

VICTOR KHANYE LOCAL MUNICIPALITY

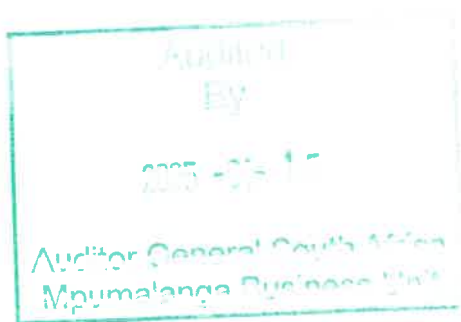
**Annual Financial Statements
for the year ended 30 June 2024**

Victor Khanye Local Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Legislation governing the municipality's operations:	Constitution of the Republic of south Africa (Act 108 of 1998) Local Government: Municipal Finance Management Act (Act no.56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Municipal Property Rates Act (act of 6 2004) Division of Revenue Act (Act 1 of 2007)
Grading of local authority	3
Accounting Officer	TM Mashabela
Chief Finance Officer (CFO)	TP Mahlangu
Members of council:	KV Buda (Executive Mayor) HM Ngoma (Speaker) NS Ngcobo (Chief Whip/Ward 6) TG Malomane (MMC PITS/ Cllr ward 3) ME Masilela (MMC Finance/ Cllr ward 9) BD Yeko (MMC Social/ Cllr ward 2) BLO Mbalati (Cllr ward 1) ES Lebatse (Cllr ward 4) DJ Bath (Cllr ward 8) JZ Ndlovu (Cllr ward 7) M Rautenbach (PR Cllr (DA)) SM Skosana (PR Cllr (DA)) NE Mohoadibe (PR Cllr (EFF)) P Senekal (PR Cllr (VF PLUS)) MM Sepenyane (PR Cllr (AVPP)) ST Segone (PR Cllr (AVPP)) A Smith (PR Cllr (AVPP))
Registered office	Cnr Samuel road and Van der Walt street Delmas 2210
Website:	www.vklm.gov.za
Postal address	P/O BOX 6 Delmas 2210
Bankers	Standard Bank ABSA
Auditors	AG SA



Victor Khanye Local Municipality

Annual Financial Statements for the year ended 30 June 2024

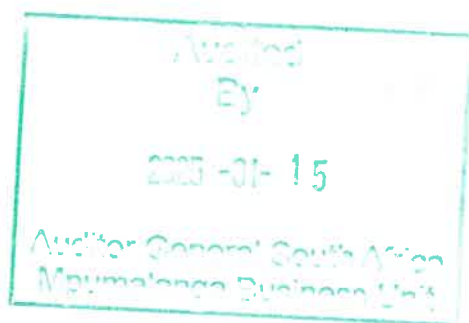
General Information

Attorneys

Nkgadima & Associates
Toka Machabaphala Inc
SM Sibeko Incorporated Attorneys
Ntleru Inc Attorneys
Buthelezi Vilakazi Inc
L Guzana Inc Attorneys.
Prince Mudau & Associates Inc.
Mphoke PK Magane Inc
HM Chaane Attorneys

Audit committee

Ms. FJ Mudau(Chairperson)
Ms. SJ Masite
Adv. JL Thobakgale
Mr. L Monama
Mr. M Mathabathe
Ms. MC Moloi (contract ended)
Ms. P Ntuli (contract ended)



Victor Khanye Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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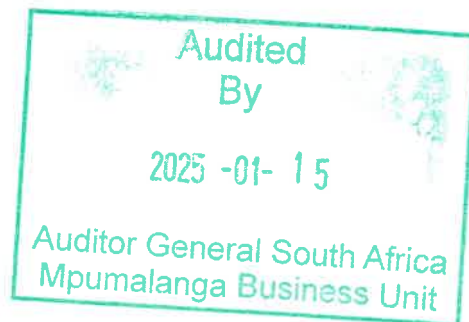
Victor Khanye Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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Abbreviations used:

AO	Accounting Officer
UIF	Unemployment insurance fund
AGSA	Auditor-General of South Africa
MIG	Municipal Infrastructure Grant
VKLM	Victor Khanye Local Municipality
FMG	Financial Management Grant
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
INEP	Intergreted National Electrification Programmee
PPE	Property, Plant and Equipment
SARS	South African Revenue Services
COGTA	Cooperative Governance and Traditional Affairs
CRR	Capital Replacement Reserve
CFO	Chief Financial Officer
COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IFRS	International Financial Reporting Standards
SDL	Skills Development Levy
NPV	Net Present Value
EPWP	Expended Public Works Program
SCM	Supply Chain Management



Victor Khanye Local Municipality

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

Although I am primarily responsible for the financial affairs of the municipality, this is supported by the municipality's external auditors.

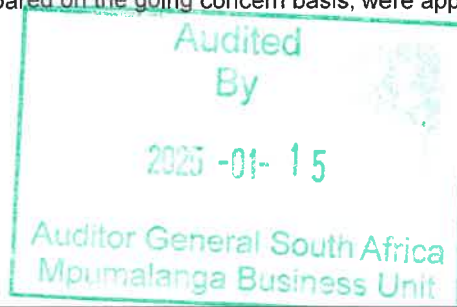
As at June 30 2024, the municipality's total liabilities exceeded its total assets as indicated in the Statement of Financial Position.

The accounting officer certify that the salaries, allowances and benefits of councillors as disclosed in note 23 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

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

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved and signed by the Accounting Officer.

Accounting Officer
TM Mashabela
31 August 2024



Victor Khanye Local Municipality

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			
Inventories	13	2 753 579	2 121 315
Receivables from exchange transactions	8&10	97 171 602	151 169 875
Receivables from non-exchange transactions	9&10	23 528 603	23 204 854
VAT receivable	41	126 085 440	99 661 472
Cash and cash equivalents	7	6 397 313	6 653 290
		255 936 537	282 810 806
Non-Current Assets			
Investment property	3	88 432 593	89 531 180
Property, plant and equipment	4	943 476 752	920 517 846
Intangible assets	5	63 840	63 840
Heritage assets	6	1 074 503	1 074 503
		1 033 047 688	1 011 187 369
Total Assets		1 288 984 225	1 293 998 175
Liabilities			
Current Liabilities			
Finance lease obligation	51	3 805 154	3 385 251
Payables from exchange transactions	15	1 388 760 207	1 146 820 535
Consumer deposits	14	1 688 113	1 652 291
Employee benefit obligation	12	2 571 674	1 985 454
Provisions	11	8 203 712	2 376 058
		1 405 028 860	1 156 219 589
Non-Current Liabilities			
Finance lease obligation	51	1 117 949	4 767 853
Employee benefit obligation	12	49 246 585	40 603 194
Provisions	11	10 666 025	9 880 221
		61 030 559	55 251 268
Total Liabilities		1 466 059 419	1 211 470 857
Net Assets		(177 075 194)	82 527 318
Accumulated surplus		(177 075 194)	82 527 318
Total Net Assets		(177 075 194)	82 527 318

Audited
By
2025 -01- 15
Auditor General South Africa
Mpumalanga Business Unit

* See Note 39

Victor Khanye Local Municipality

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	20	332 466 245	280 225 856
Rental of facilities and equipment	21	1 639 760	2 709 017
Administration and management fees received	22	314 248	264 593
Merchandising and Jobbing	22	24 439	972 034
Fire Services	22	1 266 911	761 455
Cemetery and Berial	22	354 796	317 543
Town Planning and Servitudes	22	643 139	407 444
Interest Income	23	52 412 316	38 561 966
Actuarial gains		-	11 412 460
Total revenue from exchange transactions		389 121 854	335 632 368
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	16	109 834 380	93 307 017
Property rates - penalties imposed	16	34 213 459	17 377 204
Debt written off	55	59 138 988	26 162 438
Transfer revenue			
Government grants & subsidies	19	201 019 000	184 204 000
Public contributions and donations	18	15 778 563	31 222 835
Fines, Penalties and Forfeits	17	11 239 410	12 123 975
Total revenue from non-exchange transactions		431 223 800	364 397 469
Total revenue		820 345 654	700 029 837
Expenditure			
Employee related costs	25	(192 678 699)	(176 903 032)
Remuneration of councillors	24	(9 363 717)	(8 521 589)
Depreciation and amortisation	27	(55 249 827)	(55 133 146)
Finance costs	28	(92 950 921)	(94 765 617)
Lease rentals on operating lease	32	(995 249)	(2 559 774)
Impairment	26	(230 564 275)	(83 450 353)
Bad debts written off	53	(8 884 558)	-
Bulk purchases	29	(202 461 064)	(167 219 858)
Contracted services	31	(123 328 765)	(90 057 134)
Loss on disposal of assets and liabilities	4	(1 221 864)	(4 743 174)
Actuarial losses	12	(671 979)	-
Inventory consumed	30	(97 931 288)	(87 446 207)
Operational costs	33	(63 645 960)	(64 908 420)
Total expenditure		(1 079 948 166)	(835 708 304)
Deficit for the year		(259 602 512)	(135 678 467)



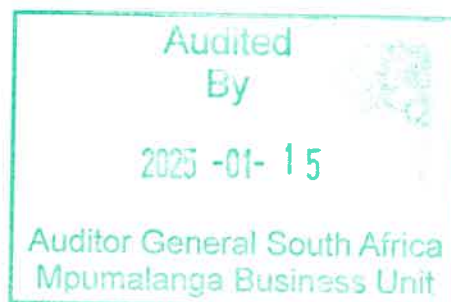
* See Note 39

Victor Khanye Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	231 628 115	231 628 115
Adjustments		
Prior year adjustments 39	(13 422 330)	(13 422 330)
Balance at 01 July 2022 as restated*	218 205 785	218 205 785
Changes in net assets		
Deficit for the year	(135 678 467)	(135 678 467)
Total changes	(135 678 467)	(135 678 467)
Restated* Balance at 01 July 2023	82 527 318	82 527 318
Changes in net assets		
Deficit for the year	(259 602 512)	(259 602 512)
Total changes	(259 602 512)	(259 602 512)
Balance at 30 June 2024	(177 075 194)	(177 075 194)
Note(s)		



* See Note 39

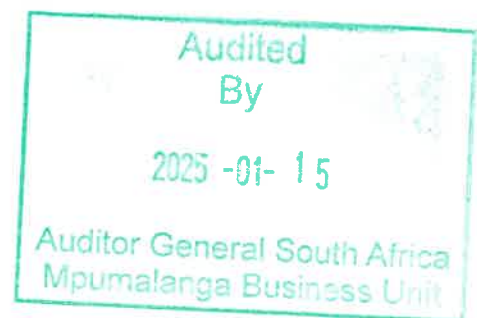
Victor Khanye Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Services charges		264 569 507	188 156 428
Grants		201 019 000	184 204 000
Rate and fines		93 263 547	90 601 844
Interest income		2 895 750	14 610 103
Other receipts		4 218 854	4 460 052
		565 966 658	482 032 427
Payments			
Compensation of employees and councillors,		(195 061 931)	(182 495 090)
Suppliers, service providers and others		(253 744 056)	(217 061 181)
Finance costs		(23 020 001)	(8 652 152)
Tax paid		(26 423 966)	(30 695 233)
		(498 249 954)	(438 903 656)
Net cash flows from operating activities	34	67 716 704	43 128 771
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(63 955 423)	(51 047 288)
Cash flows from financing activities			
Finance lease payments		(3 984 750)	8 966 655
Net increase/(decrease) in cash and cash equivalents		(255 987)	1 048 138
Cash and cash equivalents at the beginning of the year		6 653 290	5 605 153
Cash and cash equivalents at the end of the year	7	6 397 313	6 653 291

The accounting policies on pages 14 to 38 and the notes on pages 39 to 93 form an integral part of the annual financial statements.



* See Note 39

Victor Khanye Local Municipality

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	Note
Figures in Rand						
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Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	444 952 000	(68 294 000)	376 658 000	332 466 245	(44 191 755)	Note 52
Rendering of services	3 137 000	561 000	3 698 000	-	(3 698 000)	Note 52
Rental of facilities and equipment	2 532 000	(526 000)	2 006 000	1 639 760	(366 240)	Note 52
Administration and management fees received	392 000	30 000	422 000	314 248	(107 752)	Note 52
Merchandising and jobbing	-	-	-	24 439	24 439	Note 52
Fire services	-	-	-	1 266 911	1 266 911	Note 52
Cemetery and Burial	-	-	-	354 796	354 796	Note 52
Town planning and Servitude	-	-	-	643 139	643 139	Note 52
Interest received - investment	59 387 000	44 223 000	103 610 000	52 412 316	(51 197 684)	Note 52
Total revenue from exchange transactions	510 400 000	(24 006 000)	486 394 000	389 121 854	(97 272 146)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	97 467 000	41 990 000	139 457 000	109 834 380	(29 622 620)	Note 52
Property rates - penalties imposed	-	-	-	34 213 459	34 213 459	Note 52
Debt written off	-	-	-	59 138 988	59 138 988	Note 52
Surcharges and Taxes	54 884 000	(5 513 000)	49 371 000	-	(49 371 000)	Note 52
Transfer revenue						
Government grants & subsidies: Operational	144 142 000	-	144 142 000	201 019 000	56 877 000	Note 52
Public contributions and donations	-	-	-	15 778 563	15 778 563	Note 52
Fines, Penalties and Forfeits	1 686 000	(591 000)	1 095 000	11 239 410	10 144 410	Note 52
Total revenue from non-exchange transactions	298 179 000	35 886 000	334 065 000	431 223 800	97 158 800	
Total revenue	808 579 000	11 880 000	820 459 000	820 345 654	(113 346)	
Expenditure						
Personnel	(198 596 000)	(2 978 000)	(201 574 000)	(192 678 699)	8 895 301	Note 52
Remuneration of councillors	(9 101 000)	(30 000)	(9 131 000)	(9 363 717)	(232 717)	Note 52
Depreciation and amortisation	(52 046 000)	1 944 000	(50 102 000)	(55 249 827)	(5 147 827)	Note 52
Finance costs	(33 352 000)	(24 249 000)	(57 601 000)	(92 950 921)	(35 349 921)	Note 52
Lease rentals on operating lease	-	-	-	(995 249)	(995 249)	Note 52
Debt Impairment	(103 571 000)	15 000 000	(88 571 000)	(230 564 275)	(141 993 275)	Note 52
Bad debts written off	(30 000 000)	200 000	(29 800 000)	(8 884 558)	20 915 442	Note 52
Bulk purchases	(185 000 000)	(10 505 000)	(195 505 000)	(202 461 064)	(6 956 064)	Note 52
Contracted Services	(71 449 000)	(37 882 000)	(109 331 000)	(123 328 765)	(13 997 765)	Note 52
Transfers and Subsidies	(7 336 000)	-	(7 336 000)	-	7 336 000	Note 52
Sale of goods/Inventory	(79 205 000)	(9 807 000)	(89 012 000)	(97 931 288)	(8 919 288)	Note 52
General Expenses	(38 153 000)	(13 282 000)	(51 435 000)	(63 645 960)	(12 210 960)	Note 52
Total expenditure	(807 809 000)	(81 589 000)	(889 398 000)	(1 078 054 323)	(188 656 323)	

Victor Khanye Local Municipality

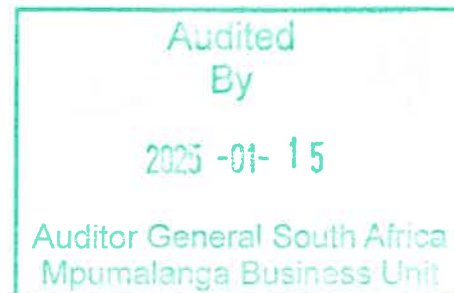
Annual Financial Statements for the year ended 30 June 2024

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	Note
Figures in Rand						
Operating deficit	770 000	(69 709 000)	(68 939 000)	(257 708 669)	(188 769 669)	
Loss on disposal of assets and liabilities	-	-	-	(1 221 864)	(1 221 864)	Note 52
Actuarial gains/losses	-	-	-	(671 979)	(671 979)	Note 52
	-	-	-	(1 893 843)	(1 893 843)	
Deficit before taxation	770 000	(69 709 000)	(68 939 000)	(259 602 512)	(190 663 512)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	770 000	(69 709 000)	(68 939 000)	(259 602 512)	(190 663 512)	

