



Lesedi Local Municipality
(Registration number GT423)
Annual Financial Statements
for the year ended 30 June 2024

Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2024

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

MNR Nkosi

Speaker

PR Mpemvu

Chief Whip

TJ Gama

Mayoral Committee

MS Lukhele

ME Magazi

T Mashinini

MV Motsepe

T Motsepe

Councillors

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

Grading of local authority

Grade 4 Local Municipality

Accounting Officer

S Dlamini

Chief Finance Officer (CFO)

G Mncube

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

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Abbreviations used:

| | |
|---------|--|
| COID | Compensation for Occupational Injuries and Diseases |
| CPI | Consumer Price Index |
| GRAP | Generally Recognised Accounting Practice |
| HDF | Housing Development Fund |
| IAS | International Accounting Standards |
| IPSAS | International Public Sector Accounting Standards |
| LG Seta | Local Government Sector Education and Training Authority |
| mSCOA | Municipal Standard Chart of Accounts |

Lesedi Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Responsibilities and Approval

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

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

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

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


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

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

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

The external auditors are responsible for independently auditing 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 5.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024 and were signed on its behalf by:


S Dlamini
Accounting Officer

Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2024

Audit Committee Report

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

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 10 meetings were held.

| Name of member | Number of meetings attended |
|---------------------------------------|-----------------------------|
| Mr. M Nondwangu (Chairperson) | 10 |
| Mr. K Mokgokong | 10 |
| Ms. A Noah | 9 |
| Ms. N Dhlamini (Passed away May 2024) | 8 |
| Mr. T Motseto | 5 |

Audit committee responsibility

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

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

The effectiveness of internal control

The system of internal controls is showing signs of improvement in terms of adequacy, responsiveness and effectiveness, resulting in less incidents of noncompliance.

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

The committee has provided some improvement interventions for the next financial year for effective internal controls and quality of reports to be submitted in terms of the MFMA and the Division of Revenue Act.

Evaluation of annual financial statements

The audit committee has:

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

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

Internal audit

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

Auditor-General of South Africa

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

Mzonke Nondwangu

Chairperson of the Audit Committee

Date: 11 December 2024

Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

| Figures in Rand | Note(s) | 2024 | 2023 Restated* |
|--|---------|----------------------|----------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | 3 | 62 469 330 | 70 550 307 |
| Receivables from exchange transactions | 4&6 | 79 403 727 | 59 473 081 |
| Receivables from non-exchange transactions | 5&6 | 31 686 114 | 29 923 097 |
| Inventories | 7 | 8 428 453 | 8 521 475 |
| VAT receivable | 8 | 59 234 980 | 42 214 474 |
| | | 241 222 604 | 210 682 434 |
| Non-Current Assets | | | |
| Investment property | 9 | 119 451 298 | 119 516 113 |
| Property, plant and equipment | 10 | 1 199 633 317 | 1 120 715 918 |
| Intangible assets | 11 | 5 587 112 | 6 067 001 |
| Heritage assets | 12 | 4 718 964 | 4 718 964 |
| | | 1 329 390 691 | 1 251 017 996 |
| Total Assets | | 1 570 613 295 | 1 461 700 430 |
| Liabilities | | | |
| Current Liabilities | | | |
| Payables from exchange transactions | 13 | 400 406 605 | 344 494 111 |
| Payables from non-exchange transactions | 14 | 7 797 853 | 7 797 853 |
| Unspent conditional grants and receipts | 15 | 6 365 621 | 7 129 509 |
| Consumer deposits | 16 | 24 770 803 | 23 180 544 |
| VAT payable | 17 | 51 782 371 | 54 646 081 |
| Municipal relief debt liability | 18 | 21 176 183 | - |
| Long term loans | 19 | 4 352 074 | 4 339 747 |
| Employee benefit obligation | 20 | 2 450 673 | 2 189 264 |
| | | 519 102 183 | 443 777 109 |
| Non-Current Liabilities | | | |
| Municipal relief debt liability | 18 | 34 330 694 | - |
| Long term loans | 19 | 24 071 271 | 28 469 118 |
| Employee benefit obligation | 20 | 22 745 282 | 20 071 183 |
| Provisions | 21 | 37 624 159 | 35 942 812 |
| | | 118 771 406 | 84 483 113 |
| Total Liabilities | | 637 873 589 | 528 260 222 |
| Net Assets | | 932 739 706 | 933 440 208 |
| Accumulated surplus | | 932 739 689 | 933 440 208 |
| Total Net Assets | | 932 739 689 | 933 440 208 |

* See Note 49

Lesedi Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

| Figures in Rand | Note(s) | 2024 | 2023 Restated* |
|---|---------|------------------------|------------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Service charges | 22 | 680 033 322 | 612 337 940 |
| Rental of facilities and equipment | 23 | 6 865 823 | 6 551 172 |
| Interest income | 24 | 53 693 234 | 47 190 656 |
| Licences and permits | 25 | 196 124 | 129 747 |
| Recoveries | 26 | 128 892 | 5 221 130 |
| Other income | 27 | 4 099 256 | 3 661 478 |
| Actuarial gains | 20 | - | 235 819 |
| Inventories reversal | 28 | 52 874 | 9 897 |
| Total revenue from exchange transactions | | 745 069 525 | 675 337 839 |
| Revenue from non-exchange transactions | | | |
| Taxation revenue | | | |
| Property rates | 29 | 167 043 585 | 154 088 247 |
| Interest income | 30 | 3 902 910 | 3 661 167 |
| Transfer revenue | | | |
| Government grants & subsidies | 31 | 335 367 534 | 285 122 253 |
| Public contributions and donations | 32 | 16 545 810 | - |
| Fines, Penalties and Forfeits | 33 | 2 196 800 | 1 200 100 |
| Municipal relief revenue | 34 | 28 821 154 | - |
| Total revenue from non-exchange transactions | | 553 877 793 | 444 071 767 |
| Total revenue | | 1 298 947 318 | 1 119 409 606 |
| Expenditure | | | |
| Employee related costs | 35 | (244 100 810) | (231 389 315) |
| Remuneration of councillors | 36 | (13 331 634) | (12 523 062) |
| Depreciation and amortisation | 37 | (46 523 534) | (45 370 948) |
| Impairment loss | 38 | (2 967 896) | (23 420 101) |
| Finance costs | 39 | (30 583 222) | (20 376 098) |
| Lease rentals on operating lease | 40 | (5 572 210) | (4 187 129) |
| Debt Impairment | 41 | (257 348 795) | (416 910 437) |
| Bulk purchases | 42 | (471 191 571) | (388 029 367) |
| Contracted services | 43 | (104 152 717) | (115 795 704) |
| Loss on disposal of assets and liabilities | 44 | (364 916) | (34 206 924) |
| General Expenses | 45 | (123 510 529) | (104 205 353) |
| Total expenditure | | (1 299 647 834) | (1 396 414 438) |
| Deficit for the year | | (700 516) | (277 004 832) |

* See Note 49

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Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus / deficit | Total net assets |
|---|----------------------------------|----------------------|
| Opening balance as previously reported | 1 164 001 994 | 1 164 001 994 |
| Adjustments | | |
| Prior year adjustments 49 | 46 443 046 | 46 443 046 |
| Balance at 01 July 2022 as restated* | 1 210 445 040 | 1 210 445 040 |
| Changes in net assets | | |
| Surplus/(deficit) for the year | (277 004 832) | (277 004 832) |
| Total changes | (277 004 832) | (277 004 832) |
| Restated* Balance at 01 July 2023 | 933 440 205 | 933 440 205 |
| Changes in net assets | | |
| Surplus/(deficit) for the year | (700 516) | (700 516) |
| Total changes | (700 516) | (700 516) |
| Balance at 30 June 2024 | 932 739 689 | 932 739 689 |

* See Note 49

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Cash Flow Statement

| Figures in Rand | Note(s) | 2024 | 2023 Restated* |
|---|---------|----------------------|---------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Taxation | | 160 045 562 | 135 848 529 |
| Sale of goods and services | | 473 627 886 | 468 213 242 |
| Grants | | 335 694 498 | 282 681 843 |
| Interest income | | 14 063 817 | 6 001 441 |
| | | 983 431 763 | 892 745 055 |
| Payments | | | |
| Employee costs | | (257 423 446) | (242 460 244) |
| Suppliers | | (599 225 894) | (511 564 124) |
| Finance costs | | (23 198 226) | (19 266 096) |
| | | (879 847 566) | (773 290 464) |
| Net cash flows from operating activities | 48 | 103 584 197 | 119 454 591 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 10 | (108 070 783) | (79 503 600) |
| Proceeds from sale of property, plant and equipment | 10 | 811 494 | (1) |
| Purchase of other intangible assets | 11 | (20 375) | (2 608 696) |
| Net cash flows from investing activities | | (107 279 664) | (82 112 297) |
| Cash flows from financing activities | | | |
| Repayment of other financial liabilities | | (4 385 520) | (6 763 231) |
| Net cash flows from financing activities | | (4 385 520) | (6 763 231) |
| Net increase/(decrease) in cash and cash equivalents | | (8 080 987) | 30 579 063 |
| Cash and cash equivalents at the beginning of the year | | 70 550 307 | 39 971 761 |
| Cash and cash equivalents at the end of the year | 3 | 62 469 320 | 70 550 824 |

The accounting policies on pages 15 to 38 and the notes on pages 39 to 83 form an integral part of the annual financial statements.

* See Note 49

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|------------------------|---------------------|------------------------|------------------------------------|--|-------------|
| Figures in Rand | | | | | | |
| Statement of Financial Performance | | | | | | |
| Revenue | | | | | | |
| Revenue from exchange transactions | | | | | | |
| Service charges | 753 463 399 | 3 882 181 | 757 345 580 | 680 033 322 | (77 312 258) | Note 63(1) |
| Rental of facilities and equipment | 6 429 082 | - | 6 429 082 | 6 865 823 | 436 741 | |
| Licences and permits | 12 088 | (513) | 11 575 | 196 124 | 184 549 | Note 63(2) |
| Recoveries | - | 15 316 | 15 316 | 128 892 | 113 576 | Note 63(3) |
| Other income - (rollup) | 4 693 677 | 233 739 | 4 927 416 | 4 099 256 | (828 160) | |
| Interest received | 50 514 073 | 2 214 936 | 52 729 009 | 53 693 234 | 964 225 | |
| Total revenue from exchange transactions | 815 112 319 | 6 345 659 | 821 457 978 | 745 016 651 | (76 441 327) | |
| Revenue from non-exchange transactions | | | | | | |
| Taxation revenue | | | | | | |
| Property rates | 166 783 064 | 2 872 499 | 169 655 563 | 167 043 585 | (2 611 978) | |
| Interest - Taxation revenue | 3 870 591 | (81 709) | 3 788 882 | 3 902 910 | 114 028 | |
| Transfer revenue | | | | | | |
| Government grants & subsidies | 312 665 000 | 20 973 815 | 333 638 815 | 335 367 534 | 1 728 719 | Note 63(4) |
| Public contributions and donations | - | - | - | 16 545 810 | 16 545 810 | Note 63(5) |
| Fines, Penalties and Forfeits | 1 053 000 | 3 950 000 | 5 003 000 | 2 196 800 | (2 806 200) | Note 63(6) |
| Municipal relief revenue | - | - | - | 28 821 154 | 28 821 154 | Note 63(7) |
| Total revenue from non-exchange transactions | 484 371 655 | 27 714 605 | 512 086 260 | 553 877 793 | 41 791 533 | |
| Total revenue | 1 299 483 974 | 34 060 264 | 1 333 544 238 | 1 298 894 444 | (34 649 794) | |
| Expenditure | | | | | | |
| Personnel | (249 967 657) | 100 000 | (249 867 657) | (244 100 810) | 5 766 847 | |
| Remuneration of councillors | (12 878 087) | (417 213) | (13 295 300) | (13 331 634) | (36 334) | |
| Depreciation and amortisation | (45 247 486) | - | (45 247 486) | (46 523 534) | (1 276 048) | |
| Impairment loss/ Reversal of impairments | - | - | - | (2 967 896) | (2 967 896) | Note 63(8) |
| Finance costs | (2 832 547) | (14 401 009) | (17 233 556) | (30 583 222) | (13 349 666) | Note 63(9) |
| Lease rentals on operating lease | (3 529 703) | (2 180 297) | (5 710 000) | (5 572 210) | 137 790 | |
| Debt Impairment | (240 889 135) | (138 023 050) | (378 912 185) | (257 348 795) | 121 563 390 | Note 63(10) |
| Bulk purchases | (562 119 324) | 84 935 820 | (477 183 504) | (471 191 571) | 5 991 933 | Note 63(11) |
| Contracted Services | (114 546 921) | 4 889 111 | (109 657 810) | (104 152 717) | 5 505 093 | |
| General Expenses | (95 770 489) | (31 851 166) | (127 621 655) | (123 510 529) | 4 111 126 | |
| Total expenditure | (1 327 781 349) | (96 947 804) | (1 424 729 153) | (1 299 282 918) | 125 446 235 | |
| Operating deficit | (28 297 375) | (62 887 540) | (91 184 915) | (388 474) | 90 796 441 | |
| Loss on disposal of assets and liabilities | - | - | - | (364 916) | (364 916) | Note 63(12) |
| Inventories losses/write-downs | - | - | - | 52 874 | 52 874 | |
| | - | - | - | (312 042) | (312 042) | |
| Deficit before taxation | (28 297 375) | (62 887 540) | (91 184 915) | (700 516) | 90 484 399 | |

Lesedi Local Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|---------------------|---------------------|---------------------|--|---|-----------|
| Figures in Rand | | | | | | |
| Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement | (28 297 375) | (62 887 540) | (91 184 915) | (700 516) | 90 484 399 | |

