



Lesedi Local Municipality  
(Registration number GT423)  
Annual Financial Statements  
for the year ended 30 June 2022

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2022

## General Information

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<b>Legal form of entity</b>	Municipality Municipal demarcation code - GT423
<b>Nature of business and principal activities</b>	Local municipal functions as set out in the Constitution of South Africa (Act No. 105 of 1996)
<b>Members of Council</b>	
Executive Mayor	MNR Nkosi
Speaker	PR Mpemvu
Chief Whip	TJ Gama
Mayoral Committee	MS Lukhele ME Magazi T Mashinini MV Motsepe T Motsepe
Councillors	M Boshoff J Coetzee C Collen LS Gamede GC Holtzhausen MJ Kubheka FEJ Khumalo MF Langa LM Machitje BM Mkhize SJ Mnyakeni BV Mogorosi LB Moloji MA Mulder CG Naidoo HAC Paul CD Simelane D Tsotetsi
<b>Grading of local authority</b>	Grade 4 Local Municipality
<b>Accounting Officer</b>	S Dlamini
<b>Chief Finance Officer (CFO)</b>	G Mncube (Acting)
<b>Registered office</b>	Civic Centre c/o HF Verwoerd and Louw Street Heidelberg 1441
<b>Postal address</b>	PO Box 201 Heidelberg 1438
<b>Bankers</b>	FNB
<b>Auditors</b>	Auditor General of South Africa

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

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### Abbreviations

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

# Lesedi Local Municipality

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## Accounting Officer's Responsibilities and Approval

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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 2023 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

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

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed on its behalf by:

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

# Lesedi Local Municipality

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## Audit Committee Report

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We are pleased to present our report for the financial year ended 30 June 2022.

### Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet x times per annum as per its approved terms of reference. During the current year 6 number of meetings were held.

<b>Name of member</b>	<b>Number of meetings attended</b>
Mr. M Nondwangu (Chairperson)	6
Ms. A Noah	5
Ms. N Dhlamini - Appointed March 2022	2
Ms. T Motseto - Appointed March 2022	2
Mr. K Mokgokong - Appointed March 2022	2
Mr. T Boltman - Term ended February 2022	4
Ms. C Smith - Term ended February 2022	4
Adv T Bokako - Term ended February 2022	4

### Audit committee responsibility

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

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

### The effectiveness of internal control

The system of internal control was not effective and efficient resulting in material misstatements in the Annual Financial Statements and Annual Performance Report as reflected in both Internal Audit and Auditor General South Africa audit reports.

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

The audit committee is not satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

### Evaluation of annual financial statements

The audit committee has:

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

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

### Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

### Auditor-General of South Africa

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

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**Chairperson of the Audit Committee**

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# **Lesedi Local Municipality**

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Annual Financial Statements for the year ended 30 June 2022

## **Audit Committee Report**

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

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	39 971 761	55 027 571
Receivables from exchange transactions	4&6	233 432 155	171 708 185
Receivables from non-exchange transactions	5&6	65 872 004	55 083 045
Inventories	7	11 462 074	6 107 153
		<b>350 737 994</b>	<b>287 925 954</b>
<b>Non-Current Assets</b>			
Investment property	8	121 324 114	123 635 005
Property, plant and equipment	9	1 052 109 441	994 864 265
Intangible assets	10	3 985 786	2 931 418
Heritage assets	11	4 662 664	4 662 664
		<b>1 182 082 005</b>	<b>1 126 093 352</b>
<b>Total Assets</b>		<b>1 532 819 999</b>	<b>1 414 019 306</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	12	223 735 218	139 223 144
Unspent conditional grants and receipts	13	11 488 336	20 400 501
Consumer deposits	14	21 623 122	19 995 450
VAT payable	15	17 546 929	15 615 383
Long term loans	16	6 788 253	4 600 559
Employee benefit obligation	17	2 124 135	2 060 017
Provisions	18	25 941 749	24 765 593
		<b>309 247 742</b>	<b>226 660 647</b>
<b>Non-Current Liabilities</b>			
Long term loans	16	32 783 843	37 204 995
Employee benefit obligation	17	20 069 558	22 159 619
Provisions	18	30 040 464	25 950 540
		<b>82 893 865</b>	<b>85 315 154</b>
<b>Total Liabilities</b>		<b>392 141 607</b>	<b>311 975 801</b>
<b>Net Assets</b>		<b>1 140 678 392</b>	<b>1 102 043 505</b>
Accumulated surplus		1 140 678 374	1 102 043 505
<b>Total Net Assets</b>		<b>1 140 678 374</b>	<b>1 102 043 505</b>

\* See Note 43

# Lesedi Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	19	629 215 801	538 592 172
Rental of facilities and equipment	20	6 547 850	6 688 295
Interest income	21	45 547 734	36 436 424
Licences and permits	22	83 518	14 855
Recoveries	23	412 743	800 011
Other income	24	4 419 621	7 030 835
Actuarial gains		2 102 211	-
<b>Total revenue from exchange transactions</b>		<b>688 329 478</b>	<b>589 562 592</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	25	147 134 865	140 267 873
Interest income	26	4 607 627	3 720 446
<b>Transfer revenue</b>			
Government grants & subsidies	27	284 563 616	267 642 810
Public contributions and donations	28	10 000	39 995 423
Fines, Penalties and Forfeits	29	1 569 650	1 521 530
<b>Total revenue from non-exchange transactions</b>		<b>437 885 758</b>	<b>453 148 082</b>
<b>Total revenue</b>		<b>1 126 215 236</b>	<b>1 042 710 674</b>
<b>Expenditure</b>			
Employee related costs	30	(217 565 380)	(217 318 941)
Remuneration of councillors	31	(11 727 558)	(11 836 648)
Depreciation and amortisation	32	(37 783 564)	(38 341 913)
Impairment loss	33	-	(2 291 666)
Finance costs	34	(6 966 833)	(7 401 985)
Lease rentals on operating lease	35	(2 569 621)	(1 052 354)
Debt Impairment	36	(203 561 879)	(170 468 492)
Bulk purchases	37	(399 169 055)	(355 787 725)
Contracted services	38	(119 880 016)	(95 095 146)
Loss on disposal of assets		(1 056 052)	(4 494 603)
Inventories losses/write-downs		(102 561)	-
General Expenses	39	(87 197 855)	(71 262 165)
<b>Total expenditure</b>		<b>(1 087 580 374)</b>	<b>(975 351 638)</b>
<b>Surplus for the year</b>		<b>38 634 862</b>	<b>67 359 036</b>

\* See Note 43



# Lesedi Local Municipality

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## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	923 923 889	923 923 889
Adjustments		
Correction of errors	110 760 580	110 760 580
<b>Balance at 01 July 2020 as restated*</b>	<b>1 034 684 469</b>	<b>1 034 684 469</b>
Changes in net assets		
Surplus for the year	67 359 036	67 359 036
Total changes	67 359 036	67 359 036
<b>Restated* Balance at 01 July 2021</b>	<b>1 102 043 512</b>	<b>1 102 043 512</b>
Changes in net assets		
Surplus for the year	38 634 862	38 634 862
Total changes	38 634 862	38 634 862
<b>Balance at 30 June 2022</b>	<b>1 140 678 374</b>	<b>1 140 678 374</b>

Note(s)

\* See Note 43

# Lesedi Local Municipality

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## Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates		129 690 354	131 607 312
Sale of goods and services		422 257 745	388 560 936
Grants		268 280 807	257 851 446
Interest income		8 275 779	8 654 718
		828 504 685	786 674 412
<b>Payments</b>			
Employee costs		(228 613 859)	(222 407 400)
Suppliers		(517 463 760)	(476 917 327)
Finance costs		(2 739 499)	(4 144 157)
		(748 817 118)	(703 468 884)
<b>Net cash flows from operating activities</b>	42	<b>79 687 567</b>	<b>83 205 528</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(91 101 361)	(94 155 564)
Proceeds from sale of property, plant and equipment	9	-	599
Purchase of other intangible assets	10	(1 408 569)	(99 800)
Proceeds from sale of other intangible assets	10	-	2 052
<b>Net cash flows from investing activities</b>		<b>(92 509 930)</b>	<b>(94 252 713)</b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(2 233 458)	(4 791 323)
<b>Net cash flows from financing activities</b>		<b>(2 233 458)</b>	<b>(4 791 323)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(15 055 821)</b>	<b>(15 838 508)</b>
Cash and cash equivalents at the beginning of the year		55 027 571	70 866 072
<b>Cash and cash equivalents at the end of the year</b>	3	<b>39 971 750</b>	<b>55 027 564</b>

The accounting policies on pages 15 to 33 and the notes on pages 34 to 75 form an integral part of the annual financial statements.