Reconciliation



Victor Khanye Local Municipality

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	Note
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	47 469 412	10 242 841	57 712 253	2 753 579	(54 958 674)	
Receivables from exchange transactions	55 493 482	1 044 028	56 537 510	97 171 602	40 634 092	
Receivables from non-exchange transactions	119 950 762	(6 298 476)	113 652 286	23 528 603	(90 123 683)	
VAT receivable	-	-	-	212 741 550	212 741 550	
Cash and cash equivalents	(15 963)	5 068 641	5 052 678	6 397 313	1 344 635	
	222 897 693	10 057 034	232 954 727	342 592 647	109 637 920	

Non-Current Assets

Investment property	69 213 935	(422 571)	68 791 364	88 432 593	19 641 229	
Property, plant and equipment	930 829 780	(2 137 548)	928 692 232	943 476 752	14 784 520	
Intangible assets	2 285 412	(913 188)	1 372 224	63 840	(1 308 384)	
Heritage assets	1 074 503	-	1 074 503	1 074 503	-	
	1 003 403 630	(3 473 307)	999 930 323	1 033 047 688	33 117 365	

Total Assets	1 226 301 323	6 583 727	1 232 885 050	1 375 640 335	142 755 285	
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Liabilities

Current Liabilities

Finance lease obligation	-	-	-	3 805 154	3 805 154	
Payables from exchange transactions	106 172 292	(38 633 656)	67 538 636	1 388 760 201	1 321 221 565	
VAT payable	-	-	-	86 656 110	86 656 110	
Consumer deposits	1 781 202	-	1 781 202	1 688 113	(93 089)	
Employee benefit obligation	-	-	-	2 571 674	2 571 674	
Provisions	11 546 202	-	11 546 202	8 203 712	(3 342 490)	
	119 499 696	(38 633 656)	80 866 040	1 491 684 964	1 410 818 924	

Non-Current Liabilities

Other financial liabilities	7 527 976	-	7 527 976	-	(7 527 976)	
Finance lease obligation	-	-	-	1 117 949	1 117 949	
Employee benefit obligation	-	-	-	49 246 585	49 246 585	
Provisions	673 000 000	-	673 000 000	10 666 025	(662 333 975)	
	680 527 976	-	680 527 976	61 030 559	(619 497 417)	

Total Liabilities	800 027 672	(38 633 656)	761 394 016	1 552 715 523	791 321 507	
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Net Assets	426 273 651	45 217 383	471 491 034	(177 075 188)	(648 566 222)	
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	426 273 651	45 217 383	471 491 034	(177 075 194)	(648 566 228)	
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Audited
By
2025-01-15
Auditor General South Africa
Mpumalanga Business Unit

Victor Khanye Local Municipality

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	Note
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Taxation	68 260 000	-	68 260 000	80 039 512	11 779 512
Sale of goods and services	321 730 000	(85 834 000)	235 896 000	230 894 778	(5 001 222)
Grants	-	-	-	2 188 653	2 188 653
Interest income	-	-	-	402 128	402 128
Transfers and subsidies - Operational	120 118 340	-	120 118 340	116 808 000	(3 310 340)
Transfers and subsidies - Capital	85 570 671	-	85 570 671	26 134 000	(59 436 671)
	595 679 011	(85 834 000)	509 845 011	456 467 071	(53 377 940)

Payments

Employee costs	(440 660 000)	-	(440 660 000)	(368 066 398)	72 593 602
Transfers and subsidies	7 000 000	-	7 000 000	-	(7 000 000)
	(433 660 000)	-	(433 660 000)	(368 066 398)	65 593 602

Net cash flows from operating activities	162 019 011	(85 834 000)	76 185 011	88 400 673	12 215 662
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Cash flows from investing activities

Purchase of property, plant and equipment	(36 879 000)	-	(36 879 000)	(26 538 108)	10 340 892
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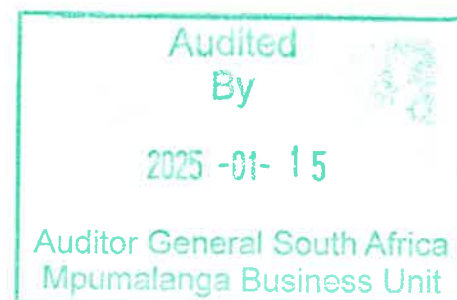
Cash flows from financing activities

Repayment of other financial liabilities	-	-	-	(714 459)	(714 459)
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Net increase/(decrease) in cash and cash equivalents	125 140 011	(85 834 000)	39 306 011	61 148 106	21 842 095
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Cash and cash equivalents at the end of the year	125 140 011	(85 834 000)	39 306 011	61 148 106	21 842 095
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The accounting policies on pages 14 to 38 and the notes on pages 39 to 93 form an integral part of the annual financial statements.



Victor Khanye Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

Figures in Rand	Note(s)	2024	2023
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1. Significant accounting policies

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

1.1 Basis of preparation

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Offsetting

Financial assets and liabilities are not offset and the net amount not reported on the Statement of Financial Position unless when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.5 Comparative figures and Budget Information

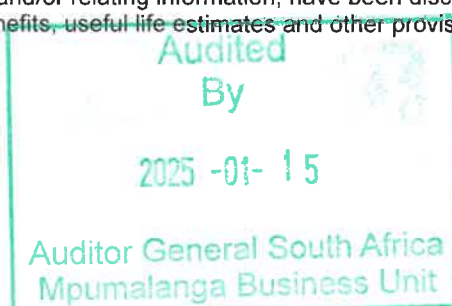
Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.6 Significant judgements and sources of estimation uncertainty

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

In the process of applying its accounting policies, and in preparing the annual financial statements, management is required to make various judgements, including estimates and assumptions, that may affect the determination of the reporting framework, affect amounts represented in the annual financial statements and as well as 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.

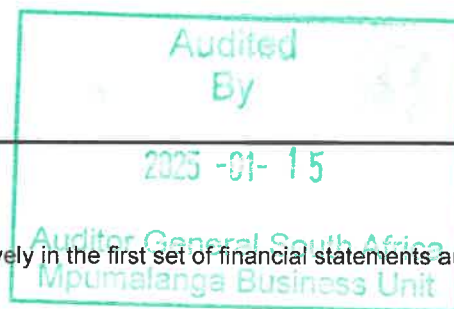
Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes. This includes doubtful debt provisions, post retirement benefits, useful life estimates and other provisions amongst others..



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1.7 Prior period errors

The municipality corrects material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery by:

- (a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.

1.8 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

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

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

1.9 Inventories

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

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

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

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

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

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

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

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

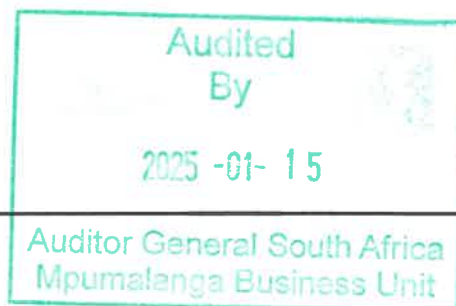
The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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.

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1.10 Investment property

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

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

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

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

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

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

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

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.

No depreciation on investment property - Land, Depreciation on investment property buildings are on straight-line basis over 50 years

1.11 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

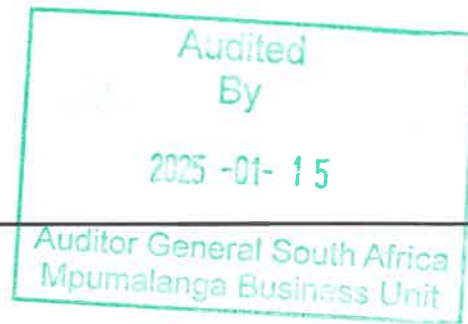
When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

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1.11 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Land is not depreciated
Buildings	Straight-line	50 years
Plant and machinery	Straight-line	5 years
Furniture and fixtures	Straight-line	7 years
Motor vehicles	Straight-line	5 to 10 years
Office equipment	Straight-line	3 to 5 years
IT equipment	Straight-line	5 to 60 years
Computer software	Straight-line	2 to 50 years
Landfill site	Straight-line	33 years
Electrical Infrastructure	Straight-line	5 to 60 years
Roads and stormwater infrastructure	Straight-line	2 to 50 years
Sanitation infrastructure	Straight-line	5 to 100 years
Water infrastructure	Straight-line	5 to 100 years
Emergency equipment	Straight-line	2 to 20 years

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

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

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

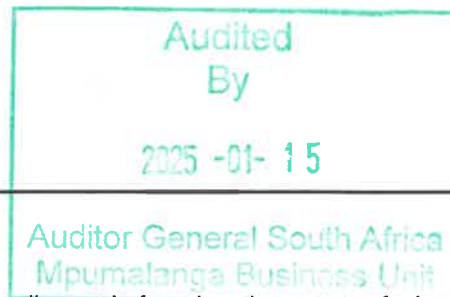
The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life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

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

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1.11 Property, plant and equipment (continued)

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

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

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

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

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

1.12 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

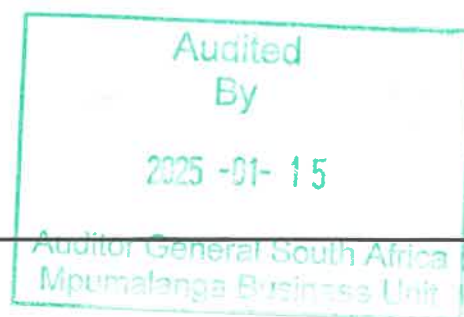
An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are 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.

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1.12 Intangible assets (continued)

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
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The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.13 Heritage assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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1.13 Heritage assets (continued)

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

1.14 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

1.15 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

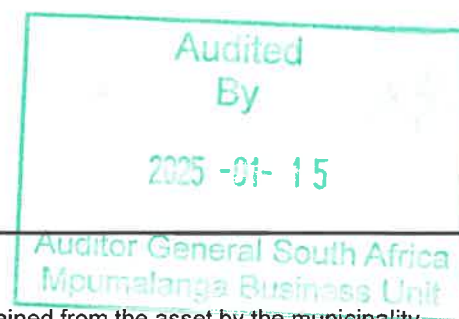
Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or

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1.15 Impairment of non-cash-generating assets (continued)

- the number of production or similar units expected to be obtained from the asset by the municipality.

1.16 Financial instruments

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

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

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

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

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

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

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

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

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

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

A financial asset is:

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

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

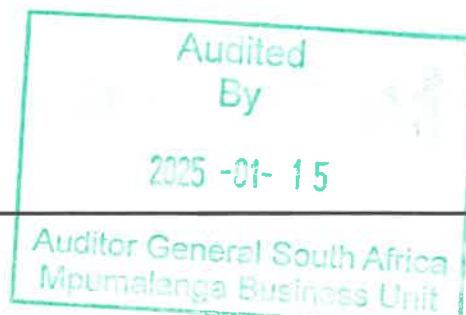
A financial liability is any liability that is a contractual obligation to:

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

Victor Khanye Local Municipality

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1.16 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.17 Statutory receivables

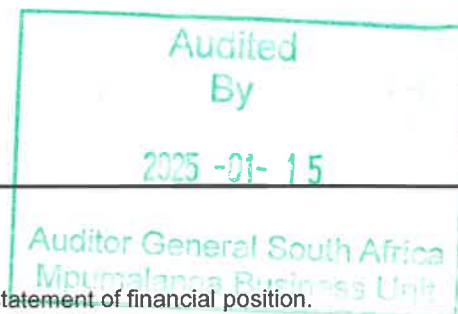
Identification

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

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1.17 Statutory receivables (continued)

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

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.

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

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

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

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

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

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

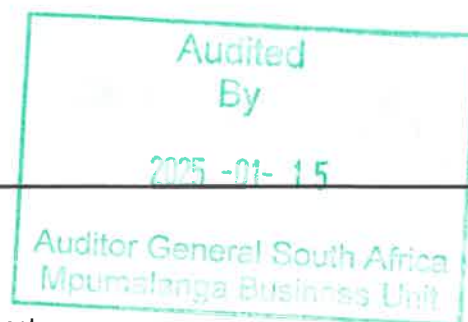
Provisions are not recognised for future operating surplus (deficit).

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

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1.18 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

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

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

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

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

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

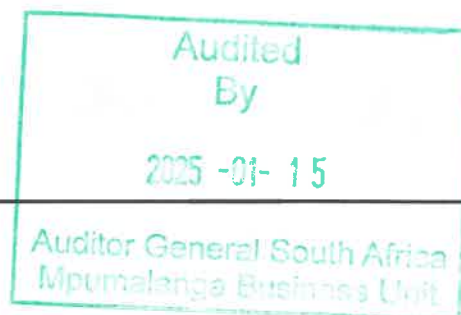
Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that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

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

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1.19 Employee benefits

Identification

Employee benefits

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

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

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either: (a) an entity's decision to terminate an employee's employment before the normal retirement date; or (b) an employee's decision to accept an offer of benefits in exchange for the termination of employment.

Classification of plans

A binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.

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

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.

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

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

State plans are plans established by legislation that operate as if they are multiemployer plans for all entities in economic categories laid down in legislation.

Net defined benefit liability (asset)

The net defined benefit liability (asset) is the deficit or surplus, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.

The deficit or surplus is: (a) the present value of the defined benefit obligation; less (b) the fair value of plan assets (if any); plus (c) any liability that may arise as a result of a minimum funding requirement.

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

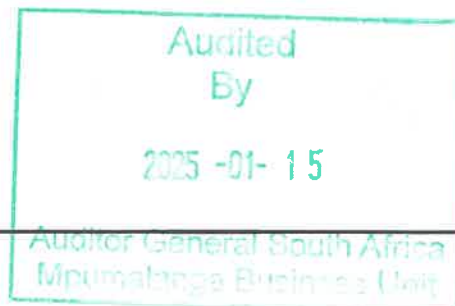
The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Plan assets comprise: (a) assets held by a long-term employee benefit fund; and (b) qualifying insurance policies.

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1.19 Employee benefits (continued)

Assets held by a long-term employee benefit fund are assets (other than nontransferable financial instruments issued by the reporting entity) that: (a) are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits; and (b) are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either: (i) the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or (ii) the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in GRAP 20) of the reporting entity, if the proceeds of the policy: (a) can be used only to pay or fund employee benefits under a defined benefit plan; and (b) are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either: (i) the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or (ii) the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Defined benefit cost

Service cost comprises: (a) current service cost, which is the increase in the present value of the defined benefit obligation resulting from employee service in the current period; (b) past service cost, which is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by a plan); and (c) any gain or loss on settlement.

Net interest on the net defined benefit liability (asset) is the change during the period in the net defined benefit liability (asset) that arises from the passage of time.

Remeasurements of the net defined benefit liability (asset) comprise: (a) actuarial gains and losses; (b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Actuarial gains and losses are changes in the present value of the defined benefit obligation resulting from: (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and (b) the effects of changes in actuarial assumptions.

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

A settlement is a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions.

Short-term employee benefits

Recognition and measurement

All short-term employee benefits

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:

(a) 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.

(b) As an expense, unless another Standard of GRAP requires or permits the inclusion of the benefits in the cost of an asset.

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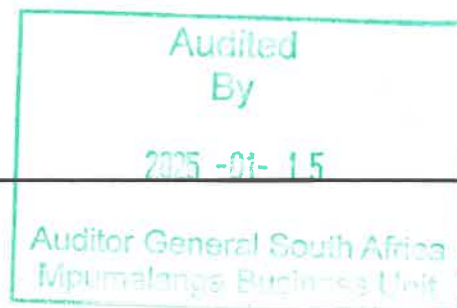
1.19 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Recognition and measurement

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:

- (a) as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, 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
- (b) as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset. When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service, they are discounted using the discount rate as specified.



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1.19 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Recognition and measurement

The entity determines the net defined benefit liability (asset) with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

Accounting for the constructive obligation

The entity accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits.

Statement of financial position

The entity recognises the net defined benefit liability (asset) in the statement of financial position. When the entity has a surplus in a defined benefit plan, it measures the net defined benefit asset at the lower of:

- (a) the surplus in the defined benefit plan; and
- (b) the asset ceiling, determined using the discount rate specified. Any adjustments arising from the limit is recognised in surplus or deficit.

Asset recognition ceiling: When a minimum funding requirement may give rise to a liability

If the entity has an obligation under a minimum funding requirement to pay contributions to cover an existing shortfall on the minimum funding basis in respect of services already received, the entity determines whether the contributions payable will be available as a refund or reduction in future contributions after they are paid into the plan. To the extent that the contributions payable will not be available after they are paid into the plan, the entity recognises a liability when the obligation arises. The liability reduces the defined benefit asset or increases the defined benefit liability so that no gain or loss is expected to result when the contributions are paid.