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual 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 | 8 835 097 | - | 8 835 097 | 8 428 453 | (406 644) | |
| Receivables from exchange transactions | 153 581 771 | (107 522 849) | 46 058 922 | 79 403 727 | 33 344 805 | Note 63(13) |
| Receivables from non-exchange transactions | 49 161 157 | (13 442 248) | 35 718 909 | 31 686 114 | (4 032 795) | |
| VAT receivable | 47 557 287 | - | 47 557 287 | 59 234 978 | 11 677 691 | Note 63(14) |
| Cash and cash equivalents | 246 681 841 | (107 649 972) | 139 031 869 | 62 469 330 | (76 562 539) | Note 63(15) |
| | 505 817 153 | (228 615 069) | 277 202 084 | 241 222 602 | (35 979 482) | |
| Non-Current Assets | | | | | | |
| Investment property | 109 733 786 | - | 109 733 786 | 119 451 298 | 9 717 512 | Note 63(16) |
| Property, plant and equipment | 1 226 427 851 | 33 776 521 | 1 260 204 372 | 1 199 633 317 | (60 571 055) | Note 63(17) |
| Intangible assets | 3 763 289 | - | 3 763 289 | 5 587 112 | 1 823 823 | Note 63(18) |
| Heritage assets | 4 718 964 | - | 4 718 964 | 4 718 964 | - | |
| | 1 344 643 890 | 33 776 521 | 1 378 420 411 | 1 329 390 691 | (49 029 720) | |
| Total Assets | 1 850 461 043 | (194 838 548) | 1 655 622 495 | 1 570 613 293 | (85 009 202) | |
| Liabilities | | | | | | |
| Current Liabilities | | | | | | |
| Long term loans | 499 170 | - | 499 170 | 4 352 074 | 3 852 904 | Note 63(19) |
| Payables from exchange transactions | 259 997 078 | (135 915 827) | 124 081 251 | 400 406 605 | 276 325 354 | Note 63(20) |
| Payables from non-exchange transactions | 4 792 346 | - | 4 792 346 | 7 797 853 | 3 005 507 | Note 63(21) |
| VAT payable | 83 397 175 | - | 83 397 175 | 51 782 371 | (31 614 804) | Note 63(22) |
| Consumer deposits | 23 182 514 | - | 23 182 514 | 24 770 803 | 1 588 289 | |
| Employee benefit obligation | 2 124 135 | - | 2 124 135 | 2 450 673 | 326 538 | Note 63(23) |
| Unspent conditional grants and receipts | 93 442 677 | 3 938 815 | 97 381 492 | 6 365 621 | (91 015 871) | Note 63(24) |
| Provisions | 25 941 748 | - | 25 941 748 | - | (25 941 748) | Note 63(25) |
| Municipal relief debt liability | - | - | - | 21 176 183 | 21 176 183 | Note 63(26) |
| | 493 376 843 | (131 977 012) | 361 399 831 | 519 102 183 | 157 702 352 | |
| Non-Current Liabilities | | | | | | |
| Long term loans | 35 142 243 | 26 004 | 35 168 247 | 24 071 271 | (11 096 976) | Note 63(27) |
| Employee benefit obligation | 16 885 101 | - | 16 885 101 | 22 745 282 | 5 860 181 | Note 63(28) |
| Provisions | 30 040 464 | - | 30 040 464 | 37 624 159 | 7 583 695 | Note 63(29) |
| Municipal relief debt liability | - | - | - | 34 330 694 | 34 330 694 | Note 63(30) |
| | 82 067 808 | 26 004 | 82 093 812 | 118 771 406 | 36 677 594 | |
| Total Liabilities | 575 444 651 | (131 951 008) | 443 493 643 | 637 873 589 | 194 379 946 | |
| Net Assets | 1 275 016 392 | (62 887 540) | 1 212 128 852 | 932 739 704 | (279 389 148) | |

Lesedi Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|--------------------|--------------|----------------------|--|---|-----------|
| Figures in Rand | | | | | | |
| Net Assets | | | | | | |
| Net Assets Attributable to Owners of Controlling Entity | | | | | | |
| Reserves | | | | | | |
| Accumulated surplus | 1 275 016 392 | (62 887 540) | 1 212 128 852 | 932 739 689 | (279 389 163) | |

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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 |
|--|------------------------|---|--------------------------|--|---|------------------------|------------------------|--------------------------|---------------------|-------------------------------------|--|
| 2024 | | | | | | | | | | | |
| Financial Performance | | | | | | | | | | | |
| Property rates | 166 783 064 | 2 872 499 | 169 655 563 | - | | 169 655 563 | 167 043 585 | | (2 611 978) | 98 % | 100 % |
| Service charges | 753 463 399 | 3 882 181 | 757 345 580 | - | | 757 345 580 | 680 033 322 | | (77 312 258) | 90 % | 90 % |
| Interest income | 54 384 664 | 2 133 227 | 56 517 891 | - | | 56 517 891 | 57 596 144 | | 1 078 253 | 102 % | 106 % |
| Transfers recognised - operational | 222 599 152 | 3 838 815 | 226 437 967 | - | | 226 437 967 | 221 107 759 | | (5 330 208) | 98 % | 99 % |
| Other own revenue | 12 187 847 | 4 198 542 | 16 386 389 | - | | 16 386 389 | 58 906 733 | | 42 520 344 | 359 % | 483 % |
| Total revenue (excluding capital transfers and contributions) | 1 209 418 126 | 16 925 264 | 1 226 343 390 | - | | 1 226 343 390 | 1 184 687 543 | | (41 655 847) | 97 % | 98 % |
| Employee costs | (249 967 657) | 100 000 | (249 867 657) | - | - | (249 867 657) | (244 100 810) | - | 5 766 847 | 98 % | 98 % |
| Remuneration of councillors | (12 878 087) | (417 213) | (13 295 300) | - | - | (13 295 300) | (13 331 634) | - | (36 334) | 100 % | 104 % |
| Depreciation and asset impairment | (45 247 486) | - | (45 247 486) | | | (45 247 486) | (49 491 430) | - | (4 243 944) | 109 % | 109 % |
| Finance charges | (2 832 547) | (14 401 009) | (17 233 556) | - | - | (17 233 556) | (30 583 222) | - | (13 349 666) | 177 % | 1 080 % |
| Inventory consumed and bulk purchases | (562 119 324) | 84 935 820 | (477 183 504) | - | - | (477 183 504) | (471 191 571) | - | 5 991 933 | 99 % | 84 % |
| Other expenditure | (454 736 248) | (167 165 402) | (621 901 650) | - | - | (621 901 650) | (490 949 167) | - | 130 952 483 | 79 % | 108 % |
| Total expenditure | (1 327 781 349) | (96 947 804) | (1 424 729 153) | - | - | (1 424 729 153) | (1 299 647 834) | - | 125 081 319 | 91 % | 98 % |
| Surplus/(Deficit) | (118 363 223) | (80 022 540) | (198 385 763) | - | | (198 385 763) | (114 960 291) | | 83 425 472 | 58 % | 97 % |

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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) | 90 065 848 | 17 135 000 | 107 200 848 | - | | 107 200 848 | 114 259 775 | | 7 058 927 | 107 % | 127 % |
| Surplus (Deficit) after capital transfers and contributions | (28 297 375) | (62 887 540) | (91 184 915) | - | | (91 184 915) | (700 516) | | 90 484 399 | 1 % | 2 % |
| Surplus/(Deficit) for the year | (28 297 375) | (62 887 540) | (91 184 915) | - | | (91 184 915) | (700 516) | | 90 484 399 | 1 % | 2 % |
| Capital expenditure and funds sources | | | | | | | | | | | |
| Total capital expenditure | 89 514 197 | 33 776 521 | 123 290 718 | - | | 123 290 718 | 111 368 228 | | (11 922 490) | 90 % | 124 % |
| Sources of capital funds | | | | | | | | | | | |
| Transfers recognised - capital | 89 514 197 | 21 626 656 | 111 140 853 | - | | 111 140 853 | 98 140 685 | | (13 000 168) | 88 % | 110 % |
| Internally generated funds | - | 12 149 865 | 12 149 865 | - | | 12 149 865 | 13 227 542 | | 1 077 677 | 109 % | DIV/0 % |
| Total sources of capital funds | 89 514 197 | 33 776 521 | 123 290 718 | - | | 123 290 718 | 111 368 227 | | (11 922 491) | 90 % | 124 % |

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Significant Accounting Policies

| Figures in Rand | Note(s) | 2024 | 2023 |
|-----------------|---------|------|------|
|-----------------|---------|------|------|

1. Significant accounting policies

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

1.1 Basis of preparation

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

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

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 the application of the municipality's accounting policies, which are described below, management is required to make judgement, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered to reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates

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

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

The impairment for trade receivables is considered first for individually significant receivables and then calculated on a portfolio basis, based on historical loss ratios, and other indicators present at the reporting date. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment of assets

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

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Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions.

Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.

Interest rates linked to prime was used to calculate the effect of the time value of money.

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 or decrease the depreciation charge where useful lives are less or more than previously estimated useful lives.

The municipality considers all the facts and circumstances estimating the useful lives of assets, which included the consideration of financial, technical and other facts. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than the previously estimated useful lives.

The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

The policy is also applicable to certain intangible assets and investment property.

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.

Due to the long-term nature of the plan, the estimates are subjected to significant uncertainty.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 20.

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.

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Significant Accounting Policies

1.5 Investment property (continued)

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.

Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.
- Land held for a currently undetermined future use;
- A building owned (or held by under a finance lease) and leased out under one or more operating leases;
- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held;
- A building that is vacant but is held to be leased out under one or more operating leases;
- Property that is being constructed or developed for future use as investment property.

Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30 year period. All useful lives of investment properties are reviewed annually on an indicator basis.

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.

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.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value [or carrying amount if cost model is used] at the date of change in use. If owner-occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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.

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Significant Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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 |
| Infrastructure | Straight-line | |
| • Roads and paving | | 5-100 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 |

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Significant Accounting Policies

1.6 Property, plant and equipment (continued)

| | | |
|-------------------------------------|---------------|-------------|
| 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 Site rehabilitation and restoration cost

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

As the related asset is measured using the cost model:

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

1.8 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.

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Significant Accounting Policies

1.8 Intangible assets (continued)

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.

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 | Amortisation method | Average useful life |
|--------------------------|---------------------|---------------------|
| Computer software, other | Straight-line | 3 years |
| Servitudes | Straight-line | indefinite |

Intangible assets are derecognised:

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

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

1.9 Heritage assets

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.

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.

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.

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Significant Accounting Policies

1.9 Heritage assets (continued)

Impairment

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

Derecognition

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

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

1.10 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.

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Significant Accounting Policies

1.10 Financial instruments (continued)

Classification

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

| 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 |
| Payables from non-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 |
| Municipal relief debt liability | Financial liability measured at fair value |

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.

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Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.10 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.

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Significant Accounting Policies

1.10 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.

1.11 Statutory receivables

Identification

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Significant Accounting Policies

1.11 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.

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.

The municipality has the following major categories under the ambit of statutory receivables:

- VAT receivable
- Property rates debtors
- Traffic fines debtors

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:

- 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.

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1.11 Statutory receivables (continued)

- 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.

1.12 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.

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1.13 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.

1.14 Cash and cash equivalents

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

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

Cash and cash equivalents are carried at amortised cost.

1.15 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

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1.15 Impairment of cash-generating assets (continued)

- 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.

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.

1.16 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.

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1.16 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.

1.17 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.

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Significant Accounting Policies

1.17 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.

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1.18 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.

Provisions are disclosed in note 21.

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 55.

1.19 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.

1.20 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.

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1.20 Revenue from exchange transactions (continued)

Measurement

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

Sale of goods

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

- the 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.

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1.20 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

Service 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:

- Indigent debt is provided for at 100% of the outstanding amount;
- Residential: Impair based on collection shortfall percentages per ward;
- Business: Similar impairment approach as residential per business type;
- Government: 0% impairment if receipts are processed during the period; 100% if no receipts are processed.

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.

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1.21 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..

1.22 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.

1.23 Comparative figures

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

1.24 Unauthorised expenditure

Unauthorised expenditure is defined in section 1 of the MFMA as follows:

"unauthorised expenditure", in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes—

- (a) overspending of the total amount appropriated in the municipality's approved budget;
- (b) overspending of the total amount appropriated for a vote in the approved budget;
- (c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with this Act.

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1.24 Unauthorised expenditure (continued)

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA) also defines a Vote as:

- One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

The municipality uses the Municipal Standard Chart of Accounts (mSCOA) Functions and Sub-functions, previously the Government Finance Statistics (GFS) functions, as well as departments as the main groupings of segments of the municipality's budget segments within the municipality are grouped per department to facilitate greater accountability and budget implementation by the respective Executive Directors as well as per mSCOA classification to facilitate comparisons on a higher level.

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

Unauthorised expenditure is identified through the municipality's financial system application controls. On identification of the unauthorised expenditure due to overspending on specific votes, the relevant Head of department is notified, where funds are available on other votes within the directorate, virements are made within the provisions of the virement policy. If after the provisions of the virement policy are applied, the unauthorised expenditure still remains/exist, it is recorded in the unauthorised expenditure register and reported to the accounting officer, mayor and council in terms of MFMA section 32.