\* See Note 43

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## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	645 062 420	(16 093 565)	<b>628 968 855</b>	629 215 801	<b>246 946</b>	
Rental of facilities and equipment	5 921 810	(95 960)	<b>5 825 850</b>	6 547 850	<b>722 000</b>	
Interest received	37 391 710	10 633 983	<b>48 025 693</b>	45 547 734	<b>(2 477 959)</b>	Note 54(1)
Licences and permits	8 470	2 484	<b>10 954</b>	83 518	<b>72 564</b>	
Recoveries	-	410 991	<b>410 991</b>	412 743	<b>1 752</b>	
Other income	8 130 880	(3 415 787)	<b>4 715 093</b>	4 419 621	<b>(295 472)</b>	
<b>Total revenue from exchange transactions</b>	<b>696 515 290</b>	<b>(8 557 854)</b>	<b>687 957 436</b>	<b>686 227 267</b>	<b>(1 730 169)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	146 785 030	170 007	<b>146 955 037</b>	147 134 865	<b>179 828</b>	
<b>Transfer revenue</b>						
Government grants & subsidies	278 905 041	15 332 865	<b>294 237 906</b>	284 563 616	<b>(9 674 290)</b>	Note 54(2)
Public contributions and donations	-	-	-	10 000	<b>10 000</b>	
Fines, Penalties and Forfeits	31 100 000	(30 000 000)	<b>1 100 000</b>	1 569 650	<b>469 650</b>	
<b>Total revenue from non-exchange transactions</b>	<b>456 790 071</b>	<b>(14 497 128)</b>	<b>442 292 943</b>	<b>433 278 131</b>	<b>(9 014 812)</b>	
<b>Total revenue</b>	<b>1 153 305 361</b>	<b>(23 054 982)</b>	<b>1 130 250 379</b>	<b>1 119 505 398</b>	<b>(10 744 981)</b>	
<b>Expenditure</b>						
Personnel	(221 870 389)	(9 437 858)	<b>(231 308 247)</b>	(217 565 380)	<b>13 742 867</b>	Note 54(3)
Remuneration of councillors	(13 060 950)	(1 000)	<b>(13 061 950)</b>	(11 727 558)	<b>1 334 392</b>	
Depreciation and amortisation	(39 014 854)	-	<b>(39 014 854)</b>	(37 783 564)	<b>1 231 290</b>	
Finance costs	(3 873 740)	(374 077)	<b>(4 247 817)</b>	(6 966 833)	<b>(2 719 016)</b>	
Lease rentals on operating lease	(2 107 778)	159 525	<b>(1 948 253)</b>	(2 569 621)	<b>(621 368)</b>	
Debt Impairment	(178 643 760)	10 405 155	<b>(168 238 605)</b>	(203 561 879)	<b>(35 323 274)</b>	Note 54(4)
Bulk purchases	(405 804 300)	(30 905 592)	<b>(436 709 892)</b>	(399 169 055)	<b>37 540 837</b>	Note 54(5)
Contracted Services	(102 595 303)	(6 129 920)	<b>(108 725 223)</b>	(119 880 016)	<b>(11 154 793)</b>	Note 54(6)
General Expenses	(79 559 145)	(2 007 452)	<b>(81 566 597)</b>	(87 197 855)	<b>(5 631 258)</b>	Note 54(7)
<b>Total expenditure</b>	<b>(1 046 530 219)</b>	<b>(38 291 219)</b>	<b>(1 084 821 438)</b>	<b>(1 086 421 761)</b>	<b>(1 600 323)</b>	
<b>Operating surplus</b>	<b>106 775 142</b>	<b>(61 346 201)</b>	<b>45 428 941</b>	<b>33 083 637</b>	<b>(12 345 304)</b>	
Loss on derecognition of assets and liabilities	-	-	-	(1 056 052)	<b>(1 056 052)</b>	
Actuarial gains/losses	-	-	-	2 102 211	<b>2 102 211</b>	
Inventories losses/write-downs	-	-	-	(102 561)	<b>(102 561)</b>	
	-	-	-	<b>943 598</b>	<b>943 598</b>	
<b>Surplus before taxation</b>	<b>106 775 142</b>	<b>(61 346 201)</b>	<b>45 428 941</b>	<b>34 027 235</b>	<b>(11 401 706)</b>	

# Lesedi Local Municipality

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## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>106 775 142</b>	<b>(61 346 201)</b>	<b>45 428 941</b>	<b>34 027 235</b>	<b>(11 401 706)</b>	

# Lesedi Local Municipality

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## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	15 278 520	(14 720 271)	<b>558 249</b>	39 971 761	<b>39 413 512</b>	Note 54(8)
Receivables from exchange transactions	281 348 839	(3 663 365)	<b>277 685 474</b>	233 432 155	<b>(44 253 319)</b>	Note 54(9)
Receivables from non-exchange transactions	56 821 977	1 554 900	<b>58 376 877</b>	65 872 004	<b>7 495 127</b>	Note 54(10)
Inventories	5 742 118	362 939	<b>6 105 057</b>	11 462 074	<b>5 357 017</b>	Note 54(11)
	<b>359 191 454</b>	<b>(16 465 797)</b>	<b>342 725 657</b>	<b>350 737 994</b>	<b>8 012 337</b>	
<b>Non-Current Assets</b>						
Investment property	151 285 497	(27 687 239)	<b>123 598 258</b>	121 324 114	<b>(2 274 144)</b>	
Property, plant and equipment	1 003 251 050	52 814 555	<b>1 056 065 605</b>	1 052 109 441	<b>(3 956 164)</b>	
Intangible assets	5 059 232	(559 227)	<b>4 500 005</b>	3 985 786	<b>(514 219)</b>	
Heritage assets	4 662 664	-	<b>4 662 664</b>	4 662 664	-	
	<b>1 164 258 443</b>	<b>24 568 089</b>	<b>1 188 826 532</b>	<b>1 182 082 005</b>	<b>(6 744 527)</b>	
<b>Total Assets</b>	<b>1 523 449 897</b>	<b>8 102 292</b>	<b>1 531 552 189</b>	<b>1 532 819 999</b>	<b>1 267 810</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Long term loans	4 600 561	-	<b>4 600 561</b>	6 788 253	<b>2 187 692</b>	
Payables from exchange transactions	88 451 819	63 519 582	<b>151 971 401</b>	223 735 218	<b>71 763 817</b>	Note 54(12)
VAT payable	168 629 704	33 566 698	<b>202 196 402</b>	17 546 929	<b>(184 649 473)</b>	Note 54(13)
Consumer deposits	19 131 353	1 901 023	<b>21 032 376</b>	21 623 122	<b>590 746</b>	
Employee benefit obligation	2 169 595	(109 578)	<b>2 060 017</b>	2 124 135	<b>64 118</b>	
Unspent conditional grants and receipts	43 631	-	<b>43 631</b>	11 488 336	<b>11 444 705</b>	Note 54(14)
Provisions	18 569 175	6 196 418	<b>24 765 593</b>	25 941 749	<b>1 176 156</b>	
	<b>301 595 838</b>	<b>105 074 143</b>	<b>406 669 981</b>	<b>309 247 742</b>	<b>(97 422 239)</b>	
<b>Non-Current Liabilities</b>						
Long term loans	37 176 159	-	<b>37 176 159</b>	32 783 843	<b>(4 392 316)</b>	Note 54(20)
Employee benefit obligation	19 713 403	2 446 216	<b>22 159 619</b>	20 069 558	<b>(2 090 061)</b>	
Provisions	25 193 873	756 667	<b>25 950 540</b>	30 040 464	<b>4 089 924</b>	
	<b>82 083 435</b>	<b>3 202 883</b>	<b>85 286 318</b>	<b>82 893 865</b>	<b>(2 392 453)</b>	
<b>Total Liabilities</b>	<b>383 679 273</b>	<b>108 277 026</b>	<b>491 956 299</b>	<b>392 141 607</b>	<b>(99 814 692)</b>	
<b>Net Assets</b>	<b>1 139 770 624</b>	<b>(100 174 734)</b>	<b>1 039 595 890</b>	<b>1 140 678 392</b>	<b>101 082 502</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	1 139 770 624	(100 174 734)	<b>1 039 595 890</b>	1 140 678 392	<b>101 082 502</b>	