Recognition and measurement: Present value of defined benefit obligations and current service cost

Actuarial valuation method

The entity uses the projected unit credit method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost.

Attributing benefit to periods of service

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

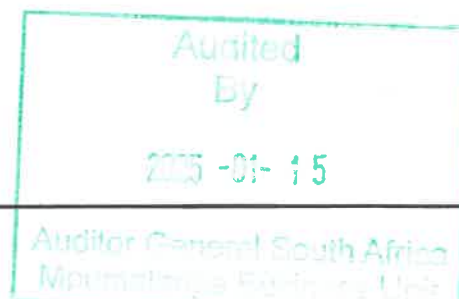
Financial assumptions are based on market expectations, at the end of the reporting period, for the period over which the obligations are to be settled.

Actuarial assumptions: Mortality

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1.19 Employee benefits (continued)

The entity determines its mortality assumptions by reference to its best estimate of the mortality of plan members both during and after employment.

Actuarial assumptions: Discount rate

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

Actuarial assumptions: Salaries, benefits and medical costs

The entity measures its defined benefit obligations on a basis that reflects:

- (a) the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the end of the reporting period;
- (b) any estimated future salary increases that affect the benefits payable;
- (c) the effect of any limit on the employer's share of the cost of the future benefits;
- (d) contributions from employees or third parties that reduce the ultimate cost to the entity of those benefits; and
- (e) 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:
 - (i) those changes were enacted before the end of the reporting period; or
 - (ii) historical data, 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 takes account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Past service cost and gains and losses on settlement

When determining past service cost, or a gain or loss on settlement, the entity remeasures the net defined benefit liability (asset) using the current fair value of plan assets and current actuarial assumptions (including current market interest rates and other current market prices), reflecting:

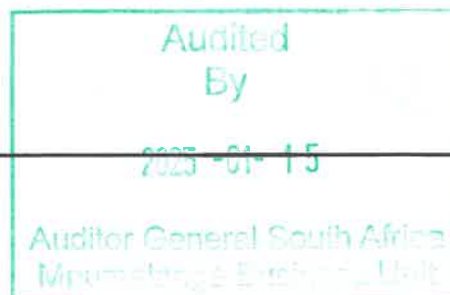
- (a) the benefits offered under the plan and the plan assets before the plan amendment, curtailment or settlement; and
- (b) the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement.

Past service cost

The entity recognises past service cost as an expense at the earlier of the following dates:

- (a) when the plan amendment or curtailment occurs; and
- (b) when the entity recognises related restructuring costs or termination benefits.

Significant Accounting Policies



1.19 Employee benefits (continued)

Termination benefits

Recognition

The entity recognises a liability and expense for termination benefits at the earlier of the following dates: (a) when the entity can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of GRAP 19 and involves the payment of termination benefits.

Measurement

The entity measures termination benefits on initial recognition, and measures and recognise subsequent changes, in accordance with the nature of the employee benefit, provided that if the termination benefits are an enhancement to post-employment benefits, the entity applies the requirements for post-employment benefits. Otherwise:

- (a) If the termination benefits are expected to be settled wholly before twelve months after the end of the reporting period in which the termination benefit is recognised, the entity applies the requirements for short-term employee benefits.
- (b) If the termination benefits are not expected to be settled wholly before twelve months after the end of the reporting period, the entity applies the requirements for other long-term employee benefits.

1.20 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.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

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

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

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

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

1.21 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.

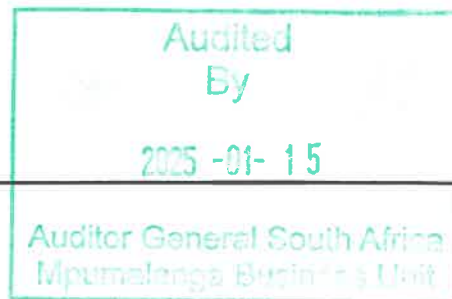
An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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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1.21 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.

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

Sale of goods

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

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

Rendering of services

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

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

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

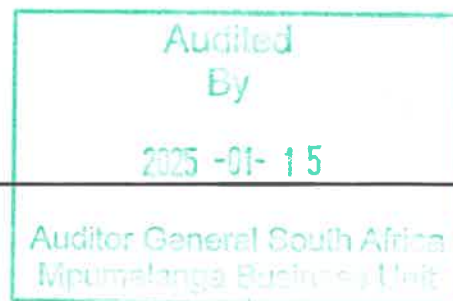
When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

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

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1.21 Revenue from exchange transactions (continued)

Interest earned

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

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

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

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

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

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

1.22 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

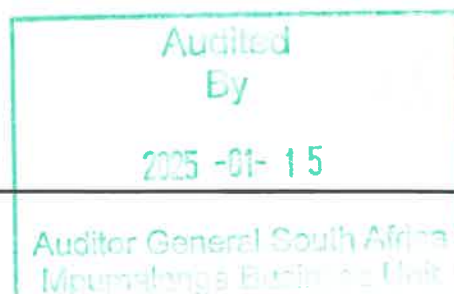
The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

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

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1.22 Revenue from non-exchange transactions (continued)

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

Recognition

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

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

Measurement

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

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

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

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

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

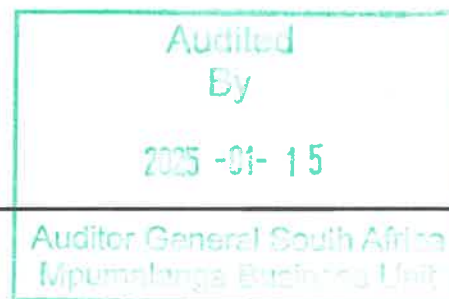
Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Taxation revenue are not grossed up for the amount of tax expenditures.

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1.22 Revenue from non-exchange transactions (continued)

Transfers

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

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

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

Fines

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

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.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

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

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.23 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

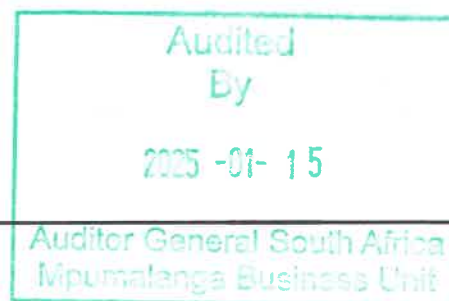
- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

Victor Khanye Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies



1.24 Irregular expenditure

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

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

1.25 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.26 Fruitless and wasteful expenditure

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

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

1.27 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.

1.28 Segment information

A segment is an activity of an entity:

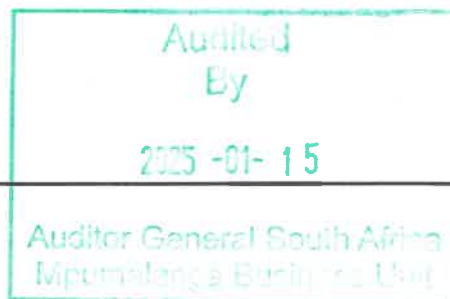
- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing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

Victor Khanye Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies



1.28 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.

1.29 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

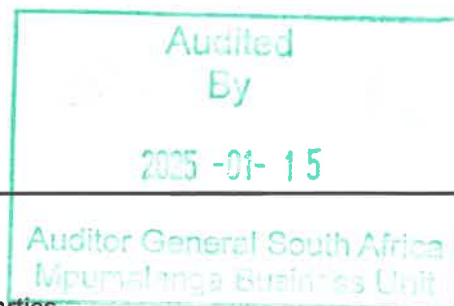
The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

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

Victor Khanye Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies



1.29 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

1.30 Materiality

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

The entity does not retrospectively adjust the accounting of past items (or group of items) that were previously assessed as immaterial, unless an error occurred.

1.31 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.

1.32 Budget information

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

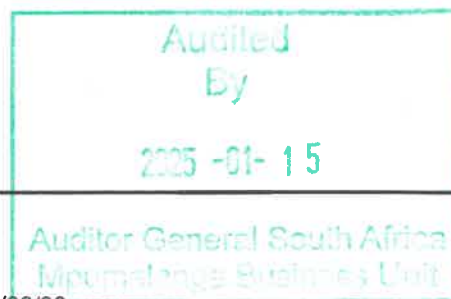
General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

Victor Khanye Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies



1.32 Budget information (continued)

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

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

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

Budget variances of 10% is explained in note 52

1.33 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.

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

1.34 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.

Victor Khanye Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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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:

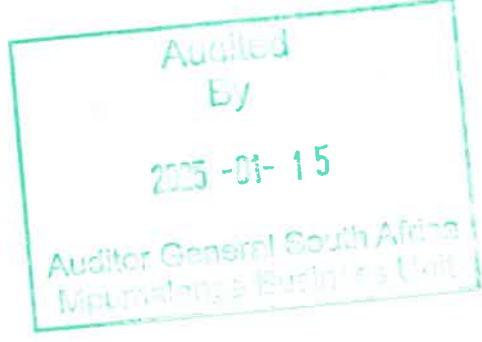
Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 103 (as revised): Heritage Assets	01 April 2023	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Materiality)	01 April 2023	Unlikely there will be a material impact

3. Investment property

	2024		2023			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	135 308 562	(46 875 969)	88 432 593	135 308 562	(45 777 382)	89 531 180

Reconciliation of investment property - 2024

	Opening balance	Depreciation	Total
Investment property	89 531 180	(1 098 587)	88 432 593



Victor Khanye Local Municipality
Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

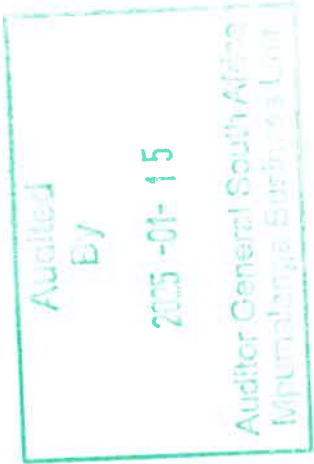
Figures in Rand

3. Investment property (continued)

Reconciliation of investment property - 2023

	Opening balance	Depreciation	Total
Investment property	90 486 664	(955 484)	89 531 180

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.
There are no restrictions on the title and nor the disposal of the investment properties.
There are no investment properties pledged as securities for liabilities.

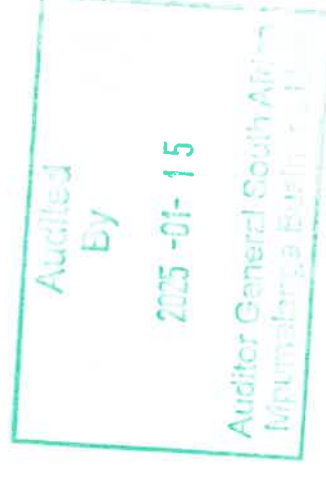


Victor Khanye Local Municipality Annual Financial Statements for the year ended 30 June 2024 **Notes to the Annual Financial Statements**

Figures in Rand

4. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Land	214 743 043	(4 811 756)	209 931 287	214 743 043	(4 811 756)	209 931 287
Plant and machinery	1 495 639	(275 305)	1 220 334	1 805 408	(130 653)	1 674 755
Furniture and fixtures	2 307 753	(211 436)	2 096 317	2 144 016	(96 092)	2 047 924
Motor vehicles	11 387 564	(181 446)	11 206 118	15 700 383	(1 910 835)	13 789 548
IT equipment	1 439 626	(138 544)	1 301 082	1 536 325	(332 052)	1 204 273
Infrastructure	1 253 315 124	(638 665 032)	614 650 092	1 191 633 739	(598 368 180)	593 265 559
Community	125 430 748	(72 729 402)	52 701 346	125 670 962	(70 445 038)	55 225 924
Fire equipment	1 587 803	(1 278 791)	309 012	1 587 803	(1 178 696)	409 107
Work-in-Progress	50 061 164	-	50 061 164	42 969 469	-	42 969 469
Total	1 661 768 464	(718 291 712)	943 476 752	1 597 791 148	(677 273 302)	920 517 846



Victor Khanye Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers in/out	Cost adjustment	Depreciation	Impairment loss	Total
Land	209 931 287	-	-	-	-	-	-	209 931 287
Plant and machinery	1 674 755	-	(8 250)	-	-	(445 251)	(920)	1 220 334
Furniture and fixtures	2 047 924	504 328	(11 384)	-	-	(423 009)	(21 542)	2 096 317
Motor vehicles	13 789 548	160 000	(291 111)	-	-	(2 452 319)	-	11 206 118
IT equipment	1 204 273	677 590	(33 741)	-	-	(543 286)	(3 754)	1 301 082
Infrastructure	593 265 559	34 304 301	(666 973)	41 448 944	(621 888)	(47 820 366)	(5 259 485)	614 650 092
Community	55 225 924	52 742	(210 408)	-	-	(2 366 912)	-	52 701 346
Fire equipment	409 107	-	-	-	-	(100 095)	-	309 012
Work-in-Progress	42 969 469	48 540 639	-	(41 448 944)	-	-	-	50 061 164
	920 517 846	84 239 600	(1 221 867)	-	(621 888)	(54 151 238)	(5 285 701)	943 476 752

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Cost adjustment	Depreciation	Impairment loss	Total
Land	207 987 043	6 578 000	-	-	-	-	(4 633 756)	209 931 287
Plant and machinery	1 362 635	867 238	(43 624)	-	-	(471 269)	(40 225)	1 674 755
Furniture and fixtures	2 378 869	118 768	(25 525)	-	-	(393 620)	(30 568)	2 047 924
Motor vehicles	15 242 119	1 315 652	(89 171)	-	-	(2 673 866)	(5 186)	13 789 548
IT equipment	1 392 085	638 623	(33 648)	-	-	(735 992)	(56 795)	1 204 273
Infrastructure	613 276 292	14 158 150	(4 774 705)	21 181 063	(3 129 681)	(47 255 627)	(189 933)	593 265 559
Community	45 791 832	-	(765 123)	18 195 035	-	(2 544 794)	(5 451 026)	55 225 924
Fire equipment	512 852	-	(1 252)	-	-	(102 493)	-	409 107
Work-in-Progress	38 169 123	44 176 444	-	(39 376 098)	-	-	-	42 969 469
	926 112 850	67 852 875	(5 733 048)	-	(3 129 681)	(54 177 661)	(10 407 489)	920 517 846

Assets subject to finance lease (Net carrying amount)

Infrastructure	3 432 173	6 446 232
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Victor Khanye Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
4. Property, plant and equipment (continued)		
Delayed work in progress projects		
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Refurbishment of sludge system WWT	2 592 048	-
Due to budget constraints the project is currently unfunded		
	2 592 048	-



Victor Khanye Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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4. Property, plant and equipment (continued)

Maintenance of property, plant and equipment

Maintenance of property, plant and equipment by condition - 2024

	Preventative Maintenance Total	Corrective Maintenance	
		Emergency	Total
Buildings	-	2 565 751	2 565 751
Plant and machinery	-	5 991 710	5 991 710
Infrastructure	-	35 719 935	35 719 935
	-	44 277 396	44 277 396

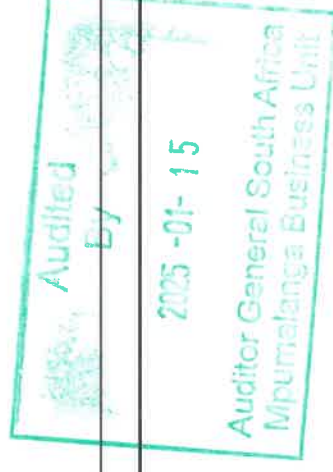
Maintenance of property, plant and equipment by condition - 2023

	Preventative Maintenance Total	Corrective Maintenance	
		Emergency	Total
Buildings	-	5 557 718	5 557 718
Plant and machinery	-	6 467 749	6 467 749
Infrastructure	-	17 327 977	17 327 977
	-	29 353 444	29 353 444

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.