Unauthorised expenditure that is incurred before the adjustment budget process is finalised is authorised by council through the adjustment budget. Unauthorised expenditure that is incurred after the adjustments budget is referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to council. Where MPAC after investigation, recommends to council to certify the unauthorised expenditure as irrecoverable and write - off, the unauthorised expenditure is disclosed in the notes to the financial statements as written-off by council. Where MPAC determines after investigation, that the unauthorised expenditure must be recovered from the relevant official, the unauthorised expenditure is recognised as an asset (debtor) in the statement of financial position and also disclosed in the unauthorised expenditure note as unauthorised expenditure incurred in the current financial year.

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance. If the expenditure is not written off as irrecoverable by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.25 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is defined in section 1 of the MFMA as follows: "fruitless and wasteful expenditure" means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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

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

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

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1.25 Fruitless and wasteful expenditure (continued)

The accounting officer of the municipality promptly informs the mayor, the MEC for local government in the province and the Auditor - General, in writing, of:

- (a) Any irregular expenditure incurred by the municipality;
- (b) Whether any person is responsible or under investigation for such fruitless and wasteful expenditure; and
- (c) The steps that have been taken-
 - (i) To recover or rectify such expenditure; and
 - (ii) To prevent a recurrence of such expenditure

1.26 Irregular expenditure

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

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

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

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

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

1.27 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.

Segment information is disclosed in note 63.

Lesedi Local Municipality

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Significant Accounting Policies

1.27 Segment information (continued)

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.

1.28 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.

1.29 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.

Lesedi Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.30 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

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2024 or later periods:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|--|--|--|
| • iGRAP 22 Foreign Currency Transactions and Advance Consideration | 01 April 2025 | Unlikely there will be a material impact |
| • GRAP 104 (as revised): Financial Instruments | 01 April 2025 | Unable to reliably estimate the impact |

3. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---------------------|-------------------|-------------------|
| Cash on hand | 2 080 | 2 080 |
| Bank balances | 31 470 410 | 27 608 128 |
| Short-term deposits | 30 996 840 | 42 940 099 |
| | 62 469 330 | 70 550 307 |

The municipality had the following bank accounts

| Account number / description | Bank statement balances | | | Cash book balances | | |
|------------------------------|-------------------------|-------------------|-------------------|--------------------|-------------------|-------------------|
| | 30 June 2024 | 30 June 2023 | 30 June 2022 | 30 June 2024 | 30 June 2023 | 30 June 2022 |
| ABSA Bank - 50000066 | 8 067 597 | 12 542 059 | 7 750 852 | 7 642 200 | 12 033 277 | 7 750 852 |
| ABSA Bank - 4083802528 | 126 852 | 126 413 | 126 215 | 126 852 | 126 413 | 126 215 |
| ABSA Bank - 4076802751 | - | 5 469 801 | 4 504 110 | - | 5 469 801 | 4 504 110 |
| Investec - 1400137177 | 29 938 133 | 37 470 299 | 21 124 693 | 29 938 133 | 37 470 299 | 21 124 693 |
| FNB - 62795102088 | 23 275 961 | 14 939 658 | 6 211 115 | 23 502 713 | 12 916 210 | 6 463 810 |
| FNB - 63102215042 | 1 058 708 | - | - | 1 058 708 | - | - |
| Total | 62 467 251 | 70 548 230 | 39 716 985 | 62 268 606 | 68 016 000 | 39 969 680 |

4. Receivables from exchange transactions

| | | |
|--------------------------------|-------------------|-------------------|
| Consumer debtors - Electricity | 35 639 233 | 24 864 090 |
| Consumer debtors - Water | 17 061 088 | 14 658 034 |
| Consumer debtors - Sewerage | 5 489 233 | 4 362 541 |
| Consumer debtors - Refuse | 4 380 919 | 3 669 270 |
| Consumer debtors - Other | 3 652 739 | 3 792 694 |
| Deposits | 3 258 340 | 733 373 |
| Accrued interest | 337 222 | 405 199 |
| Rental debtors | 9 584 953 | 6 987 880 |
| | 79 403 727 | 59 473 081 |

5. Receivables from non-exchange transactions

| | | |
|---------------------------------|-------------------|-------------------|
| Consumer debtors - Rates | 22 448 757 | 19 613 648 |
| Fines | 8 887 822 | 8 869 062 |
| Government grants and subsidies | 349 535 | 1 440 387 |
| | 31 686 114 | 29 923 097 |

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5. Receivables from non-exchange transactions (continued)

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

| | | |
|---------------------------------|-------------------|-------------------|
| Consumer debtors - Rates | 22 448 757 | 19 613 648 |
| Fines | 8 887 822 | 8 869 062 |
| Government grants and subsidies | 349 535 | 1 440 387 |
| | 31 686 114 | 29 923 097 |

| | | |
|---|-------------------|-------------------|
| Total receivables from non-exchange transactions | 31 686 114 | 29 923 097 |
|---|-------------------|-------------------|

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 2024, consumer debtors - rates of 157 459 290 (2023: 145 606 436) were impaired and provided for.

The amount of the provision was 135 010 533 as of 30 June 2024 (2023: 125 992 788).

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

Traffic fines

As of 30 June 2024, traffic fines of R144 413 969 (2023: R142 410 334) were impaired and provided for.

The amount of the provision was R135 526 147 as of 30 June 2024. (2023: R133 541 272).

Receivables from non-exchange transactions pledged as security

No receivables from non-exchange transactions were pledged as security.

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:

6. Consumer debtors disclosure

Gross balances

| | | |
|--------------------------------|----------------------|----------------------|
| Consumer debtors - Rates | 157 459 290 | 145 606 436 |
| Consumer debtors - Electricity | 524 001 867 | 458 112 205 |
| Consumer debtors - Water | 586 688 711 | 542 835 703 |
| Consumer debtors - Sewerage | 129 685 846 | 122 662 481 |
| Consumer debtors - Refuse | 174 944 089 | 166 119 727 |
| Consumer debtors - Other | 104 910 190 | 100 619 641 |
| | 1 677 689 993 | 1 535 956 193 |

Lesedi Local Municipality

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| 6. Consumer debtors disclosure (continued) | | |
| Less: Allowance for impairment | | |
| Consumer debtors - Rates | (135 010 533) | (125 992 788) |
| Consumer debtors - Electricity | (488 362 634) | (433 248 115) |
| Consumer debtors - Water | (569 627 623) | (528 177 669) |
| Consumer debtors - Sewerage | (124 196 613) | (118 299 940) |
| Consumer debtors - Refuse | (170 563 170) | (162 450 457) |
| Consumer debtors - Other | (101 257 451) | (96 826 947) |
| | (1 589 018 024) | (1 464 995 916) |
| Net balance | | |
| Consumer debtors - Rates | 22 448 757 | 19 613 648 |
| Consumer debtors - Electricity | 35 639 233 | 24 864 090 |
| Consumer debtors - Water | 17 061 088 | 14 658 034 |
| Consumer debtors - Sewerage | 5 489 233 | 4 362 541 |
| Consumer debtors - Refuse | 4 380 919 | 3 669 270 |
| Consumer debtors - Other | 3 652 739 | 3 792 694 |
| | 88 671 969 | 70 960 277 |
| Rates | | |
| Not due | | |
| Current (0 -30 days) | 10 651 959 | 11 564 718 |
| Past due | | |
| 31 - 60 days | 2 101 153 | 2 453 723 |
| 61 - 90 days | 1 220 692 | 1 793 467 |
| 91 - 120 days | 644 519 | 274 591 |
| 121 - 365 days | 3 731 445 | 1 469 827 |
| > 365 days | 4 098 989 | 2 057 322 |
| | 22 448 757 | 19 613 648 |
| Electricity | | |
| Not due | | |
| Current (0 -30 days) | 22 536 835 | 12 254 940 |
| Past due | | |
| 31 - 60 days | 3 656 841 | 3 843 841 |
| 61 - 90 days | 1 559 822 | 2 360 990 |
| 91 - 120 days | 352 256 | 323 460 |
| 121 - 365 days | 1 811 199 | 2 020 240 |
| > 365 days | 5 722 280 | 4 060 619 |
| | 35 639 233 | 24 864 090 |
| Water | | |
| Not due | | |
| Current (0 -30 days) | 10 980 918 | 10 056 900 |
| Past due | | |
| 31 - 60 days | 3 268 660 | 2 075 776 |
| 61 - 90 days | 1 296 083 | 1 345 569 |
| 91 - 120 days | 408 792 | 93 234 |
| 121 - 365 days | 297 719 | 473 078 |
| > 365 days | 808 916 | 613 477 |
| | 17 061 088 | 14 658 034 |

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| 6. Consumer debtors disclosure (continued) | | |
| Sewerage | | |
| Not due | | |
| Current (0 -30 days) | 2 956 687 | 1 982 992 |
| Past due | | |
| 31 - 60 days | 505 648 | 441 864 |
| 61 - 90 days | 188 293 | 295 994 |
| 91 - 120 days | 56 898 | 40 948 |
| 121 - 365 days | 267 668 | 290 584 |
| > 365 days | 1 514 039 | 1 310 159 |
| | 5 489 233 | 4 362 541 |
| Refuse | | |
| Not due | | |
| Current (0 -30 days) | 2 099 240 | 2 014 457 |
| Past due | | |
| 31 - 60 days | 608 847 | 333 005 |
| 61 - 90 days | 292 685 | 223 981 |
| 91 - 120 days | 38 523 | 31 276 |
| 121 - 365 days | 232 085 | 218 252 |
| > 365 days | 1 109 539 | 848 299 |
| | 4 380 919 | 3 669 270 |
| Other | | |
| Not due | | |
| Current (0 -30 days) | 395 682 | 384 897 |
| Past due | | |
| 31 - 60 days | 131 261 | 158 865 |
| 61 - 90 days | 105 117 | 132 700 |
| 91 - 120 days | 36 094 | 33 943 |
| 121 - 365 days | 282 587 | 278 522 |
| > 365 days | 2 701 998 | 2 803 767 |
| | 3 652 739 | 3 792 694 |
| Reconciliation of allowance for impairment | | |
| Balance at beginning of the year | (1 464 995 916) | (1 139 026 751) |
| Contributions to allowance | (284 165 271) | (459 418 326) |
| Debt impairment written off against allowance | 160 143 163 | 133 449 161 |
| | (1 589 018 024) | (1 464 995 916) |
| 7. Inventories | | |
| Consumable stores | 7 937 472 | 8 173 881 |
| Water for distribution | 490 981 | 153 701 |
| Fuel (Diesel, Petrol) | - | 193 893 |
| | 8 428 453 | 8 521 475 |
| 8. VAT receivable | | |
| VAT Control | - | 1 567 567 |
| VAT Input Accrual | 59 234 980 | 40 646 907 |
| | 59 234 980 | 42 214 474 |

Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

9. Investment property

| | 2024 | | | 2023 | | |
|---------------------|---------------------|---|----------------|---------------------|---|----------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 152 613 071 | (33 161 773) | 119 451 298 | 152 650 529 | (33 134 416) | 119 516 113 |

Reconciliation of investment property - 2024

| | Opening balance | Disposals | Depreciation | Total |
|---------------------|--------------------|-----------|--------------|-------------|
| Investment property | 119 516 113 | (37 458) | (27 357) | 119 451 298 |

Reconciliation of investment property - 2023

| | Opening balance | Additions | Disposals | Impairments | Depreciation | Total |
|---------------------|--------------------|------------|--------------|--------------|--------------|-------------|
| Investment property | 120 185 228 | 40 637 350 | (24 576 817) | (14 648 065) | (2 081 583) | 119 516 113 |

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 2024

Notes to the Annual Financial Statements

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10. Property, plant and equipment

| | 2024 | | | 2023 | | |
|------------------------|----------------------|---|----------------------|----------------------|---|----------------------|
| | 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 | 2 669 151 | (1 763 477) | 905 674 | 2 271 452 | (1 492 708) | 778 744 |
| Furniture and fixtures | 14 477 678 | (12 223 884) | 2 253 794 | 13 951 322 | (11 165 071) | 2 786 251 |
| Motor vehicles | 69 357 294 | (31 385 676) | 37 971 618 | 56 254 215 | (27 669 704) | 28 584 511 |
| Office equipment | 15 918 617 | (8 566 202) | 7 352 415 | 10 759 260 | (7 266 583) | 3 492 677 |
| Infrastructure | 1 351 021 912 | (493 100 457) | 857 921 455 | 1 248 655 699 | (464 172 385) | 784 483 314 |
| Community | 256 014 337 | (150 827 492) | 105 186 845 | 261 345 405 | (151 308 987) | 110 036 418 |
| Library books | 27 663 097 | (15 382 423) | 12 280 674 | 26 089 437 | (12 228 526) | 13 860 911 |
| Spare parts | 1 275 750 | - | 1 275 750 | 2 208 000 | - | 2 208 000 |
| Total | 1 912 882 928 | (713 249 611) | 1 199 633 317 | 1 796 019 882 | (675 303 964) | 1 120 715 918 |

Lesedi Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

| | Opening balance | Additions | Disposals | Donations received | Transfers | Movement in provisions | Depreciation | Impairment loss | Total |
|------------------------|----------------------|--------------------|--------------------|-----------------------|-------------|---------------------------|---------------------|--------------------|----------------------|
| Land | 174 485 092 | - | - | - | - | - | - | - | 174 485 092 |
| Plant and machinery | 778 744 | 397 699 | - | - | - | - | (230 508) | (40 261) | 905 674 |
| Furniture and fixtures | 2 786 251 | 526 356 | - | - | - | - | (1 030 563) | (28 250) | 2 253 794 |
| Motor vehicles | 28 584 511 | 15 015 854 | (462) | - | - | - | (5 233 275) | (395 010) | 37 971 618 |
| Office equipment | 3 492 677 | 5 737 759 | (169 281) | - | - | - | (1 680 780) | (27 960) | 7 352 415 |
| Infrastructure | 784 483 314 | 85 118 384 | (932 956) | 16 126 112 | 2 208 000 | 1 126 496 | (29 390 271) | (817 624) | 857 921 455 |
| Community | 110 036 418 | 1 702 391 | (36 253) | 419 698 | - | - | (5 498 081) | (1 437 328) | 105 186 845 |
| Library books | 13 860 911 | 1 573 660 | - | - | - | - | (2 932 435) | (221 462) | 12 280 674 |
| Spare parts | 2 208 000 | 1 275 750 | - | - | (2 208 000) | - | - | - | 1 275 750 |
| | 1 120 715 918 | 111 347 853 | (1 138 952) | 16 545 810 | - | 1 126 496 | (45 995 913) | (2 967 895) | 1 199 633 317 |