# Lesedi Local Municipality

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## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2022</b>											
<b>Financial Performance</b>											
Property rates	146 785 030		146 955 037	-		146 955 037	147 134 865		179 828	100 %	100 %
Service charges	645 062 420	(16 093 565)	628 968 855	-		628 968 855	629 215 801		246 946	100 %	98 %
Interest income	37 391 710	10 633 983	48 025 693	-		48 025 693	45 547 734		(2 477 959)	95 %	122 %
Transfers recognised - operational	178 961 970	7 762 491	186 724 461	-		186 724 461	181 058 292		(5 666 169)	97 %	101 %
Other own revenue	45 161 160	(33 098 272)	12 062 888	-		12 062 888	19 743 220		7 680 332	164 %	44 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>1 053 362 290</b>	<b>(30 625 356)</b>	<b>1 022 736 934</b>	<b>-</b>		<b>1 022 736 934</b>	<b>1 022 699 912</b>		<b>(37 022)</b>	<b>100 %</b>	<b>97 %</b>
Employee costs	(221 870 389)	(9 437 858)	(231 308 247)	-	-	(231 308 247)	(217 565 380)	-	13 742 867	94 %	98 %
Remuneration of councillors	(13 060 950)	(1 000)	(13 061 950)	-	-	(13 061 950)	(11 727 558)	-	1 334 392	90 %	90 %
Debt impairment	(178 643 760)	10 405 155	(168 238 605)			(168 238 605)	(203 561 879)	-	(35 323 274)	121 %	114 %
Depreciation and asset impairment	(39 014 854)	-	(39 014 854)			(39 014 854)	(37 783 564)	-	1 231 290	97 %	97 %
Finance charges	(3 873 740)	(374 077)	(4 247 817)	-	-	(4 247 817)	(6 966 833)	-	(2 719 016)	164 %	180 %
Materials and bulk purchases	(405 804 300)	(30 905 592)	(436 709 892)	-	-	(436 709 892)	(399 169 055)	-	37 540 837	91 %	98 %
Other expenditure	(184 262 226)	(7 977 847)	(192 240 073)	-	-	(192 240 073)	(210 806 105)	-	(18 566 032)	110 %	114 %
<b>Total expenditure</b>	<b>(1 046 530 219)</b>	<b>(38 291 219)</b>	<b>(1 084 821 438)</b>	<b>-</b>	<b>-</b>	<b>(1 084 821 438)</b>	<b>(1 087 580 374)</b>	<b>-</b>	<b>(2 758 936)</b>	<b>100 %</b>	<b>104 %</b>
<b>Surplus/(Deficit)</b>	<b>6 832 071</b>	<b>(68 916 575)</b>	<b>(62 084 504)</b>	<b>-</b>		<b>(62 084 504)</b>	<b>(64 880 462)</b>		<b>(2 795 958)</b>	<b>105 %</b>	<b>(950)%</b>

# Lesedi Local Municipality

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## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	99 943 071	7 570 374	107 513 445	-		107 513 445	103 505 324		(4 008 121)	96 %	104 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	10 000		10 000	DIV/0 %	DIV/0 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>106 775 142</b>	<b>(61 346 201)</b>	<b>45 428 941</b>	<b>-</b>		<b>45 428 941</b>	<b>38 634 862</b>		<b>(6 794 079)</b>	<b>85 %</b>	<b>36 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>106 775 142</b>	<b>(61 346 201)</b>	<b>45 428 941</b>	<b>-</b>		<b>45 428 941</b>	<b>38 634 862</b>		<b>(6 794 079)</b>	<b>85 %</b>	<b>36 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	111 106 860	24 659 984	135 766 844	-		135 766 844	91 357 900		(44 408 944)	67 %	82 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	95 979 789	7 267 374	103 247 163	-		103 247 163	84 137 162		(19 110 001)	81 %	88 %
Internally generated funds	15 127 071	17 392 610	32 519 681	-		32 519 681	10 313 910		(22 205 771)	32 %	68 %
<b>Total sources of capital funds</b>	<b>111 106 860</b>	<b>24 659 984</b>	<b>135 766 844</b>	<b>-</b>		<b>135 766 844</b>	<b>94 451 072</b>		<b>(41 315 772)</b>	<b>70 %</b>	<b>85 %</b>

# Lesedi Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

Figures in Rand	Note(s)	2022	2021
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### 1. Presentation of Annual Financial Statements

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

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

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

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

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

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

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

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

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

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

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



# Lesedi Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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

#### Post-retirement benefits

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

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

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

### 1.4 Investment property

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

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

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

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

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

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property.

#### Cost model

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

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

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

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

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

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

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

# Lesedi Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

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Item	Depreciation method	Average useful life
Infrastructure	Straight-line	
• Roads and paving		5-80 years
• Electricity		10-50 years
• Water		10-40 years
• Sewerage		12-20 years
• Landfill site		15-30 years

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# Lesedi Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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

Community	Straight-line	
• Buildings		30-60 years
• Recreational facilities		20-50 years
• Security		5 years
Other property, plant and equipment	Straight-line	
• Buildings		30-60 years
• Specialist vehicles		5-20 years
• Other vehicles		5-20 years
• Furniture and fittings		3-18 years
• Bins and containers		3-18 years
• Office equipment		3-18 years
• Library books		5-25 years

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

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

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

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

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

### 1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

# Lesedi Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.6 Intangible assets (continued)

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

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

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

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

### 1.7 Heritage assets

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

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

#### Recognition

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

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

#### Impairment

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

#### Derecognition

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

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

### 1.8 Financial instruments

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

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

# Lesedi Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.8 Financial instruments (continued)

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

A financial asset is:

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

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

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

#### Classification

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

<b>Class</b>	<b>Category</b>
Other receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables from non-exchange transactions	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

<b>Class</b>	<b>Category</b>
Long term loans	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
VAT payable	Financial liability measured at amortised cost

#### Initial recognition

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

The entity recognises financial assets using trade date accounting.

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

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

# Lesedi Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.8 Financial instruments (continued)

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

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

- Financial instruments at amortised cost.

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

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

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

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

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

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

#### Gains and losses

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

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

#### Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

# Lesedi Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.8 Financial instruments (continued)

#### Derecognition

##### Financial assets

The entity derecognises a financial asset only when:

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

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

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

##### Financial liabilities

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

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

#### Presentation

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

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

### 1.9 Statutory receivables

#### Identification

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

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

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.