There are no project which have been completely halted or stopped

There are no restriction to any of the municipality's property plant and equipment

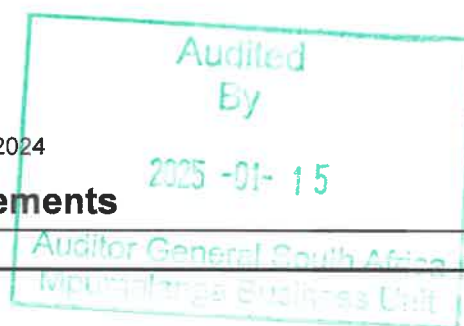


Victor Khanye Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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5. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	63 840	-	63 840	63 840	-	63 840

Reconciliation of intangible assets - 2024

	Opening balance	Total
Computer software, other	63 840	63 840

Reconciliation of intangible assets - 2023

	Opening balance	Total
Computer software, other	63 840	63 840

Other information

Assessment of indefinite useful life	63 841	63 841
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The Municipality's Intangible Assets relate to four computer software systems, namely, a (i) Metering System, a (ii) Mechacronic electronic lock for pole boxes, an (iii) Asset Management System and a (iv) Geographical Information System (GIS). The Metering system and the Mechacronic electronic lock are no longer in use and the Municipality has fully impaired these assets. The asset management system and the GIS system are still in use. The Municipality has determined that these assets have an indefinite useful life and has therefore not amortised these assets. These assets have been assessed as having an indefinite useful life because there is no foreseeable limit to the economic benefits generated by these intangible assets. These assets were donated by National Treasury to the Municipality in the 2016/2017 financial year. Regular software updates occur to these assets which keep them relevant and in line with current regulations and accounting standards. These software updates ensure that the Municipality has relevant information at all times and there is no estimated nor remaining useful lives for these assets, and as such, management have determined that their useful lives are indefinite.

Victor Khanye Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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6. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	1 102 112	(27 609)	1 074 503	1 102 112	(27 609)	1 074 503

Reconciliation of heritage assets 2024

	Opening balance	Total
Art Collections, antiquities and exhibits	1 074 503	1 074 503

Reconciliation of heritage assets 2023

	Opening balance	Total
Art Collections, antiquities and exhibits	1 074 503	1 074 503

Age and/or condition of heritage assets

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.

There are no restrictions on the title and nor the disposal of the heritage assets.

There are no heritage assets pledged as securities for liabilities.

Management has assessed whether there is an indication that the assets are impaired, and found no indication that the asset are impaired at year end.

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Audited
By
2025-01-15

Auditor General South Africa
Mpumalanga Business Unit

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7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4 975	4 975
Bank balances	6 351 976	4 199 988
Short-term deposits	40 362	2 448 327
	6 397 313	6 653 290

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
STD BANK - MAIN ACCOUNT - 420-526-994	2 646 005	2 464 587	4 278 175	2 646 005	2 464 587	4 278 175
STD BANK - TRAFFIC FINES - 300-011-512	410	89 646	28 394	410	89 646	28 394
STD BANK - CURRENT ACCOUNT - 022-927-492	708 681	762 086	1 063 553	708 681	762 086	1 063 553
ABSA BANK - SECONDARY ACCOUNT - 850-000-026	2 996 880	883 668	67 811	2 996 880	883 668	67 811
STD BANK - CALL DEPOSIT- 028-789-997	40 362	2 448 327	162 245	40 362	2 448 327	162 245
PETTY CASH	4 975	4 975	4 975	4 975	4 975	4 975
Total	6 397 313	6 653 289	5 605 153	6 397 313	6 653 289	5 605 153

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Audited
By
2025-01-15

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8. Receivables from exchange transactions

Consumer debtors - Electricity	21 420 095	19 087 990
Consumer debtors - Water	17 156 427	51 063 028
Consumer debtors - Waste water	3 651 546	17 553 961
Consumer debtors - Refuse	3 542 957	13 955 518
Merchandising Jobbing and Contracts	1 979 655	18 951 479
Flat rate charges	28 440 419	16 442 993
Other debtors	20 980 503	14 114 906
	97 171 602	151 169 875

Trade and other receivables past due but not impaired

Trade and other receivables that are past due as at the end of the reporting period and not impaired amounted to , R 89 910 160 .

Refer to note 10 for ageing amounts

Trade and other receivables impaired

As of 30 June 2024, trade and other receivables of R 717 176 653 .

9. Receivables from non-exchange transactions (Statutory Receivables)

Consumer debtors - Rates	21 132 481	21 073 378
Traffic fines debtors	2 396 122	2 131 476
	23 528 603	23 204 854

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

Consumer debtor - Rates	21 132 481	21 073 378
Traffic fines debtors	2 396 122	2 131 476
	23 528 603	23 204 854

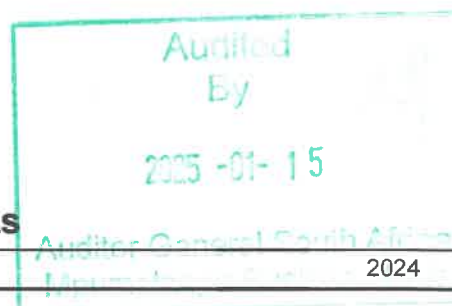
Total receivables from non-exchange transactions	23 528 603	23 204 854
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Victor Khanye Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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9. Receivables from non-exchange transactions (Statutory Receivables) (continued)

Statutory receivables general information

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 Municipal Property Rate Act (MPRA) and the Administrative Adjudication of the Roads Traffic Offences (AARTO) give rise to the above mentioned statutory receivables

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

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

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.

Interest or other charges levied/charged

Interest on rates is calculated on accounts that are overdue and payable after 30 days. The interest is charged daily on outstanding amounts after 30 days.

Basis used to assess and test whether a statutory receivable is impaired

Impairment of rates is done for outstanding accounts over 90 days.

Impairment of fines is done for all outstanding tickets over 90 days.

Reconciliation of provision for impairment for statutory receivables

Receivables from non-exchange (Statutory Receivables) transactions past due but not impaired

Other receivables from non-exchange transactions that are past due as at the end of the reporting period but not impaired amounted to , R 27 882 204 . VAT receivable of R 120 543 533 has not been impaired.

Refer to note 10 ageing amounts

Receivables from non-exchange transactions impaired

As of 30 June 2024, other receivables from non-exchange transactions of R 216 177 355

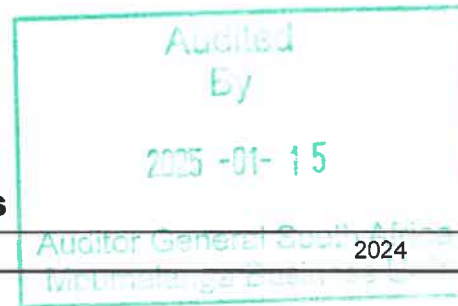
Refer to note 10 for ageing amount.

Victor Khanye Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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10. Consumer debtors disclosure

Gross balances

Consumer debtors - Rates	244 871 836	192 398 485
Consumer debtors - Electricity	39 249 083	35 840 091
Consumer debtors - Water	298 245 588	252 769 444
Consumer debtors - Waste water	28 493 386	24 416 671
Consumer debtors - Refuse	30 935 587	26 998 864
Merchandising, Jobbing and Contracts	172 238 454	163 969 501
Flat rate charges	258 870 216	172 734 546
Other debtors	20 980 503	14 114 906
Traffic fines debtors	59 654 739	50 104 388
	1 153 539 392	933 346 896

Less: Allowance for impairment

Consumer debtors - Rates	(223 739 355)	(171 325 107)
Consumer debtors - Electricity	(17 828 988)	(16 752 101)
Consumer debtors - Water	(281 089 161)	(201 706 416)
Consumer debtors - Waste water	(24 841 840)	(21 054 866)
Consumer debtors - Refuse	(27 392 630)	(22 909 203)
Merchandising, Jobbing and Contracts	(170 258 799)	(145 018 022)
Flat rate charges	(230 429 797)	(156 291 553)
Traffic fines debtors	(57 258 617)	(47 972 912)
	(1 032 839 187)	(783 030 180)

Net balance

Consumer debtors - Rates	21 132 481	21 073 378
Consumer debtors - Electricity	21 420 095	19 087 990
Consumer debtors - Water	17 156 427	51 063 028
Consumer debtors - Waste water	3 651 546	17 553 961
Consumer debtors - Refuse	3 542 957	13 955 518
Merchandising, Jobbing and Contracts	1 979 655	18 951 479
Flat rate charges	28 440 419	16 442 993
Other debtors	20 980 503	14 114 906
Traffic fines debtors	2 396 122	2 131 476
	120 700 205	174 374 729

Rates

Current (0 -30 days)	11 970 972	8 544 048
31 - 60 days	7 411 783	5 464 162
61 - 90 days	6 267 050	4 305 099
> 365 days	219 222 031	174 085 172
Less: Provision for impairment	(223 739 355)	(171 325 107)
	21 132 481	21 073 374

Electricity

Current (0 -30 days)	17 131 583	15 487 761
31 - 60 days	1 711 685	2 320 358
61 - 90 days	878 480	1 203 049
> 365 days	19 527 335	16 828 923
Less: Provision for impairment	(17 828 988)	(16 752 101)
	21 420 095	19 087 990

Water

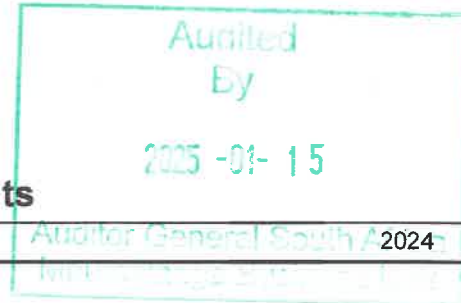
Current (0 -30 days)	10 072 558	7 296 460
31 - 60 days	4 701 215	3 773 326

Victor Khanye Local Municipality

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10. Consumer debtors disclosure (continued)

61 - 90 days	4 137 217	3 448 630
> 365 days	279 334 598	238 251 028
Less: Provision for impairment	(281 089 161)	(201 706 416)
	17 156 427	51 063 028

Waste water

Current (0 -30 days)	1 560 363	1 125 707
31 - 60 days	730 496	602 491
61 - 90 days	623 424	512 130
> 365 days	25 579 103	36 368 229
Less: Provision for impairment	(24 841 840)	(21 054 866)
	3 651 546	17 553 691

Refuse

Current (0 -30 days)	1 773 944	1 123 175
31 - 60 days	826 797	622 313
61 - 90 days	644 093	557 481
> 365 days	27 694 753	34 561 752
Less: Provision for impairment	(27 396 630)	(22 909 203)
	3 542 957	13 955 518

Merchandising Jobbing and Contracts

Current (0 -30 days)	984 024	767 228
31 - 60 days	992 668	770 036
61 - 90 days	993 572	773 464
> 365 days	169 268 191	161 658 773
Less: Provision for impairment	(170 258 799)	(145 018 022)
	1 979 656	18 951 479

Flat rate charges

Current (0 -30 days)	22 014 225	5 707 015
31 - 60 days	6 858 891	5 410 939
61 - 90 days	6 441 835	5 406 355
> 365 days	223 555 265	156 210 237
Less: Provision for impairment	(230 429 797)	(156 291 553)
	28 440 419	16 442 993

Other debtors

Current (0 -30 days)	6 865 597	14 114 906
91 - 120 days	14 114 906	-
	20 980 503	14 114 906

Traffic fines (Net)

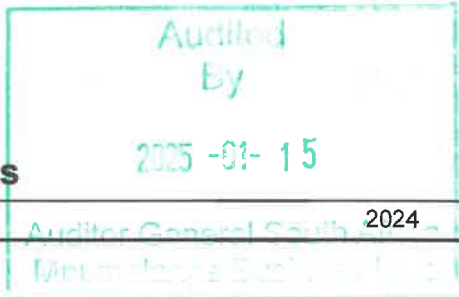
Current (0 -30 days)	580 900	470 321
31 - 60 days	872 850	678 921
61 - 90 days	778 650	652 143
91 - 120 days	163 722	330 091
	2 396 122	2 131 476

Reconciliation of allowance for impairment

Balance at beginning of the year	(783 030 180)	(791 492 667)
Contributions to allowance	(249 809 007)	(79 282 327)
Debt impairment written off against allowance	-	87 744 814

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10. Consumer debtors disclosure (continued)

(1 032 839 187) (783 030 180)

Victor Khanye Local Municipality

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11. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions	Reversed during the year	Interest cost	Total
Environmental rehabilitation	11 307 188	-	(621 930)	1 426 967	12 112 225
Legal proceedings	949 091	5 808 421	-	-	6 757 512
	12 256 279	5 808 421	(621 930)	1 426 967	18 869 737

Victor Khanye Local Municipality
Annual Financial Statements for the year ended 30 June 2024

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11. Provisions (continued)

Reconciliation of provisions - 2023

	Opening Balance	Additions	Reversed during the year	Interest cost	Total
Environmental rehabilitation	13 000 332	-	(3 129 682)	1 436 538	11 307 188
Legal proceedings	1 459 091	500 000	(1 010 000)	-	949 091
	14 459 423	500 000	(4 139 682)	1 436 538	12 256 279
Non-current liabilities	10 666 025				9 880 221
Current liabilities	8 203 712				2 376 058
	18 869 737				12 256 279

Environmental rehabilitation provision

The landfill site to be rehabilitated is the Delmas disposal site. This site has an operational permit (permit number B33/2/220/9/P218) issued on 8 February 1996 in terms of Section 20 of the Environment Conservation Act, 1989.

The most recent engineer valuation of the estimated costs of rehabilitation and closure of the site was carried out on 30 June 2024 by One Pangea, the specialist consulting engineers.

The provision is calculated as the net present value of future cash flows based on the expected remaining useful life of the landfill site and the size of the remaining available air space volume as at 30 June 2024. The remaining useful life of the landfill site is estimated at 19 years, and the current remaining available air space volume is 159,589 m3.

The key financial assumptions used for the purposes of the rehabilitation provision were as follows:

Discount Rate	11.94%	12.62%
Consumer price inflation	6.51%	7.39%
Net discount rate	5.10%	4.87%

Legal proceedings provisions

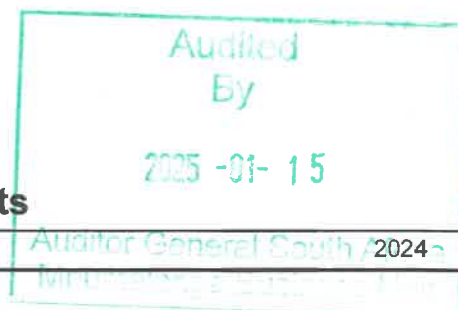


Victor Khanye Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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11. Provisions (continued)

The provision for legal fees relates to estimates for all legal and advice costs for matters which have been finalised, however, have not yet been billed by the attorneys. These costs are expected to be invoiced and paid within the next financial period.

12. Employee benefit obligations

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

Carrying value

Post- Retirement Medical Obligation	(42 380 778)	(35 160 333)
Long Service Awards	(9 437 481)	(7 428 315)
	(51 818 259)	(42 588 648)

Post- Retirement Medical Obligation

Non-current assets	(41 007 872)	(33 978 714)
Current assets	(1 372 906)	(1 181 619)
Long service awards		
Non-current liabilities	(8 238 713)	(6 624 480)
Current liabilities	(1 198 768)	(803 834)
	(51 818 259)	(42 588 647)

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- (i) Bonitas
- (ii) Keyhealth
- (iii) LA Health
- (iv) Samwumed
- (v) Hosmed

The Current-service Cost for the year ended 30 June 2024 is estimated to be R2 932 854, whereas the cost for the ensuing year is estimated to be R 3 249 590.

Defined benefit plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2024 by ONE PANGAEA, a Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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

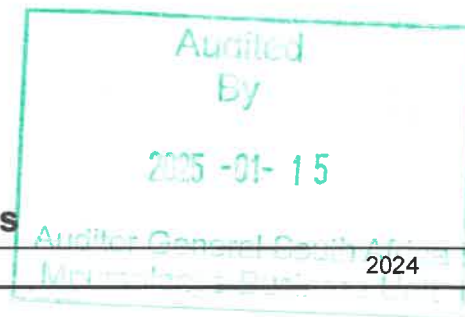
Opening balance	42 588 647	45 140 937
Current service cost	2 932 854	3 399 717
Interest cost	5 624 778	5 460 454
Actuarial gains/(loss)	671 980	(11 412 461)
	51 818 259	42 588 647

Victor Khanye Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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12. Employee benefit obligations (continued)

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

Service cost	2 932 854	3 399 717
- Current service cost(Post-Retirement Medical Obligation)	2 289 735	2 638 910
- Current service cost(Long Service Awards)	643 119	760 807
Interest cost (Post-Retirement Medical Obligation)	4 870 846	4 640 589
Interest cost (Long Service Awards)	753 932	819 865
Actuarial (gains) losses	671 980	(11 412 461)
	9 229 612	(2 552 290)

Calculation of actuarial gains and losses

Actuarial (gains) losses – Post-Retirement Medical Obligation	59 863	(9 030 979)
Actuarial (gains) losses – Long Service Awards	612 117	(2 381 482)
	671 980	(11 412 461)

Key assumptions used

Assumptions used at the reporting date:

Discount rates (Post-Retirement Medical Obligation)	13.46 %	14.09 %
Expected consumer price inflation based on duration of liability	7.36 %	8.07 %
Health Care Cost Inflation Rate	8.86 %	9.57 %
Net Effective Discount Rate	4.22 %	4.13 %
Expected increase in salaries	6.38 %	5.77 %
Discount rates (Long Service Awards)	10.73 %	10.28 %
Net discount rates (Long Service Awards)	4.09 %	4.26 %
Mortality rates (Years)	85	85
Normal retirement age (Years)	65	65
Proportion of employees opting for early retirement (Years)	60	60

13. Inventories

Consumable stores	765 055	915 638
Water for distribution	338 229	139 777
Stores, materials and fuels	1 650 295	1 065 900
	2 753 579	2 121 315

Water for distribution

System input volume	338 229	139 777
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Inventory losses have been disclosed in Note 30.