Lesedi Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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10. 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 | - | - | (167 757) | (49) | 778 744 |
| Furniture and fixtures | 3 356 204 | 414 386 | - | - | (938 946) | (45 393) | 2 786 251 |
| Motor vehicles | 22 632 032 | 10 562 112 | - | - | (4 087 045) | (522 588) | 28 584 511 |
| Office equipment | 3 805 705 | 1 817 084 | (451 520) | - | (1 659 772) | (18 820) | 3 492 677 |
| Infrastructure | 759 762 775 | 57 236 564 | (8 183 515) | 5 431 755 | (27 016 930) | (2 747 335) | 784 483 314 |
| Community | 115 656 966 | 7 109 804 | (890 521) | - | (6 401 980) | (5 437 851) | 110 036 418 |
| Library books | 14 121 216 | 2 333 700 | (104 550) | - | (2 489 455) | - | 13 860 911 |
| Spare parts | 2 208 000 | - | - | - | - | - | 2 208 000 |
| | 1 096 944 590 | 79 503 600 | (9 630 106) | 5 431 755 | (42 761 885) | (8 772 036) | 1 120 715 918 |

Pledged as security

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

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(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2024

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| 10. Property, plant and equipment (continued) | | |
| Property, plant and equipment in the process of being constructed or developed | | |
| Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s) | | |
| Maintenance Devon | 122 757 | 122 757 |
| The project was halted as the appointed contractor did not adhere to the required building specification. | | |
| Roads Lesedi | 1 236 649 | 1 236 649 |
| 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. | | |
| Upgrading of roads in Devon | 1 432 423 | 1 432 423 |
| 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. | | |
| Water feeder pipeline in Kwazenzele | 9 288 729 | 9 288 729 |
| The project was halted due to differences with the contractor regarding the agreed contract price. | | |
| Vischkuil reservoir | - | 13 670 079 |
| The project was halted due to differences with the contractor regarding the agreed contract price. | | |
| Upgrade of water network | 23 684 | 23 684 |
| 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. | | |
| Bulk sewer upgrade Kwazenzele Phase 2 | 888 739 | 888 739 |
| The project was halted due to differences with the contractor regarding the agreed contract price. | | |
| Residential development on stand 1813/1814 (Mayor's house) | 1 867 532 | 1 867 532 |
| The project was halted by the municipal council and the property is to be auctioned. | | |
| Sportsfield Impumelelo | 971 890 | 971 890 |
| The project was halted due to community unrest and instability and therefore the contractor was unable to carry out their duties. | | |
| Upgrade of library - Jameson Park and Shalimar Ridge | 358 596 | 358 596 |
| The project was halted as the appointed contractor did not adhere to the required building specification. | | |
| | 16 190 999 | 29 861 078 |

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10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2024

| | Opening balance | Additions/capital expenditure | Transferred to completed assets | Total |
|----------------|-------------------|-------------------------------|---------------------------------|-------------------|
| Infrastructure | 32 246 484 | 85 118 384 | (103 365 977) | 13 998 891 |
| Community | 3 320 776 | 1 702 391 | (1 702 391) | 3 320 776 |
| | 35 567 260 | 86 820 775 | (105 068 368) | 17 319 667 |

Reconciliation of Work-in-Progress 2023

| | Opening balance | Additions/capital expenditure | Transferred to completed assets | Total |
|----------------|-------------------|-------------------------------|---------------------------------|-------------------|
| Infrastructure | 43 497 267 | 57 236 565 | (68 487 348) | 32 246 484 |
| Community | 3 225 776 | 7 109 806 | (7 014 806) | 3 320 776 |
| | 46 723 043 | 64 346 371 | (75 502 154) | 35 567 260 |

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 | 12 704 550 | 22 409 467 |
| Materials | 36 793 158 | 23 522 977 |
| | 49 497 708 | 45 932 444 |

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 (2023: 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.

11. Intangible assets

| | 2024 | | | 2023 | | |
|-------------------|------------------|---|------------------|------------------|---|------------------|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software | 4 541 799 | (4 180 315) | 361 484 | 4 521 424 | (3 680 051) | 841 373 |
| Servitudes | 5 225 628 | - | 5 225 628 | 5 225 628 | - | 5 225 628 |
| Total | 9 767 427 | (4 180 315) | 5 587 112 | 9 747 052 | (3 680 051) | 6 067 001 |

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|-----------------|------|------|
|-----------------|------|------|

11. Intangible assets (continued)

Reconciliation of intangible assets - 2024

| | Opening balance | Additions | Amortisation | Total |
|-------------------|------------------|---------------|------------------|------------------|
| Computer software | 841 373 | 20 375 | (500 264) | 361 484 |
| Servitudes | 5 225 628 | - | - | 5 225 628 |
| | 6 067 001 | 20 375 | (500 264) | 5 587 112 |

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 |
| | 3 985 784 | 2 608 696 | (527 479) | 6 067 001 |

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.

12. Heritage assets

| | 2024 | | | 2023 | | |
|----------------------|------------------|-------------------------------|----------------|------------------|-------------------------------|----------------|
| | 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 2024

| | Opening balance | Total |
|----------------------|-----------------|-----------|
| Historical monuments | 4 718 964 | 4 718 964 |

Reconciliation of heritage assets 2023

| | 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.

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|---|--------------------|--------------------|
| 13. Payables from exchange transactions | | |
| Trade payables | 315 352 600 | 265 841 938 |
| Payments received in advanced | 38 867 411 | 34 161 235 |
| Retentions | 10 871 590 | 9 546 455 |
| Accrued leave pay | 28 306 438 | 29 315 280 |
| Accrued bonus | 5 102 179 | 4 592 127 |
| Deposits received | 1 037 076 | 1 037 076 |
| Other Creditors | 869 311 | - |
| | 400 406 605 | 344 494 111 |
| 14. Payables from non-exchange transactions | | |
| Grants payable | 7 797 853 | 7 797 853 |
| 15. Unspent conditional grants and receipts | | |
| Unspent conditional grants and receipts comprises of: | | |
| Unspent conditional grants and receipts | | |
| Libraries Plan | - | 788 114 |
| Performance System Management Grant | 351 022 | 351 022 |
| Energy Efficiency and Demand Side Management Grant | 136 | 136 |
| Recapitalization of Community Libraries Grant | 5 785 221 | 5 785 220 |
| Cogta Fire and Rescue Services Grant | 229 242 | 205 017 |
| | 6 365 621 | 7 129 509 |
| Movement during the year | | |
| Balance at the beginning of the year | 7 129 509 | 11 488 336 |
| Additions during the year | 335 694 498 | 282 681 843 |
| Income recognition during the year | (335 367 534) | (285 122 252) |
| Transfer (to)/from payables | - | (3 005 507) |
| Grants receivable | (1 090 852) | 1 087 089 |
| | 6 365 621 | 7 129 509 |
| See note 31 for reconciliation of grants from National/Provincial Government. | | |
| These amounts are invested in a ring-fenced investment until utilised. | | |
| 16. Consumer deposits | | |
| All services | 24 770 803 | 23 180 544 |
| 17. VAT payable | | |
| VAT Control | 5 601 780 | - |
| VAT Output Accrual [on Receivables] | 46 180 591 | 54 646 081 |
| | 51 782 371 | 54 646 081 |

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| 18. Municipal relief debt liability | | |
| Municipal relief debt liability - Current portion | 21 176 183 | - |
| Municipal relief debt liability - Non-current portion | 34 330 694 | - |
| | 55 506 877 | - |

The municipality applied to participate in the municipal debt relief program and was approved in December 2023.

The Municipal Relief Debt will be written off by Eskom over a three-year period – one third of the Municipal Relief Debt for every 12 consecutive months the municipality complies with the conditions.

The waiving of interest resulted in a significant modification in the terms of an existing financial liability. The qualifying portion was discounted at market rate which is the prevailing prime interest rate plus 2.5 per cent.

19. Long term loans

At amortised cost

| | | |
|-----------|------------|------------|
| Bank loan | 28 423 345 | 32 808 865 |
|-----------|------------|------------|

Non-current liabilities

| | | |
|-------------------|------------|------------|
| At amortised cost | 24 071 271 | 28 469 118 |
|-------------------|------------|------------|

Current liabilities

| | | |
|-------------------|-----------|-----------|
| At amortised cost | 4 352 074 | 4 339 747 |
|-------------------|-----------|-----------|

| Loan description | Loan number | Redeemable | Balance at 30 June 2023 | Received during the period | Redeemed during the period | Balance at 30 June 2024 |
|---|-------------|------------|-------------------------|----------------------------|----------------------------|-------------------------|
| R14 Electrical Upgrade - 9.59% fixed | 102986_1 | 20 years | 9 219 115 | - | 1 557 666 | 7 661 449 |
| R15 Electrical upgrade - 5% fixed | 102986_2 | 20 years | 4 881 708 | - | 882 099 | 3 999 609 |
| R17 Infrastructure - 6.75% | 6100955 | 20 years | 1 719 296 | - | 199 330 | 1 519 966 |
| R18 Other - 14.24% fixed | 6100954 | 20 years | 3 516 089 | - | 319 566 | 3 196 523 |
| R19 Electrical infrastructure - 12% fixed | 61006830 | 20 years | 5 437 611 | - | 396 090 | 5 041 521 |
| R20 Electrical upgrade - 6.75% fixed | 61006831 | 20 years | 7 701 470 | - | 697 192 | 7 004 278 |
| R21 Roads and stormwater - 11.65% fixed | 61006809 | 12 years | 333 576 | - | 333 576 | - |
| | | | 32 808 865 | - | 4 385 519 | 28 423 346 |

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|-----------------|------|------|

20. Employee benefit obligations

Defined benefit plans - General information

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 | 38 | 73.02 |

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

| | | |
|---|---------------------|---------------------|
| Carrying value | | |
| Present value of the defined benefit obligation-wholly unfunded | (25 195 955) | (22 260 447) |
| Non-current liabilities | (22 745 282) | (20 071 183) |
| Current liabilities | (2 450 673) | (2 189 264) |
| | (25 195 955) | (22 260 447) |

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

| | | |
|-----------------------|-------------------|-------------------|
| Opening balance | 22 260 447 | 22 193 693 |
| Interest cost | 2 427 719 | 2 411 118 |
| Settlements | (2 057 311) | (2 108 545) |
| Actuarial (gain)/loss | 2 565 099 | (235 819) |
| | 25 195 954 | 22 260 447 |

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

| | | |
|---|------------------|------------------|
| Net interest on the net defined benefit liability (asset) | 2 427 719 | 2 411 118 |
| Remeasurements of the net defined benefit liability (asset) | 2 565 099 | (235 819) |
| - Actuarial gains and losses arising from: | 2 565 099 | (235 819) |
| - Changes in demographic assumptions | 1 878 239 | (14 233) |
| - Changes in financial assumptions | 686 860 | (221 586) |
| | 4 992 818 | 2 175 299 |

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|-----------------|------|------|

20. Employee benefit obligations (continued)

Calculation of actuarial gains and losses

| | | |
|---------------------------------------|-----------|-----------|
| Actuarial (gains) losses – Obligation | 2 565 099 | (235 819) |
|---------------------------------------|-----------|-----------|

Key assumptions used

Assumptions used at the reporting date:

| | | |
|---------------------------------------|---------|---------|
| Discount rates used | 11.00 % | 11.47 % |
| Expected increase in healthcare costs | 7.20 % | 7.35 % |
| Consumer price inflation | 5.70 % | 5.85 % |
| Net discount rate | 3.54 % | 3.84 % |

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20. Employee benefit obligations (continued)

Sensitivity analysis

Healthcare cost trends

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:

| 2024 | One percentage point increase | One percentage point decrease |
|--------------------------------------|-------------------------------------|--|
| Effect on interest cost | 2 870 632 | 2 428 644 |
| Effect on defined benefit obligation | 27 330 519 | 23 300 578 |

| 2023 | One percentage point increase | One percentage point decrease |
|--------------------------------------|-------------------------------------|--|
| Effect on interest cost | 2 639 675 | 2 239 072 |
| Effect on defined benefit obligation | 24 113 450 | 20 610 637 |

A 1% increase in the health care inflation results in a 8.47% increase in the accrued liability whilst a 1% decrease in the health care inflation will result in an 7.52% decrease in the accrued liability.

Discount rate

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

| 2024 | One percentage point increase | One percentage point decrease |
|--------------------------------------|-------------------------------------|--|
| Effect on interest cost | 2 671 403 | 2 591 233 |
| Effect on defined benefit obligation | 23 489 237 | 27 410 748 |

| 2023 | One percentage point increase | One percentage point decrease |
|--------------------------------------|-------------------------------------|--|
| Effect on interest cost | 2 189 264 | 2 392 320 |
| Effect on defined benefit obligation | 20 778 602 | 23 943 914 |

A 1% increase in the net discount rate results in a 6.77% decrease in the accrued liability whilst a 1% decrease in the net discount rate will result in an 7.72% increase in the accrued liability.