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.9 Statutory receivables (continued)

#### Recognition

The municipality recognises statutory receivables as follows:

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

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

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

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

#### Accrued interest

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

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

#### Other charges

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

#### Impairment losses

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

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

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

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



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### 1.9 Statutory receivables (continued)

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

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

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

### Derecognition

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

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

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

### 1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Operating leases - lessor

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

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

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

### 1.11 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.

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### 1.11 Inventories (continued)

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

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

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

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

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

### 1.12 Impairment of cash-generating assets

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

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

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

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

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

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

Useful life is either:

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

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

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

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

#### Reversal of impairment loss

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

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

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

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

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

#### Identification

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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

#### Reversal of an impairment loss

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

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

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

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

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

### 1.14 Employee benefits

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

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

#### Post-employment benefits

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

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

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### 1.14 Employee benefits (continued)

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

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

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

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

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

#### Other post retirement obligations

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

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

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

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

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

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

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## Accounting Policies

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### 1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

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

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

A contingent liability is:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

### 1.16 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.

### 1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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

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

#### Measurement

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

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### 1.17 Revenue from exchange transactions (continued)

#### Sale of goods

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

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

#### Rendering of services

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

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

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

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

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

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

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

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

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

Debt impairment is calculated as follows:

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

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## Accounting Policies

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### 1.17 Revenue from exchange transactions (continued)

#### Interest, royalties and dividends

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

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

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

### 1.18 Revenue from non-exchange transactions

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

#### Measurement

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

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

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

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

#### Fines

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

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

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

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

### 1.19 Borrowing costs

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

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

### 1.20 Comparative figures

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

### 1.21 Unauthorised expenditure

Unauthorised expenditure means:



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### 1.21 Unauthorised expenditure (continued)

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

### 1.22 Fruitless and wasteful expenditure

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

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

### 1.23 Irregular expenditure

Irregular expenditure 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).

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

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

### 1.24 Segment information

A segment is an activity of an entity:

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

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

### Measurement

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

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

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### 1.25 Budget information

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

### 1.26 Related parties

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

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

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

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

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

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

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

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

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

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

### 1.27 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.

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## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 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 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 103 Heritage Assets	01 April 2022	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	01 April 2022	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2022	Unlikely there will be a material impact

### 3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 080	2 080
Bank balances	14 340 878	3 898 486
Short-term deposits	25 628 803	51 127 005
	<b>39 971 761</b>	<b>55 027 571</b>

#### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
ABSA Bank - 50000066	7 750 852	2 584 329	4 286 817	7 750 852	(1 954 649)	6 737 229
ABSA Bank - 4083802528	126 215	80 541	50 345	126 215	80 541	50 345
ABSA Bank - 4076802751	4 504 110	29 581 515	39 660 153	4 504 110	29 581 515	39 660 153
Investec - 1400137177	21 124 693	21 545 491	23 759 547	21 124 693	21 545 491	23 759 547
FNB - 62795102088	6 211 115	755 141	656 650	6 463 810	755 141	656 650
<b>Total</b>	<b>39 716 985</b>	<b>54 547 017</b>	<b>68 413 512</b>	<b>39 969 680</b>	<b>50 008 039</b>	<b>70 863 924</b>

### 4. Receivables from exchange transactions

Consumer debtors - Electricity	86 488 550	58 090 449
Consumer debtors - Water	43 047 436	35 089 799
Consumer debtors - Sewerage	8 248 367	8 215 311
Consumer debtors - Refuse	11 627 821	9 120 269
Consumer debtors - VAT	20 256 100	15 018 292
Consumer debtors - Other	51 456 175	42 081 467
Deposits	707 945	673 792
Accrued interest	121 944	179 975
Other debtors	11 477 817	3 238 831
	<b>233 432 155</b>	<b>171 708 185</b>

#### Credit quality of trade and other receivables

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

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## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

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

#### Trade and other receivables impaired

As of 30 June 2022, trade and other receivables of 1 278 003 027 (2021: 1 028 500 638) were impaired and provided for.

The amount of the provision was (1 056 256 620) as of 30 June 2022 (2021: 860 849 931).

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

### 5. Receivables from non-exchange transactions

Consumer debtors - Rates	48 677 457	40 927 497
Fines	8 828 431	8 878 434
Government grants and subsidies	8 366 116	5 277 114
	<b>65 872 004</b>	<b>55 083 045</b>

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

Consumer debtors - Rates	48 677 457	40 927 497
Fines	8 874 995	8 878 434
	<b>57 552 452</b>	<b>49 805 931</b>

<b>Financial asset receivables included in receivables from non-exchange transactions above</b>	<b>8 319 552</b>	<b>5 277 114</b>
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<b>Total receivables from non-exchange transactions</b>	<b>-</b>	<b>47 880 404</b>
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#### Statutory receivables general information

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

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

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

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

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

##### Statutory receivables impaired

###### Consumer debtors - rates

As of 30 June 2022, consumer debtors - rates of 131 447 588 (2021: 111 164 433) were impaired and provided for.

The amount of the provision was 82 770 131 as of 30 June 2022 (2021: 70 236 936).

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

###### Traffic fines

As of 30 June 2022, traffic fines of R141 318 333 (2021: R139 884 056) were impaired and provided for.

The amount of the provision was R132 443 339 as of June 2022. (2021: R131 005 622).

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

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

# Lesedi Local Municipality

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Figures in Rand	2022	2021
<b>6. Consumer debtors disclosure</b>		
<b>Gross balances</b>		
Consumer debtors - Rates	131 447 588	111 164 433
Consumer debtors - Electricity	366 193 343	283 243 826
Consumer debtors - Water	430 017 736	345 166 029
Consumer debtors - Sewerage	104 105 784	86 595 620
Consumer debtors - Refuse	136 694 541	113 612 547
Consumer debtors - VAT	134 977 856	108 607 347
Consumer debtors - Other	105 391 809	91 240 149
	<b>1 408 828 657</b>	<b>1 139 629 951</b>
<b>Less: Allowance for impairment</b>		
Consumer debtors - Rates	(82 770 131)	(70 236 936)
Consumer debtors - Electricity	(279 704 793)	(225 153 377)
Consumer debtors - Water	(386 970 300)	(310 076 230)
Consumer debtors - Sewerage	(95 857 417)	(78 380 309)
Consumer debtors - Refuse	(125 066 720)	(104 492 278)
Consumer debtors - VAT	(114 721 756)	(93 589 055)
Consumer debtors - Other	(53 935 634)	(49 158 682)
	<b>(1 139 026 751)</b>	<b>(931 086 867)</b>
<b>Net balance</b>		
Consumer debtors - Rates	48 677 457	40 927 497
Consumer debtors - Electricity	86 488 550	58 090 449
Consumer debtors - Water	43 047 436	35 089 799
Consumer debtors - Sewerage	8 248 367	8 215 311
Consumer debtors - Refuse	11 627 821	9 120 269
Consumer debtors - VAT	20 256 100	15 018 292
Consumer debtors - Other	51 456 175	42 081 467
	<b>269 801 906</b>	<b>208 543 084</b>
<b>Rates</b>		
Current (0 -30 days)	10 272 668	9 851 953
31 - 60 days	4 067 178	4 384 728
61 - 90 days	3 326 769	3 166 160
91 - 120 days	1 477 369	1 195 601
121 - 365 days	10 201 763	7 351 138
> 365 days	19 331 710	14 977 917
	<b>48 677 457</b>	<b>40 927 497</b>
<b>Electricity</b>		
Current (0 -30 days)	45 766 767	23 315 910
31 - 60 days	8 619 177	10 240 022
61 - 90 days	7 700 811	6 064 051
91 - 120 days	2 817 583	1 048 787
121 - 365 days	8 697 390	6 290 626
> 365 days	12 886 822	11 131 053
	<b>86 488 550</b>	<b>58 090 449</b>

