets
6. Finance costs - Overdue bulk accounts
7. Debt impairment - Debtor collection rate lower than anticipated
8. Bulk purchases - Impact of loadshedding and consumers using alternative energy sources
9. Contracted services - Unforeseen maintenance costs
10. Loss on disposal of assets - Derecognition of assets due to asset verification

#### Statement of Financial Position

11. Receivables from exchange transactions - Increase in debt impairment
12. Receivables from non-exchange transactions - Increase in debt impairment
13. Cash and cash equivalents - Unspent grants and cash management
14. Investment property - Impairment and derecognitions due to asset verification
15. Payables from exchange transactions - Payables higher than anticipated due to increased costs and cash flow challenges
16. VAT payable - Impairment of receivables
17. Consumer deposits - New accounts for houses built and handed over
18. Unspent conditional grants - Unspent libraries and Cogta grants
19. Long term loans - Loan payments not accounted for in budget
20. Employee benefit obligation - Actuarial valuation
21. Provisions - Landfill site and leave provision

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

2023

2022

### 57. Segment information

#### General information

#### Identification of segments

The municipality is organised and reports to management on the basis of four major functional areas: Governance and Administration, Community and Public Safety, Economic and Environmental Services and Trading Services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

#### Aggregated segments

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

#### Types of goods and/or services by segment

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

#### Reportable segment

Governance and Administration  
Community and Public Safety

Economic and Environmental Services

Trading Services

#### Goods and/or services

Governance, administration and financial services  
Community and social services, sport and recreation, public safety and health  
Planning and development, road transport, environmental protection  
Water and electricity supply, management of waste and waste water

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

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 57. Segment information (continued)

2023

	Governance and Administration	Community and Public Safety	Economic and Environmental Services	Trading Services	Total
<b>Revenue</b>					
Revenue from non-exchange transactions	337 357 247	30 352 090	30 010 016	40 968 694	438 688 047
Revenue from exchange transactions	10 316 095	6 837 641	315 058	612 337 941	629 806 735
Interest revenue	13 631 103	-	-	37 220 721	50 851 824
<b>Total segment revenue</b>	<b>361 304 445</b>	<b>37 189 731</b>	<b>30 325 074</b>	<b>690 527 356</b>	<b>1 119 346 606</b>
<b>Entity's revenue</b>					<b>1 119 346 606</b>
<b>Expenditure</b>					
Segment expenses	204 632 745	71 072 291	41 399 953	541 906 652	859 011 641
Depreciation and amortisation	8 801 603	6 932 813	8 413 136	20 533 780	44 681 332
Impairment of assets	586 849	5 437 850	11 391 240	2 747 335	20 163 274
Loss on disposal of assets	451 520	995 071	24 585 595	8 174 738	34 206 924
Debt impairment	91 658 255	1 097 933	-	324 154 250	416 910 438
Interest expense	681 432	-	110 894	16 702 061	17 494 387
<b>Total segment expenditure</b>	<b>306 812 404</b>	<b>85 535 958</b>	<b>85 900 818</b>	<b>914 218 816</b>	<b>1 392 467 996</b>
<b>Total segmental surplus/(deficit)</b>	<b>54 492 041</b>	<b>(48 346 227)</b>	<b>(55 575 744)</b>	<b>(223 691 460)</b>	<b>(273 121 390)</b>
<b>Assets</b>					
Current assets	5 405 111	1 522 009	-	161 540 840	168 467 960
Non-current assets	292 364	303 996 487	372 640 972	531 591 571	1 208 521 394
<b>Total segment assets</b>	<b>5 697 475</b>	<b>305 518 496</b>	<b>372 640 972</b>	<b>693 132 411</b>	<b>1 376 989 354</b>
<b>Total assets as per Statement of financial Position</b>					<b>1 376 989 354</b>
<b>Liabilities</b>					
Current liabilities	151 311 902	16 394 480	4 861 520	229 057 736	401 625 638
Non-current liabilities	48 540 302	-	-	35 942 811	84 483 113
<b>Total segment liabilities</b>	<b>199 852 204</b>	<b>16 394 480</b>	<b>4 861 520</b>	<b>265 000 547</b>	<b>486 108 751</b>
<b>Total liabilities as per Statement of financial Position</b>					<b>486 108 751</b>

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 57. Segment information (continued)

2022

	Governance and Administration	Community and Public Safety	Economic and Environmental Services	Trading Services	Total
<b>Revenue</b>					
Revenue from non-exchange transactions	314 579 627	19 108 100	22 716 000	73 436 864	429 840 591
Revenue from exchange transactions	5 428 099	8 521 191	291 943	629 242 349	643 483 582
Interest revenue	13 030 055	-	-	37 125 306	50 155 361
<b>Total segment revenue</b>	<b>333 037 781</b>	<b>27 629 291</b>	<b>23 007 943</b>	<b>739 804 519</b>	<b>1 123 479 534</b>
<b>Entity's revenue</b>					<b>1 123 479 534</b>
<b>Expenditure</b>					
Segment expenses	182 444 310	69 661 153	40 169 366	555 245 466	847 520 295
Depreciation and amortisation	6 828 281	6 663 511	15 039 523	12 916 278	41 447 593
Impairment of assets	204 872	351 634	-	2 738 541	3 295 047
Loss on disposal of assets	15 487	122 132	323	1 739 198	1 877 140
Debt impairment	23 907 307	1 462 917	-	181 018 062	206 388 286
Interest expense	756 465	-	182 391	3 572 351	4 511 207
<b>Total segment expenditure</b>	<b>214 156 722</b>	<b>78 261 347</b>	<b>55 391 603</b>	<b>757 229 896</b>	<b>1 105 039 568</b>
<b>Total segmental surplus/(deficit)</b>	<b>118 881 059</b>	<b>(50 632 056)</b>	<b>(32 383 660)</b>	<b>(17 425 377)</b>	<b>18 439 966</b>
<b>Assets</b>					
Current assets	165 894 190	353 298	-	169 867 762	336 115 250
Non-current assets	7 712 382	306 045 711	396 438 080	509 832 691	1 220 028 864
<b>Total segment assets</b>	<b>173 606 572</b>	<b>306 399 009</b>	<b>396 438 080</b>	<b>679 700 453</b>	<b>1 556 144 114</b>
<b>Total assets as per Statement of financial Position</b>					<b>1 556 144 114</b>
<b>Liabilities</b>					
Current liabilities	51 755 839	15 866 524	-	241 625 378	309 247 741
Non-current liabilities	52 853 402	-	-	30 040 464	82 893 866
<b>Total segment liabilities</b>	<b>104 609 241</b>	<b>15 866 524</b>	<b>-</b>	<b>271 665 842</b>	<b>392 141 607</b>
<b>Total liabilities as per Statement of financial Position</b>					<b>392 141 607</b>