Mortality

Assumed mortality rates have a significant effect on the amounts recognised in surplus or deficit. A change in the mortality assumption from PA(90)-2 to PA(90)-3 with a three year adjustment would have the following effects:

| 2024 | Valuation basis PA(90)-2 | PA(90)-3 |
|--------------------------------------|--------------------------------|------------|
| Effect on interest cost | 2 636 483 | 2 737 649 |
| Effect on defined benefit obligation | 25 195 954 | 26 117 716 |

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|-----------------|------|------|
|-----------------|------|------|

20. Employee benefit obligations (continued) 2023

| | Valuation basis PA(90)-2 | PA(90)-3 |
|--------------------------------------|-----------------------------|------------|
| Effect on interest cost | 2 427 719 | 2 518 345 |
| Effect on defined benefit obligation | 22 260 447 | 23 052 208 |

PA(90) -3(with a three-year age adjustment) means that, to each beneficiary a mortality rate of an individual three years younger than that beneficiary was assigned. The resulting mortality implies that the individual lives longer than expected in the valuation basis.

A three-year adjustment to the mortality assumption as at 30 June 2024 would result in a 3.66% increase in the accrued liability.

Defined contribution plans

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.

21. Provisions

Reconciliation of provisions - 2024

| | Opening Balance | Additions | Total |
|------------------------------|-----------------|-----------|------------|
| Environmental rehabilitation | 35 942 812 | 1 681 347 | 37 624 159 |

Reconciliation of provisions - 2023

| | Opening Balance | Increase in liability | Total |
|------------------------------|-----------------|-----------------------|------------|
| Environmental rehabilitation | 30 040 464 | 5 902 348 | 35 942 812 |

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 | 10.51% | 0 | 0 |
| CPI | 5.92% | 5.92% | 5.92% |
| Net discount rate | 4.59% | 0 | 0 |
| Remaining useful life | 8 years | 0 years | 0 years |

22. Service charges

| | | |
|---------------------------------|--------------------|--------------------|
| Sale of electricity | 426 128 061 | 360 246 205 |
| Sale of water | 169 155 263 | 176 984 196 |
| Sewerage and sanitation charges | 40 009 138 | 34 249 112 |
| Refuse removal | 44 740 860 | 40 858 427 |
| | 680 033 322 | 612 337 940 |

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| 23. Rental of facilities and equipment | | |
| Premises | | |
| Premises | 5 050 515 | 4 721 854 |
| Facilities and equipment | | |
| Rental of equipment | 1 815 308 | 1 829 318 |
| | 6 865 823 | 6 551 172 |
| 24. Interest income | | |
| Interest revenue | | |
| Bank | 6 856 945 | 5 220 308 |
| Interest charged on trade and other receivables | 46 836 289 | 41 970 348 |
| | 53 693 234 | 47 190 656 |
| 25. Licences and permits | | |
| Flammable goods | 196 124 | 129 747 |
| 26. Recoveries | | |
| Insurance recoveries | 128 892 | 671 838 |
| Recoveries of financial losses | - | 4 549 292 |
| | 128 892 | 5 221 130 |
| 27. Other income | | |
| Abnormal loads | 28 925 | 23 451 |
| Admin fees | 416 322 | 45 749 |
| Cemetery fees | 1 614 775 | 1 448 954 |
| Clearance certificates | 419 400 | 275 637 |
| Development contributions | 123 861 | 44 348 |
| Fire services | 39 564 | 3 121 |
| Library fees | 40 271 | 39 264 |
| Planning fees | 817 660 | 1 041 216 |
| Inspection fees | 21 505 | 10 287 |
| Sundries | 576 973 | 729 451 |
| | 4 099 256 | 3 661 478 |

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28. Inventories reversal

| | | |
|-------------------|--------|-------|
| Consumable stores | 52 874 | 9 897 |
|-------------------|--------|-------|

29. Property rates

Rates received

| | | |
|----------------|-------------|-------------|
| All categories | 167 043 585 | 154 088 247 |
|----------------|-------------|-------------|

Valuations ('000)

| | | |
|--------------------------|-------------------|-------------------|
| Residential | 8 831 268 | 8 604 854 |
| Commercial | 2 314 911 | 2 093 151 |
| State | 886 063 | 867 991 |
| Municipal | 455 718 | 450 682 |
| Small holdings and farms | 2 054 633 | 2 024 899 |
| | 14 542 593 | 14 041 577 |

Valuations on land and buildings are performed every 5 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.

The new general valuation will be implemented on 01 July 2024.

30. Interest from non-exchange receivables

| | | |
|------------------------------------|-----------|-----------|
| Interest charged on property rates | 3 902 910 | 3 661 167 |
|------------------------------------|-----------|-----------|

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|--|--------------------|--------------------|
| 31. Government grants & subsidies | | |
| Operating grants | | |
| Equitable Share | 203 275 000 | 181 382 000 |
| Finance Management Grant | 1 950 000 | 1 950 000 |
| Expanded Public Works Program Grant | 1 091 000 | 1 228 001 |
| Libraries Plan | 8 788 114 | 8 881 534 |
| District health | 3 753 828 | 3 516 379 |
| Expanded Public Works Program (Cogta) | 900 000 | 1 066 000 |
| LG Seta | 1 349 817 | 1 659 553 |
| | 221 107 759 | 199 683 467 |
| Capital grants | | |
| Municipal Infrastructure Grant | 53 813 000 | 29 698 000 |
| Integrated National Electrification Program | 28 627 000 | 25 458 000 |
| Water Services Infrastructure Grant | 18 808 000 | 13 874 000 |
| Recapitalization of Community Libraries Grant | 10 836 000 | 10 413 803 |
| Cogta Fire and Rescue Services Grant | 2 175 775 | 5 994 983 |
| | 114 259 775 | 85 438 786 |
| | 335 367 534 | 285 122 253 |
| Equitable Share | | |
| 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 712 (2023: 638), which is funded from the grant. | | |
| Finance Management Grant | | |
| Current-year receipts | 1 950 000 | 1 950 000 |
| Conditions met - transferred to revenue | (1 950 000) | (1 950 000) |
| | - | - |
| Expanded Public Works Program Grant | | |
| Current-year receipts | 1 091 000 | 1 228 000 |
| Conditions met - transferred to revenue | (1 091 000) | (1 228 000) |
| | - | - |
| Libraries plan | | |
| Balance unspent at beginning of year | 788 114 | 3 399 267 |
| Current-year receipts | 8 000 000 | 7 000 000 |
| Conditions met - transferred to revenue | (8 788 114) | (8 881 534) |
| Transfer to payables | - | (729 619) |
| | - | 788 114 |
| Performance Management System Grant | | |
| Balance unspent at beginning of year | 351 022 | 351 022 |
| Conditions still to be met - remain liabilities (see note 15). | | |
| District health | | |

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|--|------------------|--------------------|
| 31. Government grants & subsidies (continued) | | |
| Balance unspent at beginning of year | (1 440 387) | (353 298) |
| Current-year receipts | 4 844 680 | 2 429 290 |
| Conditions met - transferred to revenue | (3 753 828) | (3 516 379) |
| | (349 535) | (1 440 387) |
| Expanded Public Works Program (Cogta) | | |
| Current-year receipts | 900 000 | 1 066 000 |
| Conditions met - transferred to revenue | (900 000) | (1 066 000) |
| | - | - |
| LG Seta | | |
| Current-year receipts | 1 349 817 | 1 659 553 |
| Conditions met - transferred to revenue | (1 349 817) | (1 659 553) |
| | - | - |
| Municipal Infrastructure Grant | | |
| Current-year receipts | 53 813 000 | 29 698 000 |
| Conditions met - transferred to revenue | (53 813 000) | (29 698 000) |
| | - | - |
| Integrated National Electrification Program | | |
| Current-year receipts | 28 627 000 | 25 458 000 |
| Conditions met - transferred to revenue | (28 627 000) | (25 458 000) |
| | - | - |
| Energy Efficiency and Demand Side Management Grant | | |
| Balance unspent at beginning of year | 136 | 63 136 |
| Offset against equitable share | - | (63 000) |
| | 136 | 136 |
| Conditions still to be met - remain liabilities (see note 15). | | |
| Water Services Infrastructure Grant | | |
| Current-year receipts | 18 808 000 | 13 874 000 |
| Conditions met - transferred to revenue | (18 808 000) | (13 874 000) |
| | - | - |
| Recapitalization of Community Libraries Grant | | |
| Balance unspent at beginning of year | 5 785 220 | 5 674 911 |
| Current-year receipts | 10 836 000 | 12 800 000 |
| Conditions met - transferred to revenue | (10 835 999) | (10 414 047) |
| Transfer to payables | - | (2 275 644) |
| | 5 785 221 | 5 785 220 |

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|--|-------------------|----------------|
| 31. Government grants & subsidies (continued) | | |
| Conditions still to be met - remain liabilities (see note 15). | | |
| Cogta Fire and Rescue Services Grant | | |
| Balance unspent at beginning of year | 205 017 | 2 000 000 |
| Current-year receipts | 2 200 000 | 4 200 000 |
| Conditions met - transferred to revenue | (2 175 775) | (5 994 983) |
| | 229 242 | 205 017 |
| Conditions still to be met - remain liabilities (see note 15). | | |
| 32. Public contributions and donations | | |
| Gauteng Department of Sports, Arts, Culture and Recreation | 419 698 | - |
| City Power | 16 126 112 | - |
| | 16 545 810 | - |
| The cost of the donated assets were regarded as their fair value at the date of acquisition. | | |
| 33. Fines, Penalties and Forfeits | | |
| Municipal Traffic Fines | 2 196 800 | 1 200 100 |
| 34. Municipal relief revenue | | |
| Municipal relief revenue | 28 821 154 | - |

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| 35. Employee related costs | | |
| Basic | 139 333 818 | 134 332 992 |
| Medical aid - company contributions | 13 553 427 | 12 684 181 |
| UIF | 1 003 080 | 1 019 232 |
| WCA | 1 091 791 | 1 107 628 |
| SDL | 1 890 163 | 2 425 623 |
| Other payroll levies | 60 611 | 59 043 |
| Leave pay provision charge | 6 330 474 | 8 666 173 |
| Pension costs | 27 057 118 | 25 727 156 |
| Group insurance | 2 363 906 | 2 215 628 |
| Overtime payments | 17 858 876 | 15 329 593 |
| Long-service awards | 203 096 | 61 580 |
| 13th Cheques | 11 476 017 | 10 697 417 |
| Acting allowances | 1 987 164 | 2 152 064 |
| Car allowance | 5 000 922 | 4 927 807 |
| Housing benefits and allowances | 948 509 | 803 241 |
| Cellphone allowance | 1 171 124 | 1 018 450 |
| Standby | 1 855 185 | 1 771 247 |
| Tool allowance | 440 | 480 |
| Actuarial loss | 2 565 099 | - |
| | 235 750 820 | 224 999 535 |

Remuneration of municipal manager

| | | |
|---|------------------|------------------|
| Annual Remuneration | 1 591 894 | 1 517 083 |
| Car Allowance | 84 000 | 84 000 |
| Contributions to UIF, Medical and Pension Funds | - | - |
| Cellphone Allowance | 42 000 | 42 000 |
| | 1 717 894 | 1 643 083 |

Remuneration of chief finance officer

| | | |
|---|------------------|------------------|
| Annual Remuneration | 1 023 789 | 928 894 |
| Car Allowance | 168 000 | 168 000 |
| Contributions to UIF, Medical and Pension Funds | 239 324 | 223 877 |
| Cellphone Allowance | 20 400 | 20 400 |
| Acting Allowance | 109 377 | 102 554 |
| | 1 560 890 | 1 443 725 |

The CFO was on an acting capacity and the position has been filled on a permanent basis since 27 June 2024.

Remuneration of executive manager: corporate services

| | | |
|---------------------|------------------|----------------|
| Annual Remuneration | 1 123 491 | 206 016 |
| Car Allowance | 44 000 | 60 000 |
| Housing allowance | 60 000 | 96 000 |
| Cellphone Allowance | 27 500 | 7 500 |
| Leave Pay | - | 241 516 |
| | 1 254 991 | 611 032 |

Remuneration of executive manager: community services

| | | |
|---------------------|-----------|-----------|
| Annual Remuneration | 1 190 108 | 1 132 370 |
| Car Allowance | 183 600 | 183 600 |
| Cellphone Allowance | 30 000 | 30 000 |

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|-----------------|------|------|

35. Employee related costs (continued)

1 403 708 1 345 970

Remuneration of executive manager: infrastructure services

| | | |
|---------------------|------------------|------------------|
| Annual Remuneration | 1 200 908 | 1 143 170 |
| Car Allowance | 172 800 | 172 800 |
| Cellphone Allowance | 30 000 | 30 000 |
| | 1 403 708 | 1 345 970 |

Remuneration of executive manager: development and planning

| | | |
|---------------------|------------------|----------|
| Annual Remuneration | 860 299 | - |
| Car Allowance | 126 000 | - |
| Cellphone Allowance | 22 500 | - |
| | 1 008 799 | - |

The position has been filled since 1 October 2023.

36. Remuneration of councillors

| | | |
|---------------------------|-------------------|-------------------|
| Executive Mayor | 1 039 182 | 988 262 |
| Speaker | 841 042 | 789 089 |
| Chief Whip | 791 204 | 750 236 |
| Mayoral Committee Members | 3 965 634 | 3 755 181 |
| Councillors | 6 694 572 | 6 240 294 |
| | 13 331 634 | 12 523 062 |

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.