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Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>6. Consumer debtors disclosure (continued)</b>		
<b>Water</b>		
Current (0 -30 days)	16 154 056	10 696 351
31 - 60 days	7 738 764	8 112 616
61 - 90 days	6 529 486	6 117 794
91 - 120 days	492 776	346 871
121 - 365 days	3 419 565	2 467 841
> 365 days	8 712 789	7 348 326
	<b>43 047 436</b>	<b>35 089 799</b>
<b>Sewerage</b>		
Current (0 -30 days)	2 512 934	2 701 543
31 - 60 days	1 763 433	1 865 631
61 - 90 days	1 533 100	1 624 010
91 - 120 days	93 771	82 209
121 - 365 days	582 918	494 362
> 365 days	1 762 211	1 447 556
	<b>8 248 367</b>	<b>8 215 311</b>
<b>Refuse</b>		
Current (0 -30 days)	5 049 609	3 038 529
31 - 60 days	2 374 566	2 321 447
61 - 90 days	2 029 465	1 981 442
91 - 120 days	94 187	88 246
121 - 365 days	601 592	461 581
> 365 days	1 478 402	1 229 024
	<b>11 627 821</b>	<b>9 120 269</b>
<b>VAT</b>		
Current (0 -30 days)	9 935 247	2 489 970
31 - 60 days	2 602 258	877 873
61 - 90 days	2 258 849	2 215 978
91 - 120 days	503 546	211 224
121 - 365 days	1 786 616	1 314 157
> 365 days	3 169 584	7 909 090
	<b>20 256 100</b>	<b>15 018 292</b>
<b>Other</b>		
Current (0 -30 days)	2 006 624	1 962 752
31 - 60 days	795 915	1 029 019
61 - 90 days	817 964	2 533 163
91 - 120 days	403 809	365 161
121 - 365 days	5 033 434	2 952 916
> 365 days	42 398 429	33 238 456
	<b>51 456 175</b>	<b>42 081 467</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(931 086 867)	(747 274 731)
Contributions to allowance	(220 780 955)	(189 097 990)
Debt impairment written off against allowance	12 841 071	5 285 854
	<b>(1 139 026 751)</b>	<b>(931 086 867)</b>

# Lesedi Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>7. Inventories</b>		
Consumable stores	10 483 433	5 661 976
Water for distribution	461 091	445 177
Fuel (Diesel, Petrol)	517 550	-
	<b>11 462 074</b>	<b>6 107 153</b>

## Lesedi Local Municipality

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### Notes to the Annual Financial Statements

Figures in Rand

#### 8. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	170 834 091	(49 509 977)	121 324 114	170 834 092	(47 199 087)	123 635 005

#### Reconciliation of investment property - 2022

	Opening balance	Depreciation	Total
Investment property	123 635 005	(2 310 891)	121 324 114

#### Reconciliation of investment property - 2021

	Opening balance	Depreciation	Total
Investment property	126 476 781	(2 841 776)	123 635 005

#### Pledged as security

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

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



# Lesedi Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

### 9. Property, plant and equipment

	2022			2021		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	176 328 338	-	176 328 338	176 328 338	-	176 328 338
Plant and machinery	2 241 504	(1 333 614)	907 890	2 255 009	(1 208 098)	1 046 911
Furniture and fixtures	13 536 931	(11 230 276)	2 306 655	13 990 267	(11 366 631)	2 623 636
Motor vehicles	44 027 603	(22 893 035)	21 134 568	37 817 571	(21 331 998)	16 485 573
Office equipment	9 391 834	(5 721 145)	3 670 689	7 273 324	(4 562 390)	2 710 934
Infrastructure	1 142 130 297	(432 767 793)	709 362 504	1 051 837 610	(408 313 242)	643 524 368
Community	202 766 089	(123 670 331)	79 095 758	201 679 387	(119 323 765)	82 355 622
Capital work in progress	51 437 007	-	51 437 007	62 016 394	-	62 016 394
Library books	24 037 843	(16 171 811)	7 866 032	21 818 737	(15 138 248)	6 680 489
Spare parts	-	-	-	1 092 000	-	1 092 000
<b>Total</b>	<b>1 665 897 446</b>	<b>(613 788 005)</b>	<b>1 052 109 441</b>	<b>1 576 108 637</b>	<b>(581 244 372)</b>	<b>994 864 265</b>

## Lesedi Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Disposals	Transfers	Movement in provision	Depreciation	Total
Land	176 328 338	-	-	-	-	-	176 328 338
Plant and machinery	1 046 911	23 987	-	-	-	(163 008)	907 890
Furniture and fixtures	2 623 636	477 520	(11 016)	-	-	(783 485)	2 306 655
Motor vehicles	16 485 573	7 123 154	(122 132)	-	-	(2 352 027)	21 134 568
Office equipment	2 710 934	2 257 894	(4 471)	-	-	(1 293 668)	3 670 689
Infrastructure	643 524 368	-	(918 431)	89 584 385	2 318 337	(25 146 155)	709 362 504
Community	82 355 622	-	-	1 086 702	-	(4 346 566)	79 095 758
Capital work in progress	62 016 394	78 999 700	-	(89 579 087)	-	-	51 437 007
Library books	6 680 489	2 219 106	-	-	-	(1 033 563)	7 866 032
Spare parts	1 092 000	-	-	(1 092 000)	-	-	-
	<b>994 864 265</b>	<b>91 101 361</b>	<b>(1 056 050)</b>	<b>-</b>	<b>2 318 337</b>	<b>(35 118 472)</b>	<b>1 052 109 441</b>

## Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand

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

##### Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	176 328 338	-	-	-	-	-	-	-	176 328 338
Plant and machinery	871 892	333 258	-	-	-	-	(158 239)	-	1 046 911
Furniture and fixtures	3 032 965	599 400	(99)	-	-	-	(1 008 630)	-	2 623 636
Motor vehicles	7 457 083	10 836 079	(18 134)	-	-	-	(1 789 455)	-	16 485 573
Office equipment	2 009 018	1 846 633	(363)	-	-	-	(1 144 354)	-	2 710 934
Infrastructure	561 308 660	-	(4 420 375)	39 995 423	71 601 462	(349 520)	(24 573 386)	(37 896)	643 524 368
Community	87 753 340	-	(56 231)	-	3 010 501	-	(6 098 219)	(2 253 769)	82 355 622
Capital work in progress	58 749 855	77 878 502	-	-	(74 611 963)	-	-	-	62 016 394
Library books	6 091 135	1 569 692	-	-	-	-	(980 338)	-	6 680 489
Spare parts	-	1 092 000	-	-	-	-	-	-	1 092 000
	<b>903 602 286</b>	<b>94 155 564</b>	<b>(4 495 202)</b>	<b>39 995 423</b>	<b>-</b>	<b>(349 520)</b>	<b>(35 752 621)</b>	<b>(2 291 665)</b>	<b>994 864 265</b>

##### Pledged as security

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

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Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

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

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

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	58 397 964	1 750 898	1 867 532	62 016 394
Additions/capital expenditure	78 210 654	789 048	-	78 999 702
Transferred to completed items	(88 492 385)	(1 089 702)	-	(89 582 087)
	<b>48 116 233</b>	<b>1 450 244</b>	<b>1 867 532</b>	<b>51 434 009</b>

#### Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	53 192 431	3 689 891	1 867 532	58 749 854
Additions/capital expenditure	76 806 994	1 071 508	-	77 878 502
Transferred to completed items	(71 601 462)	(3 010 501)	-	(74 611 963)
	<b>58 397 963</b>	<b>1 750 898</b>	<b>1 867 532</b>	<b>62 016 393</b>

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

#### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services	30 171 043	19 617 278
Materials	24 661 120	19 515 667
	<b>54 832 163</b>	<b>39 132 945</b>

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

Total value: R147 313 000 (2021: R147 313 000)

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

### 10. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	4 521 425	(3 152 571)	1 368 854	3 112 855	(2 798 369)	314 486
Servitudes	2 616 932	-	2 616 932	2 616 932	-	2 616 932
<b>Total</b>	<b>7 138 357</b>	<b>(3 152 571)</b>	<b>3 985 786</b>	<b>5 729 787</b>	<b>(2 798 369)</b>	<b>2 931 418</b>

# Lesedi Local Municipality

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## Notes to the Annual Financial Statements

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2022

2021

### 10. Intangible assets (continued)

#### Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software	314 486	1 408 569	(354 201)	1 368 854
Servitudes	2 616 932	-	-	2 616 932
	<b>2 931 418</b>	<b>1 408 569</b>	<b>(354 201)</b>	<b>3 985 786</b>