14. Consumer deposits

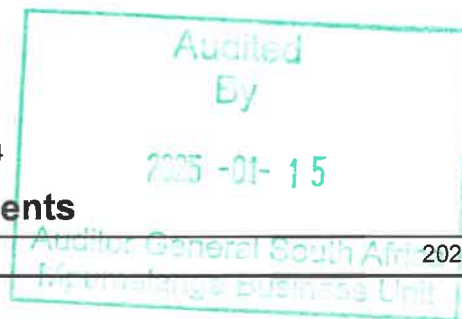
Electricity	697 925	655 871
Water	990 188	996 420
	1 688 113	1 652 291

Victor Khanye Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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15. Payables from exchange transactions

Trade payables	1 335 883 164	1 103 540 854
Advance payment	11 756 031	10 762 664
Retentions	14 300 357	9 793 455
Accrued leave pay	13 686 023	12 525 859
Unallocated deposits	1 587 764	916 414
Bonus accrual	3 737 868	3 177 718
Payroll third parties unpaid	7 809 000	6 103 571
	1 388 760 207	1 146 820 535

16. Property rates

Rates received

Property rates	109 834 380	93 307 017
	109 834 380	93 307 017
Property rates - penalties imposed	34 213 459	17 377 204
	144 047 839	110 684 221

Valuations

Residential	2 083 355 676	2 072 839 949
Commercial	1 501 748 456	1 397 498 960
State	360 601 380	77 236 990
Municipal	27 665 063	16 355 940
Small holdings and farms	5 029 031 507	4 950 494 044
Property rates	499 461 240	562 951 460
	9 501 863 322	9 077 377 343

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.

17. Fines, Penalties and Forfeits

Law Enforcement Fines	11 054 775	12 117 075
Disconnection Fees Penalties	184 635	6 900
	11 239 410	12 123 975

18. Public contributions and donations

Donation received	15 778 563	31 222 835
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Nkangala District Municipality donated capital assets for waste water treatment works, electrical substation works and roads.

Annual Financial Statements for the year ended 30 June 2024

2025-01-15

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Auditor General South Africa
Mphahlele, 198 Durban - 10 May

Equitable share	140 606 000	127 094 000
Financial Management Grant(FMG)	1 850 000	1 850 000
Expanded public works programme(EPWP)	1 434 000	2 284 000
	143 890 000	131 228 000

Water service infrastructure grant(WSIG)	30 000 000	20 000 000
Intergrated national electrification grant(INEP)	-	5 000 000
Municipal infrastructure grant(MIG)	27 129 000	27 976 000
	57 129 000	52 976 000
	201 019 000	184 204 000

Conditional grants received	60 413 000	57 110 000
Unconditional grants received	140 606 000	127 094 000
	201 019 000	184 204 000

Current-year receipts	1 850 000	1 850 000
Conditions met - transferred to revenue	(1 850 000)	(1 850 000)
	-	-

Current-year receipts	1 434 000	2 284 000
Conditions met - transferred to revenue	(1 434 000)	(2 284 000)
	-	-

Current-year receipts	27 129 000	27 976 000
Conditions met - transferred to revenue	(27 129 000)	(27 976 000)
	-	-

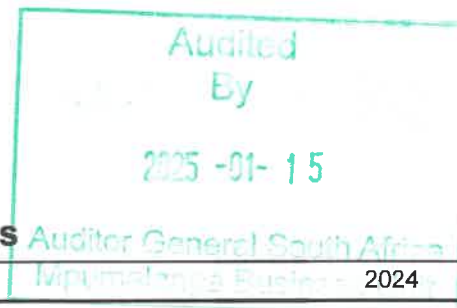
Intergrated national electrification grant(INEP)

Victor Khanye Local Municipality

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19. Government grants & subsidies (continued)

Current-year receipts	-	5 000 000
Conditions met - transferred to revenue	-	(5 000 000)
	-	-

This grant is used for the electrification of households. All conditions of the grant were met.

Water Services Infrastructure Grant

Current-year receipts	30 000 000	20 000 000
Conditions met - transferred to revenue	(30 000 000)	(20 000 000)
	-	-

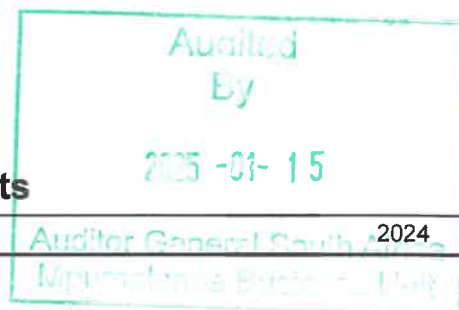
The Water Services Infrastructure Grant supports water service authorities in developing interim and intermediate water supply to reduce water and sanitation backlogs. All conditions of the grant were met

Victor Khanye Local Municipality

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	2024	2023
20. Service charges		
Sale of electricity - Conventional electricity	164 580 207	126 296 347
Sale of electricity - Prepaid electricity	31 483 027	29 285 540
Sale of conventional water and meter reading fees	60 650 617	48 061 262
Waste management (Refuse)	12 552 295	20 525 367
Waste water management (Sewerage and sanitation charges)	11 949 358	22 353 619
Sale of prepaid water	493 179	818 988
Flat rate charges	50 757 562	32 884 733
	332 466 245	280 225 856
21. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	1 639 760	2 709 017
Included in the above rentals are rental of property and community assets		
22. Other revenue		
Administration handling fees received	314 248	264 593
Merchandising Jobbing and Contracts	24 439	972 034
Fire services	1 266 911	761 455
Cemetery and burial	354 796	317 543
Town planning and servitudes	643 139	407 444
	2 603 533	2 723 069
23. Interest income		
Interest revenue		
Bank	1 636 689	762 810
Interest charged on trade and other receivables	50 775 627	37 799 156
	52 412 316	38 561 966
24. Remuneration of councillors		
Mayor	1 007 280	948 522
Speaker	818 379	765 907
Chief whip	768 764	715 534
Other councillors	6 769 294	6 091 626
	9 363 717	8 521 589

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

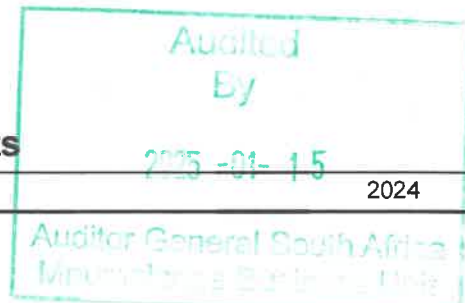
Refer to note 50 for detailed councillors remuneration.

Victor Khanye Local Municipality

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25. Employee related costs

Basic	114 750 042	105 835 262
Bonus	7 766 638	7 009 940
Medical aid - company contributions	9 727 519	8 964 765
UIF	888 985	891 950
Standby allowance	5 032 721	5 884 707
(Decrease)/Increase in Leave Accrual	1 160 164	(520 042)
(Decrease)/Increase in Bonus Accrual	560 149	205 978
Post retirement benefit: Medical: current service cost	2 289 735	2 638 910
Travel, motor car, accommodation, subsistence and other allowances	8 978 167	7 076 107
Overtime payments	8 751 066	9 188 585
Housing benefits and allowances	1 052 547	984 452
Leave pay	1 145 483	1 429 054
Danger allowances	2 012 400	1 075 100
Post retirement benefits: Long service awards: current service cost	643 119	760 807
Bargaining council	53 008	49 053
Celluar and telephone allowances	42 000	45 200
Pension contributions	22 098 432	19 456 535
	186 952 175	170 976 363

Remuneration of municipal manager

Annual Remuneration	1 114 200	1 063 341
Car Allowance	109 899	102 000
Contributions to UIF, Medical and Pension Funds	108 864	129 534
Bargaining Council	136	130
	1 333 099	1 295 005

Remuneration of chief finance officer

Annual Remuneration	595 024	589 357
Car Allowance	189 991	180 000
Acting allowance	6 455	10 656
Contributions to UIF, Medical and Pension Funds	129 377	114 143
Bargaing Council	137	130
Bonus	70 225	-
Housing allowance	120 000	120 000
	1 111 209	1 014 286

Director : Technical Services

Annual Remuneration	914 993	851 616
Bonus	-	88 497
Travel allowance	30 000	120 000
Bargaing council	57	130
Acting allowance	-	1 099
Contribution to UIF, Medical and Pension funds	49 405	157 156
Leave sold	32 465	-
	1 026 920	1 218 498

Director: Technical services (Gopane T Acted from November 2023 to April 2024)

Director : Corporate Services

Annual Remuneration	545 250	539 995
Bonus	-	49 119

Victor Khanye Local Municipality

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25. Employee related costs (continued)

Travel allowance	191 974	152 263
Acting allowance	60 174	305 017
Housing subsidy	66 398	12 141
Bargaining council	137	130
Contributions to UIF, Medical and Pension funds	153 684	191 808
Leave sold	-	41 881
	1 017 617	1 292 354

Director: Corporate Services (Mr Moshaba Acted from July 2023 to Dec 2023)

Director : Community Services

Annual Remuneration	721 230	540 447
Travel allowance	181 159	180 000
Housing subsidy	120 000	120 000
Bonus	87 331	73 161
Bargaining council	137	130
Contribution to UIF, Medical and Pension funds	-	113 528
Leave sold	127 823	79 260
	1 237 680	1 106 526

All section 57 managers totals must be added to employee related cost total as per the note, to agree to the amount on the statement of financial performance

26. Impairment

Debt impairment: contribution to debt impairment provision	225 292 221	71 704 354
Impairment loss on Property, Plant and Equipment	5 286 898	11 745 999
	230 579 119	83 450 353

27. Depreciation and amortisation

Property, plant and equipment	54 151 239	54 177 661
Investment property	1 098 588	955 485
	55 249 827	55 133 146

28. Finance costs

Non-current interest : Current cost	7 051 745	6 896 991
Trade and other payables	85 899 176	87 868 626
	92 950 921	94 765 617

29. Bulk purchases

Electricity - Eskom	202 461 064	167 219 858
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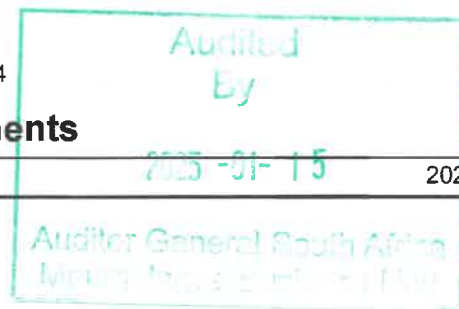
Water bulk purchases have been reclassified to inventory consumed.

Victor Khanye Local Municipality

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29. Bulk purchases (continued)

Electricity losses

Units purchased	109 701 323	104 487 340
Units sold	(69 300 117)	(70 750 579)
Total loss	40 401 206	33 736 761

Comprising of:

Technical losses	40 401 206	33 736 761
Non-technical losses	-	-
Total	40 401 206	33 736 761

The electricity losses can be classified into technical losses and non-technical losses. Technical losses relate to energy that is lost in the transportation of the electricity from point of supply to point of distribution through evaporation. Non-technical losses are attributable mainly to theft, bypass of meters, illegal recalibration of meters, damaged meters, transformers etc.

Technical losses	37 %	32 %
Non-technical losses	- %	- %
Total	37 %	32 %

30. Inventory consumed

Inventory consumed

Consumables	18 462 908	17 524 451
Materials and supplies	858 620	244 697
Water Consumed	32 155 647	27 716 570
Water losses	46 454 113	41 960 489
	97 931 288	87 446 207

Reconciliation of water consumed

	32 155 647	27 716 571
Water purchased for the year	78 609 759	69 677 060
Water losses for the year - Presented under income statement	(46 454 112)	(41 960 489)

Water losses

Physical losses	46 454 112	41 960 489
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Water Losses %

Physical losses	58	60
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31. Contracted services

Outsourced Services

Burial Services	61 779	135 988
Business and Advisory	10 792 711	5 293 178
Catering Services	545 750	518 650
Clearing and Grass Cutting Services	448 587	-
Meter Management	746 149	581 256
Professional Staff	7 775 159	6 061 062
Security Services	18 679 386	10 838 682
Sewerage Services	-	1 330 795

Victor Khanye Local Municipality

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31. Contracted services (continued)

Consultants and Professional Services

Business and Advisory

Laboratory Services

Legal Cost

8 443 338

3 155 559

12 001 557

6 689 665

1 259 409

5 392 678

Contractors

Employee Wellness

Maintenance of Buildings and Facilities

Maintenance of Equipment

Maintenance of Unspecified Assets

Management of Informal Settlements

Pest Control and Fumigation

Tracing Agents and Debt Collectors

77 686

2 565 752

5 991 710

47 586 131

1 792 300

505 175

2 160 036

86 229

1 515 977

6 919 856

42 048 456

521 125

120 850

743 278

123 328 765

90 057 134

32. Lease rentals on operating lease

Equipment

Contractual amounts

995 249

2 559 774

33. Operational costs

Advertising Publicity and Marketing

Auditors remuneration

Bank charges

Commission paid

Hire

Insurance

IT expenses

SDL

Printing and stationery

Protective clothing

Subscriptions and membership fees

Telephone and fax

Travel - local

Title deed search fees

Municipal services

Other expenses

486 154

8 949 439

1 442 753

6 039 910

4 723 304

3 248 417

9 209 312

3 524 306

1 003 784

1 658 932

4 175 925

2 851 772

1 222 279

92 489

10 639 486

4 377 698

419 653

9 829 671

645 044

18 672 460

5 315 735

3 078 657

6 772 027

3 054 022

576 199

1 640 888

2 205 644

4 490 949

2 064 671

49 529

3 250 738

2 842 533

63 645 960

64 908 420

Victor Khanye Local Municipality

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2025-01-15

2024

2023

34. Cash generated from operations

Deficit

(259 602 512) (135 678 467)

Adjustments for:

Depreciation and amortisation

55 249 827 55 133 146

Loss on sale of assets and liabilities

1 221 864 4 743 174

Employee related costs: current service cost

2 932 854 3 399 717

Finance costs: actuarial valuations

5 624 778 5 460 454

Finance costs: rehabilitation provision

1 426 967 1 436 537

Impairment

230 564 275 83 450 353

Debt written off

8 884 558 -

Actuarial gains

- (11 412 460)

Contracted services: donations received

- 23 356 198

Debt written off

(59 138 988) (26 162 438)

Public contributions and donations

(15 778 563) (31 222 835)

Actuarial losses

671 979 -

Changes in working capital:

Inventories

(632 264) 594 140

Receivables from exchange transactions

(118 463 617) (118 522 897)

Other receivables from non-exchange transactions

(62 023 702) (32 206 352)

Payables from exchange transactions

301 111 163 255 080 081

VAT

(26 423 968) (30 695 232)

Consumer deposits

35 822 60 155

Employee benefit obligation

621 888 -

Provisions

5 186 491 (510 000)

Retention included in PPE (Not operational cash flow)

(4 506 902) (2 360 952)

Interest on finance lease (Not operational cash flow)

754 754 (813 551)

67 716 704 43 128 771

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35. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	42 896 312	29 379 710
---------------------------------	------------	------------

Total capital commitments

Already contracted for but not provided for	42 896 312	29 379 710
---	------------	------------

Authorised operational expenditure

Already contracted for but not provided for

• Operational Commitment	75 735 453	50 671 663
--------------------------	------------	------------

Not yet contracted for and authorised by accounting officer

• The Municipality has certain month to month commitments with no termination date. Management has estimated that these will be in use for next 12 months. The committed amount disclosed estimates the 12 month expenditure.	84 440 399	56 881 992
---	------------	------------

Total operational commitments

Already contracted for but not provided for	75 735 453	50 671 663
---	------------	------------

Not yet contracted for and authorised by accounting officer	84 440 399	56 881 992
---	------------	------------

160 175 852 107 553 655

Total commitments

Total commitments

Authorised capital expenditure	42 896 312	29 379 710
--------------------------------	------------	------------

Authorised operational expenditure	160 175 852	107 553 655
------------------------------------	-------------	-------------

203 072 164 136 933 365

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	1 150 855	4 140 000
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- in second to fifth year inclusive	2 109 900	5 175 000
-------------------------------------	-----------	-----------

3 260 755 9 315 000

No contingent rent is payable.