37. Depreciation and amortisation

| | | |
|-------------------------------|-------------------|-------------------|
| Property, plant and equipment | 45 995 913 | 42 761 885 |
| Investment property | 27 357 | 2 081 583 |
| Intangible assets | 500 264 | 527 480 |
| | 46 523 534 | 45 370 948 |

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|---|--------------------|--------------------|
| 38. Impairment loss | | |
| Impairments | | |
| Property, plant and equipment | 2 967 896 | 8 772 036 |
| Investment property | - | 14 648 065 |
| | 2 967 896 | 23 420 101 |
| Main classes of assets affected by impairment losses | | |
| Investment properties | - | 11 391 240 |
| Plant and machinery | 40 261 | 49 |
| Furniture and fixtures | 28 250 | 45 393 |
| Motor vehicles | 395 010 | 522 588 |
| Office equipment | 27 960 | 18 820 |
| Infrastructure assets | 817 624 | 2 747 335 |
| Community assets | 1 437 328 | 5 437 851 |
| Library books | 221 463 | - |
| | 2 967 896 | 20 163 276 |
| 39. Finance costs | | |
| Non-current borrowings | 2 857 131 | 3 332 940 |
| Trade and other payables | 20 341 095 | 14 161 447 |
| Interest on municipal relief debt liability | 4 402 426 | - |
| Interest cost on employee benefits | 2 427 719 | 2 411 118 |
| Fair value adjustments on landfill sites | 554 851 | 470 593 |
| | 30 583 222 | 20 376 098 |
| 40. Lease rentals on operating lease | | |
| Equipment | | |
| Contractual amounts | 5 572 210 | 4 187 129 |
| 41. Debt impairment | | |
| Impairment on traffic fines | 1 984 875 | 1 097 933 |
| Contributions to debt impairment provision | 255 307 270 | 415 809 204 |
| Bad debts written off | 56 650 | 3 300 |
| | 257 348 795 | 416 910 437 |
| 42. Bulk purchases | | |
| Electricity - Eskom | 364 315 445 | 291 161 904 |
| Water | 106 876 126 | 96 867 463 |
| | 471 191 571 | 388 029 367 |

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|--------------------------------|----------------|----------------|----------------|----------------|
| 42. Bulk purchases (continued) | | | | |
| Electricity losses | | | | |
| | Number 2024 | Number 2023 | Amount 2024 | Amount 2023 |
| Units purchased | 187 119 419 | 173 978 591 | 270 895 786 | 215 761 812 |
| Units sold | (133 389 056) | (134 864 474) | (193 109 476) | (167 253 932) |
| Total loss | 53 730 363 | 39 114 117 | 77 786 310 | 48 507 880 |
| Comprising of: | | | | |
| Technical losses | 9 730 210 | 9 046 887 | 14 086 581 | 11 219 614 |
| Non-technical losses | 44 000 153 | 30 067 230 | 63 699 729 | 37 288 266 |
| Total | 53 730 363 | 39 114 117 | 77 786 310 | 48 507 880 |
| Percentage Loss: | | | | |
| Technical losses | 5.20 % | 5.20 % | 5.20 % | 5.20 % |
| Non-technical losses | 23.51 % | 17.28 % | 23.51 % | 17.28 % |
| Total | 28.71 % | 22.48 % | 28.71 % | 22.48 % |
| Water losses | | | | |
| | Number 2024 | Number 2023 | Amount 2024 | Amount 2023 |
| Units purchased | 8 407 262 | 8 256 963 | 106 571 137 | 95 898 100 |
| Units sold | (5 432 477) | (5 522 491) | (68 862 526) | (64 139 370) |
| Total | 2 974 785 | 2 734 472 | 37 708 611 | 31 758 730 |
| Comprising of: | | | | |
| Technical losses | 453 992 | 445 876 | 5 754 841 | 5 178 497 |
| Non-technical losses | 2 520 793 | 2 288 596 | 31 953 770 | 26 580 233 |
| Total | 2 974 785 | 2 734 472 | 37 708 611 | 31 758 730 |
| Percentage Loss: | | | | |
| Technical losses | 5.54 % | 5.54 % | 5.54 % | 5.54 % |
| Non-technical losses | 29.84 % | 27.58 % | 29.84 % | 27.58 % |
| Total | 35.38 % | 33.12 % | 35.38 % | 33.12 % |

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|---|--------------------|--------------------|
| 43. Contracted services | | |
| Outsourced Services | | |
| Administrative and Support Staff | 1 289 657 | - |
| Animal Care | - | 168 000 |
| Burial Services | 88 194 | 69 118 |
| Business and Advisory | 5 360 149 | 7 900 007 |
| Catering Services | 586 329 | 361 904 |
| Cleaning Services | 490 025 | 77 468 |
| Hygiene Services | 75 739 | 728 198 |
| Internal Auditors | 1 703 527 | 2 573 603 |
| Meter Management | 10 773 038 | 10 271 874 |
| Connection/Dis-connection | 593 020 | 189 719 |
| Security Services | 6 285 655 | 6 566 069 |
| Sewerage Services | 185 721 | 185 721 |
| Transport Services | 57 200 | 1 700 |
| Consultants and Professional Services | | |
| Business and Advisory | 8 655 611 | 6 406 067 |
| Infrastructure and Planning | - | 6 615 654 |
| Laboratory Services | - | 1 661 965 |
| Legal Cost | 9 637 587 | 13 172 717 |
| Contractors | | |
| Artists and Performers | 254 229 | - |
| Auctioneers | 116 591 | - |
| Electrical | 4 438 791 | 7 613 327 |
| Employee Wellness | 43 200 | 180 180 |
| Event Promoters | - | 23 667 |
| Inspection Fees | 1 136 246 | 1 061 675 |
| Maintenance of Buildings and Facilities | 905 380 | 437 717 |
| Maintenance of Equipment | 1 808 897 | 1 580 167 |
| Maintenance of Unspecified Assets | 3 296 195 | 4 860 136 |
| Tracing Agents and Debt Collectors | 497 886 | 138 163 |
| Traffic and Street Lights | 1 144 692 | 331 790 |
| Safeguard and Security | 21 155 952 | 21 381 975 |
| Sewerage Services | 23 573 206 | 21 237 123 |
| | 104 152 717 | 115 795 704 |
| 44. Loss on disposal of assets and liabilities | | |
| Property, plant and equipment | 327 458 | 9 630 107 |
| Investment property | 37 458 | 24 576 817 |
| | 364 916 | 34 206 924 |

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|-----------------------------------|--------------------|--------------------|
| 45. General expenses | | |
| Advertising | 1 809 640 | 1 415 361 |
| Auditors remuneration | 3 799 444 | 3 916 206 |
| Bank charges | 1 609 611 | 1 687 863 |
| Commission paid | 5 615 812 | 4 828 940 |
| Consumables | 1 364 874 | 975 474 |
| Hire | 813 706 | 1 696 700 |
| Insurance | 4 591 394 | 4 091 917 |
| IT expenses | 334 653 | 3 500 |
| Fleet | 8 086 089 | 6 954 822 |
| Magazines, books and periodicals | 610 777 | 285 415 |
| Fuel and oil | - | 518 |
| Postage and courier | 4 661 422 | 4 740 011 |
| Protective clothing | 2 026 155 | 1 690 613 |
| Software expenses | 9 138 029 | 7 712 382 |
| Subscriptions and membership fees | 2 474 368 | 2 467 352 |
| Telephone and fax | 4 947 841 | 6 305 799 |
| Transport and freight | 41 200 | 51 900 |
| Training | 562 384 | 537 579 |
| Travel - local | 924 101 | 410 945 |
| Refuse | 24 854 840 | 23 441 649 |
| Assets expensed | 263 890 | 259 755 |
| Management fees | 5 371 875 | 5 091 935 |
| Materials | 37 837 888 | 23 522 977 |
| Other expenses | 1 770 536 | 2 115 740 |
| | 123 510 529 | 104 205 353 |

46. Operating deficit

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

Operating lease charges

| | | |
|---|-------------|--------------|
| Equipment | | |
| • Contractual amounts | 5 572 210 | 4 187 129 |
| Loss on sale of property, plant and equipment | (327 458) | (9 630 107) |
| Loss on sale of investment property | (37 458) | (24 576 817) |
| Impairment on property, plant and equipment | 2 967 896 | 8 772 036 |
| Impairment on investment property | - | 14 648 065 |
| Amortisation on intangible assets | 500 264 | 527 480 |
| Depreciation on property, plant and equipment | 45 995 913 | 42 761 885 |
| Depreciation on investment property | 27 357 | 2 081 583 |
| Employee costs | 257 432 444 | 243 912 377 |

47. Taxation

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

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|--|--------------------|--------------------|
| 48. Cash generated from operations | | |
| Deficit | (700 516) | (277 004 832) |
| Adjustments for: | | |
| Depreciation and amortisation | 46 523 534 | 45 370 948 |
| Gain on sale of assets and liabilities | 364 916 | 34 206 924 |
| Impairment loss | 2 967 896 | 23 420 101 |
| Debt impairment | 257 348 795 | 416 910 437 |
| Movements in retirement benefit assets and liabilities | 2 935 508 | 66 754 |
| Movements in provisions | 554 851 | 470 593 |
| Inventory losses or write-downs | (52 874) | (9 897) |
| Public contributions and donations | (16 545 810) | - |
| Municipal relief revenue | (28 821 154) | - |
| Changes in working capital: | | |
| Inventories | 145 897 | 2 950 495 |
| Receivables from exchange transactions | (260 658 931) | (200 815 041) |
| Other receivables from non-exchange transactions | (18 383 524) | (20 810 162) |
| Payables from exchange transactions | 52 635 423 | 99 609 491 |
| VAT | (19 884 216) | (5 115 322) |
| Payables from non-exchange transactions | - | 3 005 507 |
| Unspent conditional grants and receipts | (763 888) | (4 358 827) |
| Consumer deposits | 1 590 259 | 1 557 422 |
| Municipal relief debt liability | 84 328 031 | - |
| | 103 584 197 | 119 454 591 |

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2024

2023

49. Prior-year adjustments

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

Statement of financial position

2023

| | Note | As previously reported | Correction of error | Re-classification | Restated |
|---|------|------------------------|---------------------|-------------------|----------------------|
| Investment property | 9 | 82 135 588 | 37 380 525 | - | 119 516 113 |
| Property, plant and equipment | 10 | 1 115 599 840 | 5 116 078 | - | 1 120 715 918 |
| Unspent conditional grants and receipts | 15 | 7 192 509 | (63 000) | - | 7 129 509 |
| Payables from exchange transactions | | 322 976 685 | - | 21 517 427 | 344 494 112 |
| Payables from non-exchange transactions | | - | - | 7 797 853 | 7 797 853 |
| Provisions | | 29 315 280 | - | (29 315 280) | - |
| | | 1 557 219 902 | 42 433 603 | - | 1 599 653 505 |

Statement of financial performance

2023

| | Note | As previously reported | Correction of error | Restated |
|---------------------------------|------|------------------------|---------------------|--------------------|
| Government grants and subsidies | 31 | 285 059 253 | 63 000 | 285 122 253 |
| Depreciation and amortisation | 37 | 44 681 330 | 689 618 | 45 370 948 |
| Impairment loss | 41 | 20 163 276 | 3 256 825 | 23 420 101 |
| Surplus for the year | | 349 903 859 | 4 009 443 | 353 913 302 |

Cash flow statement

2023

| | Note | As previously reported | Correction of error | Restated |
|-------------------------------------|------|------------------------|---------------------|-------------------|
| Cash flow from operating activities | | | | |
| Taxation | | 135 507 038 | 341 491 | 135 848 529 |
| Sale of goods and services | | 468 246 051 | (32 809) | 468 213 242 |
| Interest income | | 6 284 696 | (283 255) | 6 001 441 |
| Suppliers | | (513 310 400) | 1 746 276 | (511 564 124) |
| Finance costs | | (17 494 388) | (1 771 708) | (19 266 096) |
| | | 79 232 997 | (5) | 79 232 992 |

Errors

The following prior period errors adjustments occurred:

Investment property

During the year under review management determined that certain municipal owned properties with a carrying amount of R37,380,525 was erroneously excluded from investment property in the prior year. The properties together with the related depreciation and impairment loss were subsequently recognised.

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|-----------------|------|------|
|-----------------|------|------|

49. Prior-year adjustments (continued)

Property, plant and equipment

During the year under review, management identified various errors in PPE in the prior (duplications and omissions) with a carrying value of R5,636,456. The above errors with the related depreciation and accumulated impairment were corrected in the affected financial years.

Unspent conditional grants and receipts

During the year under review, it was identified that the unspent conditional grants and receipts included an amount R63,000 for Energy Efficiency and Demand Side Management Grant, this amount was offset against the Equitable Share in the prior year. The above error with the corresponding revenue were corrected in the affected financial year.

Reclassifications

The following reclassifications adjustment occurred:

Payables from exchange transactions

Leave accrual was reclassified from provisions to payables from exchange transactions. This was to ensure fair presentation of amounts in the financial statements in terms of GRAP 1.

Payables from non-exchange transactions

Grants payable was reclassified from payable from exchange transactions to payable from non-exchange transactions. This was to ensure fair presentation of amounts in the financial statements in terms of GRAP 1.

50. Change in estimate

Property, plant and equipment

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

Decrease in depreciation expense for plant and machinery amounting to R12,263.56.
Increase in depreciation expense for furniture and fixtures amounting to R456,488.26.
Increase in depreciation expense for motor vehicles amounting to R166,417.50.
Increase in depreciation expense for office equipment amounting to R605,682.57.
Decrease in depreciation expense for infrastructure assets amounting to R457,517.62.
Decrease in depreciation expense for community assets amounting to R203,115.03.
Increase in depreciation expense for library books amounting to R616,905.36.