#### Reconciliation of intangible assets - 2021

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	440 906	99 800	(2 052)	(224 168)	314 486
Servitudes	2 616 932	-	-	-	2 616 932
	<b>3 057 838</b>	<b>99 800</b>	<b>(2 052)</b>	<b>(224 168)</b>	<b>2 931 418</b>

#### Pledged as security

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

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

### 11. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	4 662 664	-	4 662 664	4 662 664	-	4 662 664

#### Reconciliation of heritage assets 2022

	Opening balance	Total
Historical monuments	4 662 664	4 662 664

#### Reconciliation of heritage assets 2021

	Opening balance	Total
Historical monuments	4 662 664	4 662 664

#### Pledged as security

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

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

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## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>12. Payables from exchange transactions</b>		
Trade payables	165 246 840	82 083 081
Payments received in advanced	39 184 396	39 577 646
Retentions	7 297 866	8 434 326
Grants payable	4 792 346	3 796 873
Accrued bonus	4 404 986	4 294 292
Accrued interest	1 771 708	-
Deposits received	1 037 076	1 036 926
	<b>223 735 218</b>	<b>139 223 144</b>

### 13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Equitable Share - Covid 19	-	6 742 490
Libraries Plan	3 399 267	2 062 805
Performance System Management Grant	351 022	351 022
Bontle Ke Botho Grant	-	27 371
Integrated National Electrification Programme Grant	-	1 338 382
Energy Efficiency and Demand Side Management Grant	63 136	-
Water Services Infrastructure Grant	-	1 828 890
Recapitalization of Community Libraries Grant	5 674 911	8 049 541
Cogta Fire and Rescue Services Grant	2 000 000	-
	<b>11 488 336</b>	<b>20 400 501</b>

#### Movement during the year

Balance at the beginning of the year	20 400 501	28 711 623
Additions during the year	268 794 119	257 851 446
Income recognition during the year	(281 280 055)	(267 642 809)
Transfer (to)/from payables	(4 792 345)	(3 796 873)
Grants receivable	8 366 116	5 277 114
	<b>11 488 336</b>	<b>20 400 501</b>

#### Net grants movement reconciliation

Receivables from non-exchange transactions	(8 366 116)	(5 277 114)
Unspent conditional grant rollovers	11 488 333	20 400 501
	<b>3 122 217</b>	<b>15 123 387</b>

See note 27 for reconciliation of grants from National/Provincial Government.

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

### 14. Consumer deposits

All services	21 623 122	19 995 450
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### 15. VAT payable

VAT	17 546 929	15 615 383
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# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand		2022	2021			
<b>16. Long term loans</b>						
<b>At amortised cost</b>						
Bank loan		39 572 096	41 805 554			
Terms and conditions						
<b>Non-current liabilities</b>						
At amortised cost		32 783 843	37 204 995			
<b>Current liabilities</b>						
At amortised cost		6 788 253	4 600 559			
<b>Loan description</b>	<b>Loan number</b>	<b>Redeemable</b>	<b>Balance at 30 June 2021</b>	<b>Received during the period</b>	<b>Redeemed during the period</b>	<b>Balance at 30 June 2021</b>
R14 Electrical Upgrade - 9.59% fixed	102986_1	20 years	11 825 108	-	608 001	11 217 110
R15 Electrical upgrade - 5% fixed	102986_2	20 years	6 521 092	-	393 565	6 127 527
R16 Vehicles - 11.87% fixed	6100956	12 years	575 698	-	279 347	296 351
R17 Infrastructure - 6.75%	6100955	20 years	2 080 809	-	85 386	1 995 423
R18 Other - 14.24% fixed	6100954	20 years	4 038 808	-	115 379	3 923 429
R19 Electrical infrastructure - 12% fixed	61006830	20 years	6 105 481	-	149 846	5 955 635
R20 Electrical upgrade - 6.75% fixed	61006831	20 years	8 941 801	-	297 102	8 644 699
R21 Roads and stormwater - 11.65% fixed	61006809	120 years	1 716 754	-	304 832	1 411 922
			<b>41 805 551</b>	<b>-</b>	<b>2 233 458</b>	<b>39 572 096</b>

# Lesedi Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 17. Employee benefit obligations

#### Defined benefit plan

##### Post retirement medical aid plan

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

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

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

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

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

This benefit is subject to a maximum Rand cap of R4733.

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

Summary of membership:

Reason	Number	Average Age
Continuation members	35	71,23

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

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(22 193 693)	(24 219 636)
Non-current liabilities	(20 069 558)	(22 159 619)
Current liabilities	(2 124 135)	(2 060 017)
	<b>(22 193 693)</b>	<b>(24 219 636)</b>

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

Opening balance	24 219 636	21 882 998
Net expense recognised in the statement of financial performance	(2 025 943)	2 336 638
	<b>22 193 693</b>	<b>24 219 636</b>

Net expense recognised in the statement of financial performance

Interest cost	2 043 006	1 946 712
Actuarial (gains) losses	(2 102 211)	2 411 562
Settlement	(1 966 738)	(2 021 636)
	<b>(2 025 943)</b>	<b>2 336 638</b>



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## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 17. Employee benefit obligations (continued)

#### Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(2 102 211)	2 411 562
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#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.41 %	8.97 %
Expected increase in healthcare costs	7.85 %	6.70 %
Consumer price inflation	6.85 %	5.20 %
Net discount rate	3.30 %	2.13 %

#### Other assumptions

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

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	2 630 489	2 217 988
Effect on defined benefit obligation	24 121 218	20 496 120

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

	2022	2021	2020	2019	2018
Defined benefit obligation	22 193 693	24 219 636	21 882 998	21 110 166	24 229 597

#### Defined contribution plan

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

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

# Lesedi Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 18. Provisions

#### Reconciliation of provisions - 2022

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

#### Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	26 347 911	-	-	1 311 116	(349 520)	27 309 507
Provision for leave pay	17 415 137	10 719 999	(4 728 510)	-	-	23 406 626
	<b>43 763 048</b>	<b>10 719 999</b>	<b>(4 728 510)</b>	<b>1 311 116</b>	<b>(349 520)</b>	<b>50 716 133</b>

Non-current liabilities					30 040 464	25 950 540
Current liabilities					25 941 749	24 765 593
					<b>55 982 213</b>	<b>50 716 133</b>

#### Environmental rehabilitation provision

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

Key financial assumptions used in this calculation were as follows:

	Devon landfill site	Poortjie dumping site	Devon dumping site
Discount rate	10.95%	0	0
CPI	7.42%	7.42%	7.42%
Net discount rate	3.53%	0	0
Remaining useful life	10 years	0 years	0 years

### 19. Service charges

Sale of electricity	397 852 714	329 550 150
Sale of water	159 032 629	141 731 129
Sewerage and sanitation charges	33 138 739	31 969 621
Refuse removal	39 191 719	35 341 272
	<b>629 215 801</b>	<b>538 592 172</b>

### 20. Rental of facilities and equipment

Premises		
Premises	4 731 857	4 917 132

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## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>20. Rental of facilities and equipment (continued)</b>		
<b>Facilities and equipment</b>		
Rental of facilities	1 544 102	1 510 853
Rental of equipment	271 891	260 310
	<b>1 815 993</b>	<b>1 771 163</b>
	<b>6 547 850</b>	<b>6 688 295</b>
<b>21. Interest income</b>		
<b>Interest revenue</b>		
Bank	1 702 756	2 723 142
Interest charged on trade and other receivables	43 844 978	33 713 282
	<b>45 547 734</b>	<b>36 436 424</b>
<b>22. Licences and permits</b>		
Flammable goods	83 518	14 855
<b>23. Recoveries</b>		
Recoveries	412 743	800 011
<b>24. Other income</b>		
Abnormal loads	12 368	8 096
Admin fees	25 418	20 810
Cemetery fees	2 080 740	1 670 480
Clearance certificates	76 293	67 832
Fire services	19 659	45 624
Library fees	798 697	816 223
Planning fees	1 107 598	4 014 941
Swimming pool fees	-	4 363
Escort fees	8 278	-
Sundries	290 570	382 466
	<b>4 419 621</b>	<b>7 030 835</b>