Rental expenses relating to operating leases

Minimum lease payments	3 260 755	8 970 000
------------------------	-----------	-----------

Restrictions imposed:

The Municipality may not sub-lease any of the lease arrangements entered into

Existence and terms of renewal or purchase options

The Municipality is entitled to renew the lease arrangements on terms and conditions agreed to with the supplier.

Escalation clauses:

The lease arrangements may have escalations clauses ranging between 0% and 10% per annum.

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36. Fruitless and wasteful expenditure

Opening balance as previously reported	130 076 189	103 509 072
Add: Fruitless and wasteful expenditure identified - current	85 144 426	87 055 074
Less: Amount written off - current	-	(60 487 957)
Closing balance	215 220 615	130 076 189

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36. Fruitless and wasteful expenditure (continued)

Fruitless and wasteful expenditure breakdown

Eskom interest charges	42 303 599	54 615 528
Rand water interest charges	42 518 344	30 039 038
SARS interest and penalties	147	1 969 598
Other supplier interest charges	322 336	430 911
	85 144 426	87 055 075

37. Irregular expenditure

Opening balance as previously reported	259 711 731	383 778 612
Add: Irregular expenditure - current	176 220 735	92 323 980
Add: Irregular expenditure - prior period	-	45 431 060
Less: Amount written off - current	(259 711 731)	(261 821 921)
Closing balance	176 220 735	259 711 731



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37. Irregular expenditure (continued)

Incidents/cases identified/reported in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	
Bids which are long term in nature, but advertised for less than 30 days	20 476 777	14 128 316
Bid committee incorrectly constituted	-	60 316
Contract expired	2 598 816	1 732 544
Deviation not compliant with Reg 36	-	3 970 456
Paragraph 22(1)(a) and (b)(1) of the municipal SCM Regulation.	5 219 508	1 355 886
Supply chain process not complied with	61 862 260	71 076 462
Local content	86 063 374	-
	176 220 735	92 323 980

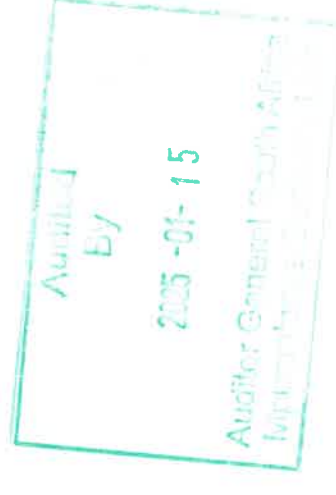
38. Unauthorised expenditure

Opening balance as previously reported	49 406 965	228 364 925
Add: Unauthorised expenditure - current	289 034 833	10 841 069
Less: Amount authorised - current	-	(189 799 029)
Closing balance	338 441 798	49 406 965

The Irregular expenditure, Unauthorised expenditure and Fruitless & Wasteful expenditure has been investigated and is pending council approval for write off.

Analysed as follows: non-cash

Depreciation and amortisation	5 012 507	-
Provision of impairment	112 193 275	-
	117 205 782	-

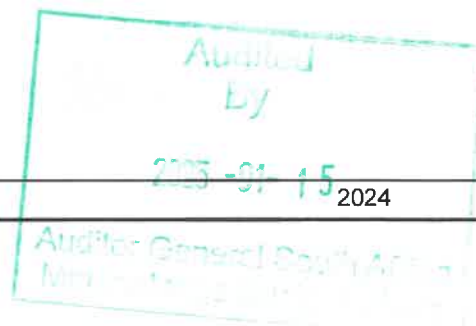


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38. Unauthorised expenditure (continued)

Analysed as follows: cash

Other expenditure	221 236 016	10 841 069
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39. Prior-year adjustments

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

Statement of financial position

2023

	Note	As previously reported	Correction of error	Restated
Investment Property	3	83 958 749	5 572 431	89 531 180
Property, plant and equipment	4	863 252 574	57 265 272	920 517 846
Receivables from exchange transactions	8	185 586 013	(34 416 138)	151 169 875
Receivables from non-exchange transactions	9	82 280 539	(59 075 685)	23 204 854
VAT receivable	41	94 145 120	5 516 352	99 661 472
		1 309 222 995	(25 137 768)	1 284 085 227

Statement of financial performance

2023

	Note	As previously reported	Correction of error	Restated
Depreciation	27	57 239 718	(2 106 572)	55 133 146
Impairment Losses	26	6 934 243	4 811 756	11 745 999
Debt impairment	26	61 063 596	10 640 758	71 704 354
Loss on disposal assets and liabilities	4	6 373 677	(1 630 503)	4 743 174
Surplus for the year		131 611 234	11 715 439	143 326 673

Errors

The following prior period errors adjustments occurred:

Receivables, VAT and debt impairment

During the current year, management identified that an assessment of debt impairment on Government debt and Agricultural debt was not performed. Management have subsequently performed the debt impairment assessment and this has resulted to a restatement of the earliest period presented, being 2021/2022. The impact of the restatements were as follows:

Year	Debtors	VAT	Impairment expense
FY 2022.	(81,254,951)	3,920,238	77,334,713
FY 2023	(12,236,871)	1,596,114	10,640,756

Investment property

The investment property balance was restated to remove assets that do not belong to the municipality and subsequent impact on depreciation and impairment

Property plant and equipment

The property plant and equipment balance was restated to remove assets that do not belong to the municipality and subsequent impact on depreciation and impairment

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39. Prior-year adjustments (continued)

Loss on disposal of assets and liabilities

The property plant and equipment balance was restated to remove assets that do not belong to the municipality and this had an impact on disposal balance

Depreciation and amortisation

The property plant and equipment balance was restated to remove assets that do not belong to the municipality and subsequent impact on depreciation and impairment

Buildings

Buildings were transferred to Investment Properties, and two buildings from the Staff Quarters were recognised after derecognition of the clutter of componentisation of buildings and the removal from the asset register of items such as painting, plumbing, electrical, carpentry and general.

Computer equipment

The Municipality identified assets worth R69 000 not previously capitalised

Furniture and office equipment

The Municipality identified assets worth R69 000 not previously capitalised

Infrastructure Assets

Electricity: Transformers previously capitalised under Water and Sanitation were transferred to Electricity to correct the category

Land

Land sold irregularly was impaired during the previous year. Furthermore, during a reconciliation of the valuation roll, deeds information and fixed asset register, the Municipality noted various land belonging to the Municipality not capitalised. This land has subsequently been capitalised.

Investment properties

Restatement relates to transfers out to PPE, including addition of 8 properties identified via the deeds search

Irregular expenditure

Opening balance	214 280 671	357 517 722
Adjustments made	45 431 059	26 260 889
Restated opening balance	259 711 730	383 778 611

40. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	2 111 078	1 987 257
Current year subscription / fee	1 850 926	1 713 821
Amount paid - current year	(1 713 821)	(1 590 000)
	2 248 183	2 111 078

Audit fees

Opening balance	5 004 154	2 313 000
Current year subscription / fee	9 134 258	10 068 184
Amount paid - current year	(12 700 873)	(8 631 991)
	1 437 539	5 004 154

External audit fees AGSA

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

PAYE and UIF

Opening balance	2 185 532	1 861 348
Current year subscription / fee	27 778 781	25 619 765
Amount paid - current year	(25 593 249)	(25 295 581)
	4 371 064	2 185 532

The amount represent PAYE, SDL and UIF

Pension and Medical Aid Deductions

Opening balance	1 732 508	4 398 345
Current year subscription / fee	42 769 419	50 168 449
Amount paid - current year	(39 304 404)	(52 834 286)
	5 197 523	1 732 508

The amount represent pension and medical aid contributions deducted from employees

Councillors' arrear consumer accounts

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

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Masilela EM(C)	4 598	141 167	145 765
Masilela & Mosae EM & MM	1 912	11 196	13 108
Smith A	3 210	15 360	18 570
Smith A	11 310	4 638	15 948
	21 030	172 361	193 391

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Masilela EM(C)	4 355	153 618	157 973
Masilela & Mosae EM & MM	1 795	15 666	17 461
Smith A	2 522	14 194	16 716
Smith A	2 045	10 823	12 868
	10 717	194 301	205 018

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

41. VAT receivable

VAT	126 085 440	99 661 472
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41. VAT receivable (continued)

VAT as a statutory receivable

VAT is paid over to SARS only once the payment is received from debtors and is receivable from SARS once the payment has been made to creditors. All VAT returns for the year have been submitted

The statutory portion of the VAT receivable relates to the amount claimed from SARS the VAT 201 forms, the remaining VAT balance relates to the Input and Output accrual.

VAT

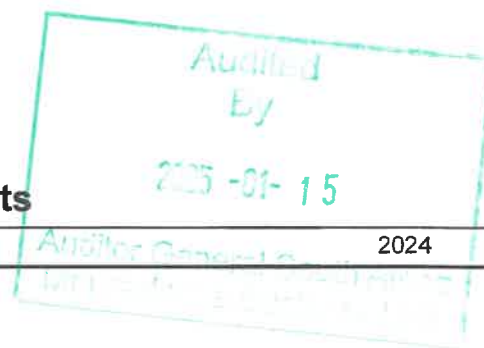
VAT receivable	212 741 550	175 523 412
VAT payable	(86 656 110)	(75 861 940)
	126 085 440	99 661 472

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42. 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.

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.

Remuneration of management

Management class: Councillors

2024

	Basic salary	Other short-term employee benefits	Other benefits received	Total
Name				
Councillors	5 543 147	2 468 000	1 352 570	9 363 717

2023

	Basic salary	Other short-term employee benefits	Other benefits received	Total
Name				
Councillors	4 799 954	2 086 846	1 634 789	8 521 589

Refer to note "Remuneration of councillors"

Additional information

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42. Related parties (continued)

Management class: Executive management

2024

Name	Basic Salary	Bonus	Travel allowance	Bargaining council	Acting allowance	Contribution to UIF, Medical and Pension Funds	Leave sold	Housing allowance and contributions	Total
TM Mashabela	1 114 200	-	109 899	137	-	108 864	-	-	1 333 100
TP Mahlangu	595 024	70 225	189 991	137	6 455	129 377	-	120 000	1 111 209
GM Matlala	133 072	-	-	23	-	11 144	-	-	144 239
TD Gogwane (Resigned)	263 560	-	30 000	34	-	37 198	-	-	330 792
T Gopane (Acting)	518 361	-	-	-	-	1 063	32 465	-	551 889
LM Mahlangu	545 250	-	191 974	137	60 174	153 684	-	66 398	1 017 617
B Mokoena	721 230	87 331	181 159	137	-	127 823	-	120 000	1 237 680
	3 890 697	157 556	703 023	605	66 629	569 153	32 465	306 398	5 726 526

2023

Name	Basic salary	Bonus	Travel allowance	Bargaining council	Acting allowance	Contributions to UIF, Medical and Pension Funds	Leave sold	Housing subsidy	Total
TM Mashabela	1 063 341	-	102 000	130	-	129 535	-	-	1 295 006
TP Mahlangu	589 357	-	180 000	130	10 656	114 144	-	120 000	1 014 287
TD Gogwane	851 616	88 497	120 000	130	1 099	157 156	-	-	1 218 498
A Moshaba	539 995	49 119	152 262	130	305 017	191 808	41 881	12 141	1 292 353
B Mokoena	540 446	73 161	180 000	130	-	113 528	79 260	120 000	1 106 525
	3 584 755	210 777	734 262	650	316 772	706 171	121 141	252 141	5 926 669

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43. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	97 171 602	97 171 602
Cash and cash equivalents	6 397 131	-	6 397 131
	6 397 131	97 171 602	103 568 733

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	1 363 527 316	1 363 527 316
Consumer deposits	1 688 113	1 688 113
	1 365 215 429	1 365 215 429

2023

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	151 169 875	151 169 875
Cash and cash equivalents	6 653 290	-	6 653 290
	6 653 290	151 169 875	157 823 165

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	1 125 013 386	1 125 013 386
Consumer deposits	1 652 291	1 652 291
	1 126 665 677	1 126 665 677

44. Risk management

Financial risk management

Due to the nature of activities and the way in which they are financed, Municipalities are not exposed to the degree of financial risk faced by many entities. The Municipality's Finance department monitors and manages the financial risks relating to the operations of the Municipality. These risks include market risk (including, fair value and interest rate risk), credit risk and liquidity risk. The Municipality does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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44. Risk management (continued)

Liquidity risk

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

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	1 363 527 316	-	-	-
Consumer Deposits	1 688 113	-	-	-
At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	1 125 013 386	-	-	-
Consumer Deposits	1 652 291	-	-	-

Measurement and management of liquidity risk

Liquidity risk indicates the Municipality's ability to pay its current debts. The risk is that the Municipality will not have sufficient cash to meet its financial commitments in a timely manner. The majority of the gross exposure resides in the Municipality's Trade payables. Within the trade payables balance, approximately 95% relates to amounts owing for bulk purchases made by the Municipality. The Municipality measures liquidity risk by assessing the net exposure to the risk and calculating the applicable ratio's. The Municipality manages liquidity risk by prioritising certain payments according to the available cash flow. The Municipality further has debt collectors who are attempting to reduce the debtors book and generate cash flow for the Municipality in order for it to reduce the exposure to this risk.

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 and statutory debtors exposed to credit risk at year end were as follows:

Financial instrument	2024	2023
Call Deposits	40 362	2 448 327
Current Accounts	6 351 976	4 199 988
Trade and other receivables	120 700 205	174 374 729

Market risk

Interest rate risk

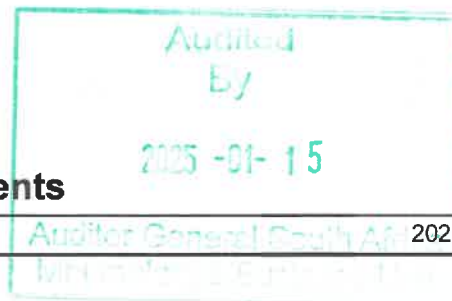
As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

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45. Going concern

Management would like to draw attention to the fact that as at 30 June 2024, the Municipality has a deficit of R 259 602 512 (2023: R 135 678 467). The Municipality's liabilities exceed its assets by R177 075 194 (2023: R 82 527 318 net asset position). The Municipality had a net cash outflow position for the current year of R 255 977 (2023: R 1 048 137 cash inflow). The financial statements have however been prepared on a going concern basis. The going concern 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.

It should also be noted that the municipality, in terms of legislation has the power to levy rates which guarantees continued generation of revenue, receives grant funding from Treasury and has implemented a budget funding plan to assist with going concern.

Furthermore, the Municipality has considered the following matters relating to going concern:

1. During May 2024 the council adopted the 2024/2025 Budget. This three-year Medium-Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services.

2. The municipality's Budget is subject to a very rigorous independent assessment process to assess its cash backing status before it is ultimately approved by council.

3. Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash flow forecast supporting the Budget. The cash management process is complemented by monthly reporting, highlighting the actual cash position, including the associated risk and remedial actions to be instituted.

4. As the municipality has the power to levy fees, tariffs and charges, this will result in on going inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratio's, such as liquidity, cost coverage, debtors collection rates and creditors payment terms are closely monitored and the necessary corrective actions instituted (such as payment arrangements etc).

5. The Municipality has a budget funding plan which seeks to address the unfunded portion of the budget and mitigate the going concern risk. The funding plan is looking into all the revenue streams in all the sections/department within the Municipality, i.e., all departments within the Municipality are enhancing their current revenue streams, and also looking at other potential revenue streams within their departments. The Budget funding plan also looks at the expenditure of the Municipality as a whole and how to significantly reduce this (specifically contracted services, legal fees and overtime expenditures).