Investment property

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

Decrease in depreciation expense for investment property amounting to R535.98.

51. Events after the reporting date

The municipality commenced with unauthorised, irregular and fruitless and wasteful expenditure investigations during the 2022/2023 financial year. Investigations by an independent internal audit service provider were in progress as at 30 June 2024 and the investigation report was finalised on 30 August 2024. The following amounts were written off by council after year end:

- Irregular expenditure - R182,947,818
- Fruitless and wasteful expenditure - R9,520

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|-----------------|------|------|
|-----------------|------|------|

52. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

| | At amortised cost | Total |
|--|----------------------|--------------------|
| Other receivables from exchange transactions | 13 180 515 | 13 180 515 |
| Consumer debtors | 66 223 212 | 66 223 212 |
| Cash and cash equivalents | 62 469 330 | 62 469 330 |
| | 141 873 057 | 141 873 057 |

Financial liabilities

| | At fair value | At amortised cost | Total |
|---|-------------------|----------------------|--------------------|
| Long term loans | - | 28 423 345 | 28 423 345 |
| Payables from exchange transactions | - | 366 997 988 | 366 997 988 |
| Payables from non-exchange transactions | - | 7 797 853 | 7 797 853 |
| Consumer deposits | - | 24 770 803 | 24 770 803 |
| Municipal relief debt liability | 55 506 877 | - | 55 506 877 |
| | 55 506 877 | 427 989 989 | 483 496 866 |

2023

Financial assets

| | At amortised cost | Total |
|--|----------------------|--------------------|
| Other receivables from exchange transactions | 8 126 452 | 8 126 452 |
| Consumer debtors | 51 346 629 | 51 346 629 |
| Cash and cash equivalents | 70 550 307 | 70 550 307 |
| | 130 023 388 | 130 023 388 |

Financial liabilities

| | At amortised cost | Total |
|---|----------------------|--------------------|
| Long term loans | 32 808 865 | 32 808 865 |
| Payables from exchange transactions | 310 586 705 | 310 586 705 |
| Payables from non-exchange transactions | 7 797 853 | 7 797 853 |
| Consumer deposits | 23 180 544 | 23 180 544 |
| | 374 373 967 | 374 373 967 |

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|-----------------|------|------|
|-----------------|------|------|

53. 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.

Maturity analysis:

| At 30 June 2024 | Less than 1 year | Between 1 and 5 years | Over 5 years | Total |
|---|---------------------|--------------------------|--------------|-------------|
| Long term loans | 4 352 074 | 20 973 375 | 3 097 896 | 28 423 345 |
| Payables from exchange transactions | 366 997 988 | - | - | 366 997 988 |
| Payables from non-exchange transactions | 7 797 853 | - | - | 7 797 853 |
| Unspent conditional grants | 6 365 621 | - | - | 6 365 621 |
| Consumer deposits | 24 770 803 | - | - | 24 770 803 |
| Municipal debt relief liability | 21 176 183 | 34 330 694 | - | 55 506 877 |
| 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 | 310 586 705 | - | - | 310 586 705 |
| Payables from non-exchange transactions | 7 797 853 | - | - | 7 797 853 |
| Unspent conditional grants | 7 192 509 | - | - | 7 192 509 |
| Consumer deposits | 23 180 544 | - | - | 23 180 544 |

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 | 2024 | 2023 |
|--|------------|------------|
| Absa Bank - 500000066 | 8 067 597 | 12 542 059 |
| Absa Bank - 4083802528 | 126 852 | 126 413 |
| FNB - 62795102088 | 23 275 961 | 14 939 658 |
| Absa - 4076802751 | - | 5 469 801 |
| Investec - 1400137177 | 29 938 133 | 37 470 299 |
| FNB - 63102215042 | 1 058 708 | - |
| Trade and other receivables from exchange transactions | 13 180 515 | 8 126 452 |
| Consumer debtors | 66 223 212 | 51 346 629 |

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|--|-------------------|-------------------|
| 54. Commitments | | |
| Authorised capital expenditure | | |
| Already contracted for but not provided for | | |
| • Property, plant and equipment | 24 229 665 | 5 043 252 |
| Total capital commitments | | |
| Already contracted for but not provided for | 24 229 665 | 5 043 252 |
| Authorised operational expenditure | | |
| Already contracted for but not provided for | | |
| • Expenditure | 18 104 384 | 24 933 403 |
| Total operational commitments | | |
| Already contracted for but not provided for | 18 104 384 | 24 933 403 |
| Total commitments | | |
| Total commitments | | |
| Authorised capital expenditure | 24 229 665 | 5 043 252 |
| Authorised operational expenditure | 18 104 384 | 24 933 403 |
| | 42 334 049 | 29 976 655 |
| Committed capital expenditure consists of: | | |
| Aaron D Projects (Pty) Ltd | - | 225 339 |
| BICS Engineering and Supply (Pty) Ltd | - | 1 803 905 |
| Dwellers Trading and Projects | - | 1 349 574 |
| Khosanto Holdings (Pty) Ltd | - | 929 584 |
| Mahlatji Mmetjie Trading and Projects | 288 882 | 734 850 |
| Neckmay Trading Enterprises (Pty) Ltd | 13 400 781 | - |
| Olwethu Uthando Construction | 10 540 002 | - |
| | 24 229 665 | 5 043 252 |
| This committed expenditure relates to plant and equipment and will be financed by existing cash resources, funds internally generated and grant funding. | | |
| Committed operational expenditure consists of: | | |
| Bravo Span 90 CC | - | 10 064 316 |
| Epitome Consulting | 1 347 736 | - |
| Fidelity Cash Solutions (Pty) Ltd | 241 696 | 555 015 |
| Infratec Consulting (Pty) Ltd | - | 497 036 |
| Leolo and Partners Chartered Accountants | 5 969 851 | - |
| Mamadi and Company | 777 500 | 777 500 |
| Micro Alert CC | - | 35 343 |
| Munsoft (Pty) Ltd | 9 767 601 | 13 004 193 |
| | 18 104 384 | 24 933 403 |

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| 55. Contingencies | | |
| Contingent liabilities | | |
| Claim by P Mpele against the municipality for reinstatement to position of CFO with backpay (Paul Mpele // LLM) | 2 058 333 | 2 408 333 |
| Claim by P Mpele against the municipality for reinstatement to position of MM with backpay (Paul Mpele // LLM) | 2 312 552 | 3 385 630 |
| 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 (Mtimandze//LLM) | 7 749 981 | 12 416 476 |
| Litigation against the municipality for the provision of municipal services (7 Ronelle Street Investments Proprietary Limited// LLM) | - | 180 000 |
| Litigation against the municipality regarding a dispute over the closing of a street (Archie Mokonane//LLM) | - | 500 000 |
| Contractual dispute with regards to the leasing of a property (Heidelberg Museum//LLM) | - | 100 000 |
| Personal injury claim against the municipality regarding injuries suffered by a minor as a result of a pole that fell (Lindiwe Joyce Lekobotja//LLM) | 4 200 000 | 5 122 500 |
| Personal injury claim against the municipality regarding injuries suffered by a minor as a result of a pole that fell (Thembi Bheleimpshe//LLM) | 4 200 000 | 6 622 500 |
| Litigation against the municipality regarding damage to property as a result of a veld fire (Albertus van der Merwe and Others//LLM) | 1 307 000 | 1 515 174 |
| Litigation against the municipality by a supplier for alleged breach of Service Level Agreement relating to the construction of stalls (Thabela Earthworks CC//LLM) | 1 935 942 | 2 235 942 |
| Litigation against the municipality by a supplier for services allegedly provided during the validity of their contract (Anix Trading (Pty) Ltd//LLM) | 20 639 690 | 23 139 690 |
| Litigation against the municipality for construction services allegedly rendered (Rampatla and Keevy NO) | 853 985 | 1 203 985 |
| Personal injury claim by a municipal tenant against the municipality for injuries suffered (MA Coetser//LLM) | 489 428 | 989 428 |
| Litigation against the municipality for environmental compliance (Global Recycling) | - | 1 255 000 |
| | 45 746 911 | 61 074 658 |
| Contingent assets | | |
| Claim by the municipality against a supplier regarding a contractual dispute (LLM//Mtimandze) | 31 573 124 | 25 382 304 |
| Claim by the municipality against a former employee for the unlawful and fraudulent transfer of municipal property (LLM//Tshepo Malekane) | 67 000 | 67 000 |
| Claim by the municipality to recover funds fraudulently transferred out of the municipal bank account (LLM//Absa Bank) | 2 450 718 | 2 450 708 |
| | 34 090 842 | 27 900 012 |

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56. Related parties

Relationships

Accounting Officer

Members of key management

S Dlamini

G Mncube (CFO)

N Khawula (Executive Manager: Community Services)

S Mazibuko (Executive Manager: Development and Planning)

A Machitje (Executive Manager: Corporate Service)

T Zondi (Executive Manager: Infrastructure Services)

Related party transactions

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

Remuneration of management

Management class: Councillors

2024

| Name | Basic salary | Travelling Allowance | Cellphone Allowance | Total |
|---|------------------|----------------------|---------------------|-------------------|
| Cllr MNR Nkosi (Executive Mayor) | 648 162 | 345 484 | 45 536 | 1 039 182 |
| Cllr PR Mpemvu (Speaker) | 603 506 | 192 000 | 45 536 | 841 042 |
| Cllr TJ Gama (Chief Whip) | 647 462 | 98 206 | 45 536 | 791 204 |
| Cllr MV Motsepe | 631 864 | 123 417 | 45 536 | 800 817 |
| Cllr T Motsepe | 512 259 | 233 409 | 45 536 | 791 204 |
| Cllr ME Magazi | 627 343 | 118 325 | 45 536 | 791 204 |
| Cllr MS Lukhele | 627 343 | 118 325 | 45 536 | 791 204 |
| Cllr T Mashinini | 601 668 | 144 000 | 45 536 | 791 204 |
| Cllr SJ Mnyakeni | 247 261 | 158 063 | 45 536 | 450 860 |
| Cllr D Tsotetsi | 350 324 | 55 000 | 45 536 | 450 860 |
| Cllr M Boshoff | 316 500 | - | 45 536 | 362 036 |
| Cllr GC Holtzhausen | 316 500 | - | 45 536 | 362 036 |
| Cllr LS Gamede | 218 222 | 98 278 | 45 536 | 362 036 |
| Cllr BV Mogorosi | 316 500 | - | 45 536 | 362 036 |
| Cllr HACS Paul | 178 892 | 137 608 | 45 536 | 362 036 |
| Cllr MJ Khubeka | 271 500 | 45 000 | 45 536 | 362 036 |
| Cllr BM Mkhize | 261 500 | 55 000 | 45 536 | 362 036 |
| Cllr FEJ Khumalo | 250 500 | 66 000 | 45 536 | 362 036 |
| Cllr CG Naidoo | 316 500 | - | 45 536 | 362 036 |
| Cllr MF Langa | 250 500 | 66 000 | 45 536 | 362 036 |
| Cllr CD Simelane | 250 500 | 66 000 | 45 536 | 362 036 |
| Cllr LM Machitje | 268 500 | 48 000 | 45 536 | 362 036 |
| Cllr LB Moloi | 250 500 | 66 000 | 45 536 | 362 036 |
| Cllr C Collen | 316 500 | - | 45 536 | 362 036 |
| Cllr J Coetzee | 316 500 | - | 45 536 | 362 036 |
| Cllr Y Combrinck | 304 396 | - | 48 936 | 353 332 |
| Cllr MA Mulder - Resigned February 2023 | 8 981 | - | - | 8 981 |
| | 9 910 183 | 2 234 115 | 1 187 336 | 13 331 634 |

2023

| | Basic salary | Travelling Allowance | Cellphone Allowance | Total |
|--|--------------|----------------------|---------------------|-------|
|--|--------------|----------------------|---------------------|-------|

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| 56. Related parties (continued) | | | | |
| Name | | | | |
| 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 Molo | 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 |
| | 9 788 748 | 1 687 114 | 1 047 200 | 12 523 062 |

Management class: Executive management

*Refer to note 35 "Employee related costs"

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57. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus (deficit) of 932 739 689 and that the municipality's total assets exceed its liabilities by 932 739 689.

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.

This conclusion is supported by a thorough assessment of key financial and non-financial indicators, including liquidity, solvency, cash flow, and leverage. The municipality's ongoing strategic investments are expected to further enhance its financial position. Additionally, a comprehensive Budget Funding Plan has been developed to monitor and improve financial performance. The assessment also considered potential legal and regulatory risks, management stability, and future revenue opportunities.

Based on these assessments, it is determined that the municipality has the necessary resources and plans in place to continue its operations into the foreseeable future.

58. Unauthorised expenditure

| | | |
|--|--------------------|--------------------|
| Opening balance as previously reported | 462 175 728 | 274 199 126 |
| Add: Expenditure identified - current | 9 023 830 | 187 976 602 |
| Less: Amount written off - current | (260 940 570) | - |
| Closing balance | 210 258 988 | 462 175 728 |

Unauthorised expenditure: Budget overspending – per municipal department:

| | | |
|--------------------------|------------------|--------------------|
| Community Services | 5 190 013 | 4 447 793 |
| Corporate Services | - | 2 069 837 |
| Development and Planning | - | 24 804 526 |
| Executive and Council | 3 833 817 | 3 257 922 |
| Finance | - | 54 921 835 |
| Infrastructure | - | 98 474 689 |
| | 9 023 830 | 187 976 602 |

The municipality commenced with unauthorised expenditure investigations during the 2022/2023 financial year. Investigations by an independent internal audit service provider were in progress as at 30 June 2024 and the investigation report was finalised on 30 August 2024.