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## Notes to the Annual Financial Statements

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Figures in Rand	2022	2021
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### 25. Property rates

#### Rates received

All categories	178 237 393	171 203 297
Less: Income forgone	(31 102 528)	(30 935 424)
	<b>147 134 865</b>	<b>140 267 873</b>

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#### Valuations (R'000)

Residential	8 544 398	8 017 606
Commercial	2 052 345	2 048 905
State	868 756	870 670
Municipal	451 318	416 667
Small holdings and farms	2 027 143	2 031 556
	<b>13 943 960</b>	<b>13 385 404</b>

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

### 26. Interest from non-exchange receivables

Interest charged on property rates	4 607 627	3 720 446
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## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>27. Government grants &amp; subsidies</b>		
<b>Operating grants</b>		
Equitable Share	157 952 271	148 231 000
Finance Management Grant	1 750 000	1 550 000
Expanded Public Works Program Grant	1 100 000	1 367 000
Equitable Share - Covid 19	6 742 490	15 666 510
Libraries Plan	4 620 733	7 005 564
District health	6 190 961	5 328 292
Expanded Public Works Program (Cogta)	1 000 000	500 000
Grap 17 Compliance Grant	1 000 000	-
LG Seta	701 837	494 268
	<b>181 058 292</b>	<b>180 142 634</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant	22 716 000	30 264 065
Integrated National Electrification Program	40 400 000	33 610 618
Energy Efficiency and Demand Side Management Grant	3 936 864	-
Water Services Infrastructure Grant	27 000 000	12 575 034
Recapitalization of Community Libraries Grant	9 425 089	5 050 459
Cogta Fire and Rescue Services Grant	-	6 000 000
Bontle Ke Botho Grant	27 371	-
	<b>103 505 324</b>	<b>87 500 176</b>
	<b>284 563 616</b>	<b>267 642 810</b>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
All registered indigents receive a monthly subsidy of 598 (2021: 546), which is funded from the grant.		
<b>Finance Management Grant</b>		
Balance unspent at beginning of year	-	2 931
Current-year receipts	1 750 000	1 550 000
Conditions met - transferred to revenue	(1 750 000)	(1 550 000)
Offset against equitable share	-	(2 931)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
<b>Expanded Public Works Program Grant</b>		
Current-year receipts	1 100 000	1 367 000
Conditions met - transferred to revenue	(1 100 000)	(1 367 000)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
<b>Equitable Share - Covid 19</b>		
Balance unspent at beginning of year	6 742 490	-
Current-year receipts	-	22 409 000
Conditions met - transferred to revenue	(6 742 490)	(15 666 510)
	-	<b>6 742 490</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>27. Government grants &amp; subsidies (continued)</b>		
Conditions still to be met - remain liabilities (see note 13).		
Provide explanations of conditions still to be met and other relevant information.		
<b>Libraries plan</b>		
Balance unspent at beginning of year	2 062 805	3 361 965
Current-year receipts	5 706 404	7 000 000
Conditions met - transferred to revenue	(4 620 733)	(7 005 564)
Transfer to payables	(1 042 805)	(1 293 596)
Transfer from payables	1 293 596	-
	<b>3 399 267</b>	<b>2 062 805</b>
Conditions still to be met - remain liabilities (see note 13).		
<b>Provincial clinics</b>		
Balance unspent at beginning of year	(440 684)	(440 684)
Conditions still to be met - remain liabilities (see note 13).		
<b>Performance Management System Grant</b>		
Balance unspent at beginning of year	351 022	351 022
Conditions still to be met - remain liabilities (see note 13).		
<b>District health</b>		
Balance unspent at beginning of year	(4 836 430)	(4 323 123)
Current-year receipts	3 101 959	4 814 985
Conditions met - transferred to revenue	(6 190 961)	(5 328 292)
	<b>(7 925 432)</b>	<b>(4 836 430)</b>
Conditions still to be met - remain liabilities (see note 13).		
<b>Expanded Public Works Program (Cogta)</b>		
Current-year receipts	1 000 000	500 000
Conditions met - transferred to revenue	(1 000 000)	(500 000)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
<b>Grap 17 Compliance Grant</b>		
Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(1 000 000)	-
	-	-
Conditions still to be met - remain liabilities (see note 13).		
Provide explanations of conditions still to be met and other relevant information.		

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## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>27. Government grants &amp; subsidies (continued)</b>		
<b>Bontle Ke Botho Grant</b>		
Balance unspent at beginning of year	27 371	27 371
Conditions met - transferred to revenue	(27 371)	-
	-	<b>27 371</b>
Conditions still to be met - remain liabilities (see note 13).		
<b>LG Seta</b>		
Current-year receipts	701 837	494 268
Conditions met - transferred to revenue	(701 837)	(494 268)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
<b>Municipal Infrastructure Grant</b>		
Balance unspent at beginning of year	-	6 737 525
Current-year receipts	22 716 000	25 927 000
Conditions met - transferred to revenue	(22 716 000)	(30 264 065)
Offset against equitable share	-	(2 400 460)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
<b>Integrated National Electrification Program</b>		
Balance unspent at beginning of year	1 338 382	91 881
Current-year receipts	40 400 000	34 949 000
Conditions met - transferred to revenue	(40 400 000)	(33 610 618)
Offset against equitable share	(1 338 382)	(91 881)
	-	<b>1 338 382</b>
Conditions still to be met - remain liabilities (see note 13).		
<b>Energy Efficiency and Demand Side Management Grant</b>		
Balance unspent at beginning of year	-	117 300
Current-year receipts	4 000 000	-
Conditions met - transferred to revenue	(3 936 864)	-
Offset against equitable share	-	(117 300)
	<b>63 136</b>	-
Conditions still to be met - remain liabilities (see note 13).		
<b>Water Services Infrastructure Grant</b>		
Balance unspent at beginning of year	1 828 890	5 218 351
Current-year receipts	27 000 000	10 000 000
Conditions met - transferred to revenue	(27 000 000)	(12 575 033)
Offset against equitable share	(1 828 890)	(814 428)
	-	<b>1 828 890</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>27. Government grants &amp; subsidies (continued)</b>		
Conditions still to be met - remain liabilities (see note 13).		
<b>Recapitalization of Community Libraries Grant</b>		
Balance unspent at beginning of year	8 049 541	6 803 277
Current-year receipts	8 296 723	8 800 000
Conditions met - transferred to revenue	(9 425 089)	(5 050 459)
Transfer to payables	(3 749 541)	(2 503 277)
Transfer from payables	2 503 277	-
	<b>5 674 911</b>	<b>8 049 541</b>
Conditions still to be met - remain liabilities (see note 13).		
<b>Cogta Fire and Rescue Services Grant</b>		
Balance unspent at beginning of year	-	6 000 000
Current-year receipts	2 000 000	-
Conditions met - transferred to revenue	-	(6 000 000)
	<b>2 000 000</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 13).		
<b>28. Public contributions and donations</b>		
Gauteng Department of Human Settlements	-	39 995 423
Rand water	10 000	-
	<b>10 000</b>	<b>39 995 423</b>
<b>29. Fines, Penalties and Forfeits</b>		
Municipal Traffic Fines	1 569 650	1 521 530



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## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>30. Employee related costs</b>		
Basic	125 226 995	124 554 962
Medical aid - company contributions	11 981 883	12 883 947
UIF	1 019 992	890 608
WCA	896 549	931 362
SDL	1 758 455	1 680 130
Other payroll levies	57 772	53 612
Leave pay provision charge	7 765 625	9 802 648
Pension costs	24 479 545	24 271 034
Group insurance	2 072 645	2 026 866
Overtime payments	16 709 839	12 539 751
Long-service awards	72 036	96 944
13th Cheques	10 237 729	10 243 872
Acting allowances	1 924 693	1 285 633
Car allowance	4 212 444	4 545 064
Housing benefits and allowances	736 136	847 066
Cellphone allowance	990 189	1 069 596
Entertainment allowance	490	840
Standby	1 722 427	1 475 250
Tool allowance	500	720
Actuarial loss	-	2 411 562
	<b>211 865 944</b>	<b>211 611 467</b>

### Remuneration of municipal manager

Annual Remuneration	128 233	1 282 333
Car Allowance	-	-
Contributions to UIF, Medical and Pension Funds	-	-
Cellphone Allowance	3 500	14 000
Leave Pay	134 060	-
	<b>265 793</b>	<b>1 296 333</b>

### Remuneration of chief finance officer

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

The position has been vacant since 25 April 2019.