6. Many of the Municipality's losses are also arising from bulk purchases not being adequately covered by its associated revenues and thus not being profitable. The Budget Funding plan also addresses the Water and Electricity Distribution Losses being incurred by the Municipality.

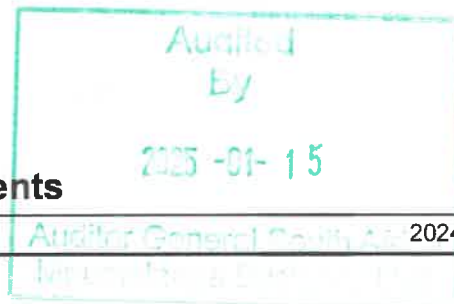
7. The Municipality also has revenue raising, credit control and debt collection strategies which are monitored on a regular basis.

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46. Contingent assets and liabilities

The matter disclosed below are possible litigation to be charged against/ for the municipality which are not yet been finalised

Contingent liabilities

	2024	2023
L Pretorius & 13 others v. VKLM	4 300 000	4 300 000
The applicants have instituted a civil claim against the municipality for damages arising out of an outbreak of the typhoid, the matter is at trial stage. There has not been movement on this case since it was instituted. Case is Dormant		
Telkom SOC v. VKLM	50 000	60 000
The matter began in 2015. The plaintiff instituted a civil claim against the Municipality arising out of damage to Telkom's property by municipal employees. The matter was settled out of court and the municipality is awaiting payment from Telkom. Telkom has challenged this matter again		
Trio Supplies v. VKLM	5 000 000	7 000 000
The applicant instituted a civil claim against the municipality merits in this matter are that approximately half of the claims have already been settled. A portion of the claims have prescribed. There are other claims that the municipality cannot prove that have been settled and in respect of such claims.		
Spank and Sons v. VKLM	692 544	692 544
Civil claim for work performed but not paid. The applicant is seeking compensation for services rendered, however the Municipality's case is based on the fact that there was no contract for such works.		
RF Du Toit v. VKLM	3 200 000	5 000 000
The applicant was previously appointed by the Municipality as the Manager of Corporate Services. When his fixed term contract came to an in 2017, he indicated that he should be appointed on a permanent contract. He took the matter to the CCMA where the tribunal ruled in his favour. The municipality has filed opposing papers. The parties are awaiting a court date with the Labour Court		
Francis Hendrik Minnaar v. VKLM	33 295	33 295
Claimant is suing the Municipality for an amount of R18,295.28 for damages suffered. He claims that he hit potholes and his tyres burst on a road that was not appropriately maintained by the Municipality.		
Barend Rademeyer v. VKLM	32 178	32 178
Claimant is suing the Municipality for an amount of R17,177.55 for damages suffered. He claims that he hit potholes and his tyres burst on a road that was not appropriately maintained by the Municipality.		
Marthinus Greyling v. VKLM	-	28 421
Claimant is suing the Municipality for an amount of R13,420.68 for damages suffered. He claims that he hit potholes and his tyres burst on a road that was not appropriately maintained by the Municipality. Case has been finalised		
Astirshell No 14 CC v. VKLM	-	1 000 000
Property value claim against the Municipality. The applicant is claiming the Municipality is overvaluing their property. Case has been finalised		
McCain Foods South Africa (Pty) Ltd	-	2 500 000
This is a judicial review application brought primarily against Eskom but the Municipality is also an interested party as the decision has an impact on the implementation of the decision taken by ESKOM. The matter is pending in the Pretoria High Court		
Astral Operations Limited v. VKLM	-	1 000 000
This is a review application against ESKOMS decision to interrupt the bulk electricity supply. The matter is pending in the Pretoria High Court		
Ruvick Energy vs VKLM	-	2 500 000
The applicant took the Municipality to the High Court challenging its premature termination of a debt collection and prepaid vending contract. The termination came as a result of the failure by Ruvick to pay the VKLM its outstanding dues		

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	2024	2023
46. Contingent assets and liabilities (continued)		
P Nkomane & 38 Others vs VKLM	1 000 000	-
The 39 Traffic Learners took the municipality to the SALGBC for unfair labour practice after they demanded to be appointed on permanent basis. There are no financial implications in this matter apart from the fact that the respondent may have to increase the future salary costs if this matter is not successfully defended		
Eskom vs VKLM	600 000	600 000
The applicant took the respondent to court over outstanding short payments in the amount of R526,928,300.25. The debt has already been acknowledged by the Municipality. The contingent portion relates to the estimated legal fees.		
Jurnic Properties & July Motors cc vs VKLM	-	900 000
The applicant brought a high court review application in the land use change rights. Estimated financial implications of R1,500,000.		
Inzalo Utility	1 500 000	1 500 000
The service provided has laid a claim against the Municipality. The matter is still pending as the litigation is still at an early stage. No estimate has been given as the matter is still in its early stages.		
David Themba vs The Minister of Police and VKLM	1 800 000	2 400 000
The matter commenced in 2023, the plaintiff is suing the Municipality for the supposed assault he experienced during the 2020 lockdown, at his home by the Municipal traffic officers. The Municipality is cited as the employer of the traffic officers in Delmas, for wrongful and unlawful acts or omissions.		
Baratang Elinor Mashabela v VKLM	-	169 133
The matter began in 2023, it is as a result of a motor collision that ensued in 2022. A Municipal vehicle and a taxi belonging to the plaintiff got involved in a motor vehicle collision.		
BCHC Resdev vs VKLM	-	400 000
The matter started in 2020 whereby the municipality cutoff the supply of electricity, which it has formally supplied to Eagle Heights.		
Maria Khoza v VKLM	-	473 000
The matter began in 2023, a Tenant of Eagle Heights instituted an urgent application for the Municipality to reconnect them to water and electricity.		
Ramathe MJ Inc v VKLM	118 117	632
The matter began in 2023; the plaintiff is suing the Municipality for R68 117.17, which is a balance of unpaid statement of account for professional services rendered.		
Meadow Feeds v Vuyisile Mahlangu & 10 Others (Victor Khanye Local Municipality, the Municipal Manager and the Executive Mayor are the Ninth, Tenth, and Eleventh respondents respectively).	-	30 000
The matter commenced in 2023, Meadow Feeds sought an interdict against the respondents restraining the first to fifth respondents from conducting unlawful criminal activities in and around the applicant's premises, in the form of protests and blockades inter alia. Case has been finalised		
Sakhile Ezweni Group Pty Ltd v VKLM	-	100 000
The matter began in October 2022 our Attorney received a letter of demand from Turner Attorneys to constitute Notice in terms of section 3 and 4 of the Institution of Legal Proceedings against certain State Organs of State Act, No. 40. They drafted a letter on the 15th of October 2022 and responded to Turner Attorneys that should they continue and refer the dispute to the Arbitration the Municipality will oppose the Arbitration.		
Mwalase Commercials transport v VKLM	10 746 717	10 746 717
The matter began in 2023 Mwalase Commercials Transport is suing VKLM for R9,746,717 over a lease agreement entered over a vehicle testing station		
Rand Water v VKLM	1	1
The applicant took the respondent to court over outstanding short payments in the amount of R191,621,715.57		

Victor Khanye Local Municipality

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46. Contingent assets and liabilities (continued)

Sekgone Khaya Robert v VKLM

Mr Segone launched an application to interdict the African Voice Progressive Party (AVPP) from implementing a decision to terminate his membership from the political party. The matter was dismissed for lack of urgency. We have been advised by the Attorneys of the Applicant that they have received instruction to approach the Court on a normal basis.

Auditor-General of South Africa v VKLM

The matter commenced in 2022. The Auditor General took the municipality to court due nonpayment and sort a default judgement court.

Eksteen Oostenwald vs VKLM.

The applicant/plaintiff is claiming the municipality for post-retirement medical costs, the municipality did not pay the medical cost quantum which was above the conditions of employment. Case has been finalised

Standard Bank of South Africa vs Riata logistics cc & Others

Standard Bank is liquidating the Riata logistics cc and the municipality is owed rates & taxes hence the claim. Case has been finalised

SAMWU obo C Monama & 13 Others vs VKLM

The matter was filed with the Labour Court and the parties are awaiting a date. The municipality is seeking relief based on the fact the SALGBC is leading a process of parity as far a post remuneration is concerned. The applicants want to be moved to higher task grade and the grading process led by the SALGBC and includes SAMWU, SALGA and IMATU has not been concluded. Case has been finalised.

Sunset Point Properties (Pty) Ltd

This is a default judgement obtained against the municipality for the balance of the purchase price of a property brought by the municipality. A payment plan arrangement has been entered into and is monitored until the final payment is made to ensure settlement of the matter. Case has been finalised

Madodankosi Xaba & Others

The interdict application was instituted in the Middelburg High Court against respondents for invading Municipality Land and or occupation, grabbing said property (ERF 1202 and farm no 205 Delmas/Botleng).

ZA Tyre Recycles properties (PTY) LTD vs VKLM

The applicant received default judgement against the Municipality in 2021, where 275 properties were attached. the municipality has dispatched a letter to the attorneys of the applicant informing them that it is not transferring the properties, cost estimated not yet known.

29 072 855 43 315 921

Contingent assets

Nkangala District Municipality

Upgrading 200KVA to 315KVA Transformers	-	2 751 134
Boreholes and Water Treatment Sundra and Eloff	-	725 000
Botleng Ext 3 Outfall Sewer Pipeline	-	656 618
Construction of Roads Victor khanye ph 2	-	10 608 603
Refurbishment & Upgrading Delmas WWTW	42 931 886	94 146 726
	42 931 886	108 888 081

The above contingent assets from Nkangala District Municipality relate to work in progress project which are not yet completed at the year end and have been not handed over by the District

Other contingent assets

200 001 658 581

Victor Khanye Local Municipality

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46. Contingent assets and liabilities (continued)

VKLM v. SAMWU Members

200 000 200 000

The municipality is seeking relief based on the fact that the SALGBC is leading a process of parity as far as post remuneration is concerned. The applicants want to be moved to a higher task grade and the grading process led by the SALGBC and which includes SAMWU, SALGA and IMATU has not been concluded. The Municipality has applied against the enforcement of the award. The matter number: MDP 081086 is filed with the labour court.

VKLM v. the Department of Health

- 1

The Municipality is seeking payment for unpaid invoices for services for three clinics to the value of R7,508,113.17

VKLM v. Public Protector's Report

- 458 580

The Municipality is reviewing the Public Protector's Report 113 of 2019/2020, which mandated remedial action in respect of the alleged appointment for the position of Assistant Manager: Youth Development, and his subsequent transfer into the position of Assistant Manager: Local Economic Development.

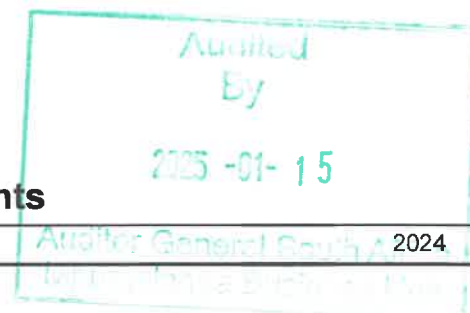
DBSA

1 -

The Development Bank of South Africa has committed to preparing a Revenue Enhancement Project and Project Implementation Plan on behalf of the Municipality. The value of the project has not yet been finalised, and once complete, the plan will be treated as an operational donation.

47. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

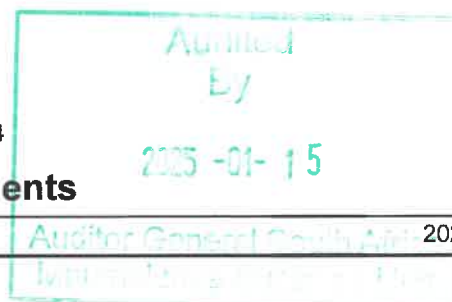


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47. Accounting by principals and agents (continued)

Details of the arrangement(s) is/are as follows:

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

The Municipality (the Principal) has a principal-agent relationship with a service provider (Ruvick Energy (Pty) Ltd) which directs the service provider (Agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit. These relationships are as follows:

Ruvick Energy Pty Ltd (Agent) - Sale of prepaid electricity
NGC Pty Ltd (Agent) - Sale of prepaid electricity (Prior year)
Conlog Pty Ltd (Agent) - Sale of prepaid electricity
Mavambo ITS Pty Ltd (Agent) - Traffic fine administration

Description of the arrangement and transactions undertaken

The Municipality has a principal-agent arrangement with a service provider (Ruvick Energy (Pty) Ltd) which directs the service provider, through a binding agreement, to sell prepaid electricity to the Municipality's customers and collect all cash and funds relating to the sale of the prepaid electricity in a separate bank account and remit all funds due to the Municipality after deduction of any application costs and fees

Ruvick Energy Pty Ltd (Agent) - R3 222 283
NGC Pty Ltd (Agent) - Rnil
Conlog Pty Ltd (Agent) - R1 565 935
Mavambo ITS Pty Ltd (Agent) - R811 773

Significant judgements applied in making the principal-agent assessment

Under this arrangement, the Municipality is the principal and the service provider is the agent. No significant judgements were applied in making this assessment.

Significant terms, conditions and changes of the arrangement during the reporting period

The arrangement stipulates that the agent will sell and collect prepaid electricity revenue on behalf of the Municipality. All funds will be remitted to the Municipality after the agent has claimed their commission fee. There were no changes to this arrangement during the reporting period. Reference is made to Note 49 in these annual financial statements where the agent has taken the Municipality to court.

Purpose of the principal-agent relationship and significant risks and benefits associated with the relationship

The purpose of the arrangement is to seamlessly sell and collect all funds due to the Municipality for the sale of electricity. This can be established through the sale of prepaid electricity as the customer must buy electricity before they receive electricity. The agent then ensures that all prepaid electricity sold to customers is collected and paid over to the Municipality

Significant risks

The agent may collect all the funds and not pay them over to the Municipality even though required to do so.

Risk mitigating strategies

The Municipality has access to the bank account used by the agent.

Significant benefits

The Municipality can reliably sell prepaid electricity without incurring the costs of establishing a system to be able to sell and collect prepaid electricity

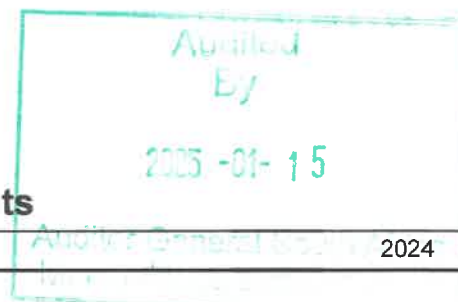
Entity as principal

Victor Khanye Local Municipality

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47. Accounting by principals and agents (continued)

Revenue recognised

The resources have not been recognised by the agent in its financial statements.

The remittance of resources during the period was made to the Municipality.

The expected timing of remittance of remaining resources by the agent to the entity, are expected to be made within 30 days.

Resource or cost implications for the entity if the principal-agent arrangement is terminated, are not applicable.

48. Segment information

General information

Identification of segments

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.

For management purposes, the municipality is organised and operates in four key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level.

The four key business units comprise of:

- (i) Community and public safety which includes community and social services, sport and recreation, public safety, health and housing services;
- (ii) Economic and environmental services which includes planning and development, road transport and environmental protection services;
- (iii) Trading services which includes energy sources, water management, waste water management and waste management services;
- (iv) Municipal governance and administration which includes executive and council and finance and administration services.

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any).

No segments have been aggregated.

Management does monitor performance geographically but does not at present have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost effective manner.