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59. Fruitless and wasteful expenditure

| | | |
|--|-------------------|-------------------|
| Opening balance as previously reported | 30 042 935 | 15 881 488 |
| Add: Fruitless and wasteful expenditure identified - current | 20 341 095 | 14 161 447 |
| Less: Amount written off - current | (9 520) | - |
| Closing balance | 50 374 510 | 30 042 935 |

The municipality commenced with fruitless and wasteful expenditure investigations during the 2022/2023 financial year. Investigations by an independent internal audit service provider were in progress as at 30 June 2024 and the investigation report was finalised on 30 August 2024.

Fruitless and wasteful expenditure identified include those listed below:

| | | |
|--------------------|-------------------|-------------------|
| Sheriff | 1 008 | 7 879 |
| City of Ekurhuleni | 36 362 | 1 844 |
| Eskom | 14 807 773 | 12 688 941 |
| Munsoft | - | 244 |
| Rand Water | 5 495 952 | 1 454 755 |
| Telkom | - | 7 784 |
| | 20 341 095 | 14 161 447 |

60. Irregular expenditure

| | | |
|--|--------------------|--------------------|
| Opening balance as previously reported | 307 690 926 | 301 194 621 |
| Add: Irregular expenditure - current | 6 396 994 | 6 496 305 |
| Less: Amount written off - current | (182 947 818) | - |
| Closing balance | 131 140 102 | 307 690 926 |

Irregular expenditure identified include those listed below:

| | | |
|--|------------------|------------------|
| Absa Bank | - | 525 749 |
| Batho Bantsho Trading and Projects | - | 545 928 |
| Combine Private Investigations | - | 588 990 |
| Gobodo Forensic and Investigative Accounting | - | 242 333 |
| Kloofsig Motors | - | 132 666 |
| Mazobo Projects | 31 100 | 1 408 400 |
| Mkhabela Huntley Attorneys Inc | 139 099 | 1 811 |
| Phileza Tyres | 234 274 | 437 706 |
| Rasegoete Attorneys | - | 23 912 |
| Shandukani Technologies | - | 28 000 |
| Singa Tel (Pty) Ltd | - | 42 941 |
| Suikerbos Motors | 5 992 521 | 2 502 825 |
| Webb Industries | - | 15 044 |
| | 6 396 994 | 6 496 305 |

The municipality commenced with irregular expenditure investigations during the 2022/2023 financial year. Investigations by an independent internal audit service provider were in progress as at 30 June 2024 and the investigation report was finalised on 30 August 2024.

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61. 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.

Nineteen procurements (spread over 13 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 2024 | Number 2023 | Amount 2024 | Amount 2023 |
|--|-------------|--------------|------------------|------------------|
| Emergency [S36(1)(a)(i)] | 2 Companies | - | 85 850 | - |
| Sole Supplier [S36(1)(a)(ii)] | 3 Companies | 3 Companies | 163 348 | 196 988 |
| Impractical to follow SCM [S36(1)(a)(v)] | 8 Companies | 12 Companies | 6 827 981 | 4 876 347 |
| | | | 7 077 179 | 5 073 335 |

62. Additional disclosure in terms of Municipal Finance Management Act

Material losses through criminal conduct

| | | |
|--|------------------|------------------|
| Opening balance as previously reported | 2 450 708 | 7 000 000 |
| Less: Amounts recovered - current | - | (4 549 292) |
| | 2 450 708 | 2 450 708 |

Funds amounting to R7,000,000 were fraudulently withdrawn from the municipality's bank account. An amount of R4,549,292 was recovered in the prior year. 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 | 2 060 635 |
|--|-----------|-----------|

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 | 3 799 444 | 3 916 206 |
| Amount paid - current year | (3 799 444) | (3 916 206) |
| | - | - |

PAYE and UIF

| | | |
|---------------------------------|--------------|--------------|
| Current year subscription / fee | 39 139 846 | 35 247 604 |
| Amount paid - current year | (39 139 846) | (35 247 604) |
| | - | - |

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

Pension and Medical Aid Deductions

| | | |
|---------------------------------|--------------|--------------|
| Current year subscription / fee | 64 405 856 | 60 648 292 |
| Amount paid - current year | (64 405 856) | (60 648 292) |
| | - | - |

VAT

| | | |
|----------------|------------------|------------------|
| VAT receivable | - | 1 567 567 |
| VAT payable | 5 601 780 | - |
| | 5 601 780 | 1 567 567 |

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

Councillors' arrear consumer accounts

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

| 30 June 2024 | Outstanding less than 90 days | Outstanding more than 90 days | Total |
|------------------|-------------------------------------|-------------------------------------|----------------|
| Cllr T Mashinini | 3 284 | 25 024 | 28 308 |
| | | | |
| 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 |
| | 11 253 | 117 709 | 128 962 |

The implementation of an active recovery strategy has proven to be a resounding success in the context of municipal finance management. The substantial decrease in arrears from the 2023 financial year to the 2024 financial year is a clear indicator of the effectiveness of this approach. By prioritizing the recovery of funds by councillors, the administration has set a precedent for accountability and fiscal responsibility.

63. 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.

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63. Segment information (continued)

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 | Goods and/or services |
|-------------------------------------|---|
| Governance and Administration | Governance, administration and financial services |
| Community and Public Safety | Community and social services, sport and recreation, public safety and health |
| Economic and Environmental Services | Planning and development, road transport, environmental protection |
| Trading Services | Water and electricity supply, management of waste and waste water |

Segment surplus or deficit, assets and liabilities

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63. Segment information (continued)

2024

| | Governance and Administration | Community and Public Safety | Economic and Environmental Services | Trading Services | Total |
|---|-------------------------------------|-----------------------------------|---|----------------------|----------------------|
| Revenue | | | | | |
| Revenue from non-exchange transactions | 389 905 162 | 28 170 215 | 53 813 000 | 78 086 506 | 549 974 883 |
| Revenue from exchange transactions | 3 835 575 | 7 024 969 | 482 425 | 680 033 322 | 691 376 291 |
| Interest revenue | 14 963 654 | - | - | 42 632 490 | 57 596 144 |
| Total segment revenue | 408 704 391 | 35 195 184 | 54 295 425 | 800 752 318 | 1 298 947 318 |
| Entity's revenue | | | | | 1 298 947 318 |
| Expenditure | | | | | |
| Segment expenses | 209 044 685 | 76 912 132 | 47 536 120 | 628 366 534 | 961 859 471 |
| Depreciation and amortisation | 10 144 765 | 6 961 140 | 8 026 165 | 21 391 464 | 46 523 534 |
| Impairment of assets | 491 480 | 1 658 791 | - | 817 625 | 2 967 896 |
| (Gain)/Loss on disposal of assets | (49 434) | (10 785) | (297 190) | 722 325 | 364 916 |
| Debt impairment | 23 513 432 | 2 041 525 | - | 231 793 838 | 257 348 795 |
| Interest expense | 3 031 973 | - | 23 782 | 27 527 467 | 30 583 222 |
| Total segment expenditure | 246 176 901 | 87 562 803 | 55 288 877 | 910 619 253 | 1 299 647 834 |
| Total segmental surplus/(deficit) | 162 527 490 | (52 367 619) | (993 452) | (109 866 935) | (700 516) |
| Entity's expenditure | | | | | 1 299 637 183 |
| Entity surplus/(deficit) | | | | | (689 865) |
| Assets | | | | | |
| Current assets | 140 685 160 | 1 107 098 | 2 425 599 | 97 004 747 | 241 222 604 |
| Non-current assets | 11 897 397 | 297 913 948 | 436 904 330 | 582 675 006 | 1 329 390 681 |
| Total segment assets | 152 582 557 | 299 021 046 | 439 329 929 | 679 679 753 | 1 570 613 285 |
| Total assets as per Statement of financial Position | | | | | 1 570 613 285 |
| Liabilities | | | | | |
| Current liabilities | 51 626 313 | 12 836 868 | 16 596 916 | 438 042 086 | 519 102 183 |
| Non-current liabilities | 46 816 552 | - | - | 71 954 854 | 118 771 406 |
| Total segment liabilities | 98 442 865 | 12 836 868 | 16 596 916 | 509 996 940 | 637 873 589 |
| Total liabilities as per Statement of financial Position | | | | | 637 873 589 |
| Other information | | | | | |
| Capital expenditure | 3 831 057 | 10 923 485 | 34 873 519 | 61 740 166 | 111 368 227 |
| Entity's capital expenditure | | | | | 111 368 227 |

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63. Segment information (continued)

2023

| | Governance and Administration | Community and Public Safety | Economic and Environmental Services | Trading Services | Total |
|---|-------------------------------------|-----------------------------------|---|----------------------|----------------------|
| Revenue | | | | | |
| Revenue from non-exchange transactions | 339 079 800 | 30 352 090 | 30 010 016 | 40 968 694 | 440 410 600 |
| Revenue from exchange transactions | 8 656 542 | 6 837 641 | 315 058 | 612 337 941 | 628 147 182 |
| Interest revenue | 13 631 103 | - | - | 37 220 721 | 50 851 824 |
| Total segment revenue | 361 367 445 | 37 189 731 | 30 325 074 | 690 527 356 | 1 119 409 606 |
| Entity's revenue | | | | | 1 119 409 606 |
| Expenditure | | | | | |
| Segment expenses | 202 221 627 | 71 072 291 | 41 399 953 | 541 436 059 | 856 129 930 |
| Depreciation and amortisation | 8 988 018 | 7 284 416 | 8 413 136 | 20 685 377 | 45 370 947 |
| Impairment of assets | 586 849 | 5 437 850 | 14 648 065 | 2 747 335 | 23 420 099 |
| 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 | 3 092 550 | - | 110 894 | 17 172 654 | 20 376 098 |
| Total segment expenditure | 306 998 819 | 85 887 561 | 89 157 643 | 914 370 413 | 1 396 414 436 |
| Total segmental surplus/(deficit) | 54 368 626 | (48 697 830) | (58 832 569) | (223 843 057) | (277 004 830) |
| Entity's expenditure | | | | | 1 396 414 438 |
| Entity's surplus/(deficit) | | | | | (277 004 832) |
| Assets | | | | | |
| Current assets | 125 429 166 | 1 517 932 | 1 048 075 | 82 687 265 | 210 682 438 |
| Non-current assets | 17 402 512 | 295 691 403 | 411 257 467 | 526 666 608 | 1 251 017 990 |
| Total segment assets | 142 831 678 | 297 209 335 | 412 305 542 | 609 353 873 | 1 461 700 428 |
| Total assets as per Statement of financial Position | | | | | 1 461 700 428 |
| Liabilities | | | | | |
| Current liabilities | 57 590 378 | 13 791 865 | 10 435 544 | 361 959 322 | 443 777 109 |
| Non-current liabilities | 48 540 302 | - | - | 35 942 812 | 84 483 114 |
| Total segment liabilities | 106 130 680 | 13 791 865 | 10 435 544 | 397 902 134 | 528 260 223 |
| Total liabilities as per Statement of financial Position | | | | | 528 260 223 |
| Other information | | | | | |
| Capital expenditure | 1 736 154 | 15 454 870 | 57 633 833 | 47 924 787 | 122 749 644 |
| Entity's capital expenditure | | | | | 122 749 644 |

64. Budget differences

Material differences between budget and actual amounts

Explanation for the variances between the budget and actual amounts:

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64. Budget differences (continued)

Statement of Financial Performance

1. Service charges - Impact of loadshedding and consumers using alternative energy sources.
2. Licences and permits - Increase in number of applications for fire licences.
3. Recoveries - Insurance recoveries from stolen and damaged assets.
4. Government grants and subsidies - Delay in procurement leading to unspent grants at year end.
5. Public contributions and donations - Donations from City Power and Department of Sports, Recreation, Arts and Culture.
6. Fines penalties and forfeits - Implementation of system for traffic fines was delayed.
7. Municipal relief revenue - Municipal debt relief not included in budget.
8. Impairment loss - Impairment due verification of assets.
9. Finance costs - Interest charged on overdue bulk accounts.
10. Debt impairment - Overprovision in budget based on prior year collection rate.
11. Bulk purchases - Impact of loadshedding and consumers using alternative energy sources.
12. Loss on disposal of assets - Derecognition of assets due to asset verification.

Statement of Financial Position

13. Receivables from exchange transactions - Impairment lower than estimated.
14. VAT receivable - Increase in payables.
15. Cash and cash equivalents - Collection rate lower than budgeted.
16. Investment property - Depreciation lower than budgeted.
17. Property, plant and equipment - Prior year corrections not taken into account in the budget.
18. Intangible assets - Additions in the prior year not accounted for in the opening balance for budget.
19. Long term loans - Current portion not split in the budget.
20. Payables from exchange transactions - Higher payables due to cash flow challenges.
21. Payables from non-exchange transactions - Grant to be paid back to Provincial Treasury.
22. VAT payable - Impact of impairment and debt write offs.
23. Employee benefit obligation - Due to actuarial valuation at year end.
24. Unspent conditional grants - Improvement in grant spending due to early appointment of service providers.
25. Provisions - Leave accrual reallocated to payables.
26. Municipal relief debt liability - Municipal debt relief not included in budget.
27. Long term loans - Servicing of loan payments.
28. Employee benefit obligation - Due to actuarial valuation at year end.
31. Provisions - Due to valuation of landfill site at year end.
32. Municipal relief debt liability - Municipal debt relief not included in budget.