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48. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

Revenue from exchange transactions

	Community and public safety	Economic and environmental services	Trading Services	Municipal governance & administration	Total
Service charges	-	-	251 359 224	81 107 022	332 466 246
Rental of facilities and equipment	1 639 760	-	-	-	1 639 760
Administration and management fees received	-	-	-	314 248	314 248
Merchandising and Jobbing	-	-	-	24 439	24 439
Fire Services	1 266 911	-	-	-	1 266 911
Cemetery and Burial	354 796	-	-	-	354 796
Town Planning and Servitudes	-	-	-	643 139	643 139
Interest Income	-	(226 745)	-	52 639 061	52 412 316

Non-exchange Revenue

Taxation revenue					
Property rates	-	-	-	109 834 380	109 834 380
Property rates - penalties imposed	-	-	-	34 213 459	34 213 459
Debt written off	-	-	-	59 138 988	59 138 988
Transfer revenue					
Public contributions and donations	-	-	-	15 778 563	15 778 563
Government grants & subsidies	-	-	-	201 019 000	201 019 000
Fines, Penalties and Forfeits	-	11 054 775	-	184 635	11 239 410
Total segment revenue	3 261 467	10 828 030	251 359 224	554 896 934	820 345 655
Entity's revenue					820 345 655

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	Community and public safety	Economic and environmental services	Trading Services	Municipal governance & administration	Total
48. Segment information (continued)					
Expenditure					
Employee related costs	40 818 416	24 813 808	51 951 795	75 094 680	192 678 699
Remuneration of councillors	-	-	-	9 363 719	9 363 719
Finance cost	-	-	-	92 950 921	92 950 921
Debt impairment	-	-	-	230 564 275	230 564 275
Depreciation & impairment	3 717 210	39 171 348	11 553 208	808 060	55 249 826
Bad debts write off	-	-	-	8 884 558	8 884 558
Bulk purchases	-	-	202 461 064	-	202 461 064
Lease rentals on operating lease	-	-	995 249	-	995 249
Contacted services	1 169 168	27 371 864	39 290 916	55 496 817	123 328 765
Inventory consumed	977 680	(6 435 922)	83 714 894	19 674 637	97 931 289
Loss on disposal assets and liabilities	-	(2 972 272)	-	4 194 136	1 221 864
Operational cost	734 997	1 850 203	3 877 340	57 183 418	63 645 958
Acturial losses	-	-	-	671 979	671 979
Total segment expenditure	47 417 471	83 799 029	393 844 466	554 887 200	1 079 948 166
Total segmental surplus/(deficit)	(44 156 004)	(72 970 999)	(142 485 242)	9 734	(259 602 511)
Assets					
Total assets as per Statement of financial position	176 844 251	424 994 757	1 440 109 741	(752 964 524)	1 288 984 225
Total assets as per Statement of financial Position					1 288 984 225
Liabilities					
Total liability as per Statement of financial position	(8 527 973)	(725 407)	1 029 546 717	(427 259 316)	1 466 059 413
Total liabilities as per Statement of financial Position					[1 466 059 413]

2023

Victor Khanye Local Municipality

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48. Segment information (continued)

	Community and public safety	Economics and environment services	Trading services	Municipal governance & administration	Total
Revenue from exchange transactions					
Service charges	-	-	217 236 595	62 989 261	280 225 856
Rental of facilities and equipment	2 654 359	-	54 658	-	2 709 017
Administration and management fees received	-	-	-	264 593	264 593
Merchandising and Jobbing	-	-	-	972 034	972 034
Fire Services	761 455	-	-	-	761 455
Cemetery and Burial	317 543	-	-	-	317 543
Town Planning and Servitudes	-	-	-	407 444	407 444
Interest Income	-	-	-	38 561 966	38 561 966
Actuarial gains	-	-	-	11 412 460	11 412 460
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	-	-	-	93 307 017	93 307 017
Property rates - penalties imposed	-	-	-	17 377 204	17 377 204
Debt written off	-	-	-	26 162 438	26 162 438
Transfer revenue					
Public contributions and donations	-	-	-	31 222 835	31 222 835
Government grants & subsidies	-	-	-	184 204 000	184 204 000
Fines, Penalties and Forfeits	-	12 117 075	-	6 900	12 123 975
Total segment revenue	3 733 357	12 117 075	217 291 253	466 888 152	700 029 837
Entity's revenue					700 029 837

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	Community and public safety	Economics and environment services	Trading services	Municipal governance & administration	Total
48. Segment information (continued)					
Expenditure					
Employee related costs	25 076 536	31 010 215	61 816 536	58 999 745	176 903 032
Remuneration of councillors	-	-	-	8 521 589	8 521 589
Interest; Dividends and Rent on land	-	-	-	94 765 616	94 765 616
Depreciation & impairment	5 201 116	28 873 324	20 120 749	937 957	55 133 146
Bulk purchases	-	-	167 219 859	-	167 219 859
Contracted services	11 589 078	4 899 945	42 199 550	31 368 562	90 057 135
Inventory consumed	1 469 420	701 178	40 742 031	(2 723 413)	40 189 216
Operational lease	-	-	-	2 559 773	2 559 773
Operational cost	688 852	369 549	24 484 476	39 365 543	64 908 420
Impairment loss	-	-	-	83 450 353	83 450 353
Water losses	-	-	47 256 991	-	47 256 991
Disposal of Fixed and Intangible Assets	-	-	-	4 743 174	4 743 174
Total segment expenditure	44 025 002	65 854 211	403 840 192	321 988 899	835 708 304
Total segmental surplus/(deficit)	(40 291 645)	(53 737 136)	(186 548 939)	144 899 253	(135 678 467)
Assets					
Total assets as per statement of financial position	102 849 129	471 441 992	1 221 791 489	(502 084 434)	1 293 998 176
Total assets as per Statement of financial Position					1 293 998 176
Liabilities					
Total liabilities as per Statement of financial position	(8 360 441)	2 527 108	(853 623 645)	(352 013 883)	(1 211 470 861)
Total liabilities as per Statement of financial Position					(1 211 470 861)

Victor Khanye Local Municipality

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49. Auditors' remuneration

Fees	8 949 439	9 829 671
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50. Councillors Remuneration

Executive

2024

	Basic Salaries	Other benefits*	In-Kind Benefits	Total
KV Buda (Executive Mayor)	511 327	229 120	266 834	1 007 281
HM Ngoma (Speaker)	474 119	192 067	152 193	818 379
NS Ngcobo (Chief Whip/Ward 6)	474 477	183 203	111 085	768 765
TG Malomane (MMC PITS/ Cllr ward 3)	505 017	204 353	80 545	789 915
ME Masilela (MMC Finance/ Cllr ward 9)	505 017	195 100	80 545	780 662
BD Yeko (MMC Social/ Cllr ward 2)	460 914	190 635	124 647	776 196
BLO Mbalati (Cllr ward 1)	272 175	132 937	47 501	452 613
ES Lebatse (Cllr ward 4)	272 776	123 633	44 983	441 392
DJ Bath (Cllr ward 8)	215 791	121 007	103 885	440 683
JZ Ndlovu (Cllr ward 7)	272 175	132 302	47 501	451 978
M Rautenbach (PR Cllr (DA))	272 175	121 007	47 501	440 683
SM Skosana (PR Cllr (DA))	214 698	104 326	36 112	355 136
NE Mohoadibe (PR Cllr (EFF))	273 491	121 007	46 185	440 683
P Senekal (PR Cllr (VF PLUS))	213 669	104 326	37 142	355 137
MM Sepenyane (PR Cllr (AVPP))	213 669	104 326	37 142	355 137
ST Segone (PR Cllr (AVPP))	188 584	104 326	51 630	344 540
A Smith (PR Cllr (AVPP))	203 072	104 326	37 142	344 540
	5 543 146	2 468 001	1 352 573	9 363 720

2023

	Basic salaries	Other benefits*	In-kind benefits	Total
KV Buda (Executive Mayor)	518 878	219 244	210 400	948 522
HM Ngoma (Speaker)	445 330	175 431	145 146	765 907
NS Ngcobo (Chief Whip/Ward 6)	438 193	174 708	102 633	715 534
TG Malomane (MMC PITS/ Cllr ward 3)	463 731	174 708	79 287	717 726
ME Masilela (MMC Finance/ Cllr ward 9)	466 796	174 708	79 287	720 791
BD Yeko (MMC Social/ Cllr ward 2)	431 771	174 708	114 312	720 791
BLO Mbalati (Cllr ward 1)	244 129	114 382	46 619	405 130
ES Lebatse (Cllr ward 4)	42 043	24 510	9 028	75 581
DJ Bath (Cllr ward 8)	194 900	114 382	97 478	406 760
JZ Ndlovu (Cllr ward 7)	244 773	114 382	46 619	405 774
M Rautenbach (PR Cllr (DA))	245 248	114 382	46 619	406 249
SM Skosana (PR Cllr (DA))	189 596	98 203	36 547	324 346
NE Mohoadibe (PR Cllr (EFF))	246 425	114 382	46 619	407 426
P Senekal (PR Cllr (VF PLUS))	189 596	98 203	36 547	324 346
MM Sepenyane (PR Cllr (AVPP))	189 596	98 203	36 547	324 346
ST Segone (PR Cllr (AVPP))	74 744	32 681	12 037	119 462
A Smith (PR Cllr (AVPP))	74 744	32 681	12 037	119 462
SG Mkhawane (PR Cllr (AVPP))	90 215	57 352	54 758	202 325
RK Segone (PR Cllr (AVPP))	80 065	57 352	69 019	206 436
M Mofomme (Cllr ward 4)	123 898	57 252	23 526	204 676
	4 994 671	2 221 854	1 305 065	8 521 590

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51. Finance lease obligation

Minimum lease payments due

- within one year	4 140 000	4 140 000
- in second to fifth year inclusive	1 380 000	5 520 000

	5 520 000	9 660 000
less: future finance charges	(596 897)	(1 506 896)

Present value of minimum lease payments	4 923 103	8 153 104
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Present value of minimum lease payments due

- within one year	3 805 154	3 418 397
- in second to fifth year inclusive	1 117 949	4 734 705

	4 923 103	8 153 102
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Non-current liabilities	1 117 949	4 767 853
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Current liabilities	3 805 154	3 385 251
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	4 923 103	8 153 104
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The Municipality leases chemical toilets these are classified as finance leases.

The lease term of these assets is three years.

The Municipality has used the borrowing rate of prime to amortise these finance leases

The carrying values of the leased assets are included under property plant and equipment.

No contingent rents have been expensed during the period.

The leasing arrangement has terms of renewal or purchase options and escalation clauses.

There are restrictions imposed by lease arrangement (may not be sublet).

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

52. Budget differences

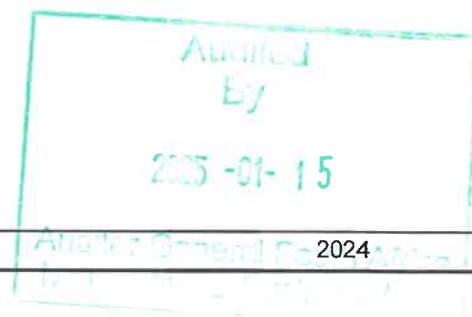
10% variance explanation on material differences between final budget and actual for the year ended 30 June 2024

Victor Khanye Local Municipality

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52. Budget differences (continued)

Rendering of services

The reason for the rendering of services budgeted amount to exceed the actuals amount is due to the decrease in actuals amounts of clearance certificates, fire services, cemetery and Burial as well as own planning and Servitude which was not budgeted for.

Rental of facilities and equipment

Rental of facilities and equipment was slightly less than budgeted due to the decrease in the hiring of halls and equipment.

Administration and management fees received

Administration and management fees received actuals is lower than budgeted amount due to a decrease in administration collections.

Interest received - investment

The actual interest earned is significantly lower than budgeted interest because of the bad debt write off's impacted during the year. The debtors book has decreased as a result of these write off's and this has had a negative impact on the interest earned.

Property rates

Property rates have not met the budgeted figure due to changes in the supplementary valuation roll which occurs throughout the year.

Debt written off

The debt write off relates to the Eskom debts that were written off during the year that were not budgeted for.

Government grants & subsidies:

The government grants and subsidies actuals are more than budgeted amounts because the municipality budgeted less on equitable share as it is an unconditional grant.

Public contributions and donations

These donations relate to donations received from Nkangala district Municipality. Donations are not budgeted for as they are impracticable to estimate.

Fines, Penalties and Forfeits

Actual traffic fines income is significantly larger than budgeted fines income because of unexpected speeding fines. This was not budgeted for.

Depreciation and amortisation

The depreciation amount is larger than budgeted depreciation due to the donations made by Nkangala district which were not budgeted for. When these capital donations are received, they are depreciated from date of deemed acquisition. That depreciation was not taken into account.

Finance charges

Actual finance charges are significantly higher than budgeted due to the finance costs for late payment of suppliers (more specifically Eskom and Rand Water).

Lease rentals on operating lease

The municipality budgeted for lease on rentals on operating lease on general expenses.

Debt Impairment

The reason the actual impairment exceeds budgeted impairment is due to the impairment of the traffic fines and Provision for Doubtful debt which was not budgeted for.

Bad debts written off

The reason for the budgeted amount of bad debts written off to exceed the actual amount of bad debts written off is due to write off on 2022/23 audit adjustment which was not budgeted for.

Transfers and Subsidies

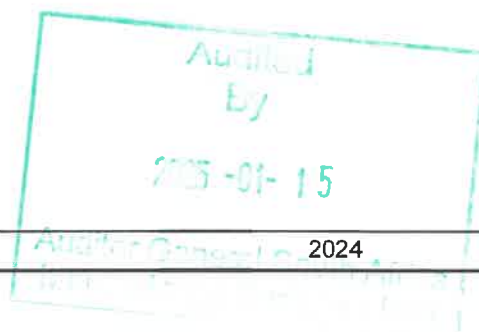
The municipality did not make any donation in the current financial year hence the amount budgeted for the transfer and subsidies was not spent.

Victor Khanye Local Municipality

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52. Budget differences (continued)

Inventory consumed

Inventory consumed is significantly more than budgeted because of inventory water losses which was not budgeted for.

Service charges

Budgeted service charges revenue exceeds actual revenue due to unexpected water and electricity losses incurred during the year. The distribution losses were not taken into account when budgeting.

Merchandising and jobbing

The municipality budgeted for Merchandising and jobbing on rendering of services.

Fire services

The municipality budgeted for fire services on rendering of services.

Cemetery and Burial

The municipality budgeted for cemetery and burial on rendering of services.

Town planning and Servitude

The municipality budgeted for town planning and servitudes on rendering of services.

Property rates - penalties imposed

The interest revenue on the budget includes the penalties imposed. In the AFS, the interest on non exchange debtors is shown as the penalties imposed amount. The budgeted amount is higher than actual due to the anticipated increased in debtor balances not materialising.

Surcharges and Taxes

The service charges actuals amounts includes the surcharges and taxes.

Contracted services

The significant increase was due to repairs and maintenance that were done on B1 electricity substation and water treatment plant.

General expenses

The Municipality's budget was less than the actual amount as the Municipality was expecting reduced expenditure as the Prepaid electricity contract (which attracts the commission expense) was expiring and a new tender was expected to be issued, resulting in reduced expenditure. The anticipated cost savings were not as much as the actual savings.

53. Events after the reporting date

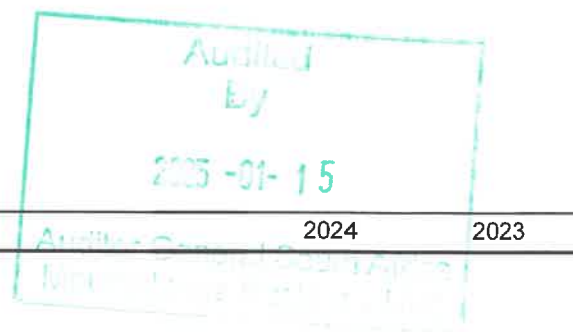
During July 2024, the Municipal council wrote off debts of R8 884 558 relating to flat rate charges revenue and debtors as at 30 June 2024. This is an adjusting event and has been written off before the publication of the financial statements.

Victor Khanye Local Municipality

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54. Change in estimate

Property, plant and equipment

The management of VKLM, during their annual assessment of useful lives and residual values, in the end of 2024 financial period that the pattern of service potential derived from depreciable assets has changed from that in previous periods. These depreciable assets are currently depreciated using the straight line method and had an average remaining useful life of 0.67 years but were still in use. As a result, management decided to change the remaining useful life of the depreciable assets to an average of 2.76 years.

The following information regarding the depreciable assets is available:

2024 Depreciation Before Adjustment	4 341 912	-
Adjustment as a result of change	(2 762 044)	-
2024 Depreciation After Adjustment	1 579 868	-

The 2024 financial statements reflect the new depreciation expense. No adjustment will be made to prior periods as this represents a change in accounting estimate which is applied prospectively.

It is impracticable to estimate the effect of the change in accounting estimates for future periods.

55. Debt written off

The debt written off in the current financial year relates to the interest write off received from Eskom in line with Circular 124 received from National Treasury in the current year. The debt written off in the prior financial year relates to the debt write off received from the Department of Community, safety, security and liason.