### Remuneration of executive manager: corporate services

Annual Remuneration	633 894	635 535
Car Allowance	240 000	229 500
Contributions to UIF, Medical and Pension Funds	-	29 669
Housing allowance	384 000	397 452
Cellphone Allowance	30 000	10 000
	<b>1 287 894</b>	<b>1 302 156</b>

### Remuneration of executive manager: community services

Annual Remuneration	1 074 294	1 034 898
Car Allowance	183 600	192 995
Contributions to UIF, Medical and Pension Funds	-	44 277

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## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>30. Employee related costs (continued)</b>		
Cellphone Allowance	30 000	10 000
	<b>1 287 894</b>	<b>1 282 170</b>

### Remuneration of executive manager: infrastructure services

Annual Remuneration	1 085 094	412 014
Car Allowance	172 800	57 451
Contributions to UIF, Medical and Pension Funds	-	149
Cellphone Allowance	30 000	10 000
	<b>1 287 894</b>	<b>479 614</b>

### Remuneration of executive manager: development and planning

Annual Remuneration	1 173 901	1 192 000
Car Allowance	84 000	94 000
Contributions to UIF, Medical and Pension Funds	-	446
Acting Allowance	282 060	50 755
Cellphone Allowance	30 000	10 000
	<b>1 569 961</b>	<b>1 347 201</b>

### 31. Remuneration of councillors

Executive Mayor	934 648	912 853
Speaker	741 261	796 015
Chief Whip	463 062	-
Mayoral Committee Members	3 513 602	3 653 510
Councillors	6 074 985	6 474 270
	<b>11 727 558</b>	<b>11 836 648</b>

### In-kind benefits

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

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

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

### Additional information

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

### 32. Depreciation and amortisation

Property, plant and equipment	35 118 472	35 752 621
Investment property	2 310 890	2 365 124
Intangible assets	354 202	224 168
	<b>37 783 564</b>	<b>38 341 913</b>

# Lesedi Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>33. Impairment loss</b>		
<b>Impairments</b>		
Property, plant and equipment	-	2 291 666
<b>Main classes of assets affected by impairment losses</b>		
Infrastructure assets	-	37 896
Community assets	-	2 253 769
	-	<b>2 291 665</b>
<b>34. Finance costs</b>		
Non-current borrowings	3 677 058	4 116 076
Trade and other payables	834 149	28 081
Interest cost on employee benefits	2 043 006	1 946 712
Fair value adjustments on landfill sites	412 620	1 311 116
	<b>6 966 833</b>	<b>7 401 985</b>
<b>35. Lease rentals on operating lease</b>		
<b>Motor vehicles</b>		
Contractual amounts	1 550	54 503
<b>Equipment</b>		
Contractual amounts	2 568 071	997 851
	<b>2 569 621</b>	<b>1 052 354</b>
<b>36. Debt impairment</b>		
Impairment on traffic fines	1 437 717	1 151 598
Contributions to debt impairment provision	202 098 962	169 079 344
Bad debts written off	25 200	237 550
	<b>203 561 879</b>	<b>170 468 492</b>
<b>37. Bulk purchases</b>		
Electricity - Eskom	307 834 398	271 376 462
Water	91 334 657	84 411 263
	<b>399 169 055</b>	<b>355 787 725</b>

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## Notes to the Annual Financial Statements

Figures in Rand			2022	2021
<b>37. Bulk purchases (continued)</b>				
<b>Electricity losses</b>				
	Number	Number		
	2022	2021		
Units purchased	208 788 475	219 775 798	233 118 137	271 555 438
Units sold	(155 750 138)	(153 874 315)	(173 899 359)	(209 176 471)
<b>Total loss</b>	<b>53 038 337</b>	<b>65 901 483</b>	<b>59 218 778</b>	<b>62 378 967</b>
Comprising of:				
Technical losses	10 857 001	11 428 341	12 122 142	10 817 482
Non-technical losses	42 181 336	54 473 142	47 096 636	51 561 485
<b>Total</b>	<b>53 038 337</b>	<b>65 901 483</b>	<b>59 218 778</b>	<b>62 378 967</b>
Percentage Loss:				
Technical losses	5 %	5 %	5 %	5 %
Non-technical losses	20 %	25 %	20 %	25 %
<b>Total</b>	<b>25 %</b>	<b>30 %</b>	<b>25 %</b>	<b>30 %</b>
<b>Water losses</b>				
	Number	Number		
	2022	2021		
Units purchased	8 486 350	8 291 710	90 683 066	83 079 784
Units sold	(5 105 638)	(5 023 527)	(54 557 601)	(50 077 132)
<b>Total</b>	<b>3 380 712</b>	<b>3 268 183</b>	<b>36 125 465</b>	<b>33 002 652</b>
Comprising of:				
Technical losses	458 263	447 752	4 896 886	4 521 477
Non-technical losses	2 922 449	2 820 431	31 228 579	28 481 175
<b>Total</b>	<b>3 380 712</b>	<b>3 268 183</b>	<b>36 125 465</b>	<b>33 002 652</b>
Percentage Loss:				
Technical losses	6 %	6 %	6 %	6 %
Non-technical losses	34 %	34 %	34 %	34 %
<b>Total</b>	<b>40 %</b>	<b>40 %</b>	<b>40 %</b>	<b>40 %</b>
<b>38. Contracted services</b>				
<b>Outsourced Services</b>				
Animal Care			99 000	179 059
Burial Services			46 152	107 902
Business and Advisory			9 666 793	7 937 927
Catering Services			923 129	445 053
Cleaning Services			124 300	184 167
Hygiene Services			4 722 824	146 710
Internal Auditors			372 713	1 419 653
Meter Management			9 838 087	8 873 155
Connection/Dis-connection			1 351 883	1 032 362
Security Services			3 475 645	5 047 405
Transport Services			3 318	-

# Lesedi Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>38. Contracted services (continued)</b>		
<b>Consultants and Professional Services</b>		
Business and Advisory	5 349 908	4 408 819
Infrastructure and Planning	-	765 000
Legal Cost	5 986 623	7 357 746
<b>Contractors</b>		
Artists and Performers	-	24 000
Electrical	17 133 786	9 932 715
Employee Wellness	91 260	25 000
Event Promoters	1 000	-
Inspection Fees	1 164 658	1 663 815
Maintenance of Buildings and Facilities	439 874	963 077
Maintenance of Equipment	1 642 282	1 500 915
Maintenance of Unspecified Assets	10 955 102	7 356 162
Tracing Agents and Debt Collectors	612 258	994 544
Traffic and Street Lights	5 762 397	582 788
Safeguard and Security	21 026 605	18 733 272
Sewerage Services	19 090 419	15 413 900
	<b>119 880 016</b>	<b>95 095 146</b>

### 39. General expenses

Advertising	675 799	706 712
Auditors remuneration	3 585 467	3 866 998
Bank charges	1 856 950	2 030 436
Commission paid	5 660 770	6 928 760
Consumables	951 498	1 502 630
Entertainment	2 120	19 125
Hire	1 832 523	995 571
Insurance	3 451 367	2 681 077
IT expenses	50 670	-
Fleet	6 599 292	2 875 067
Magazines, books and periodicals	542 208	147 557
Fuel and oil	1 361	1 653 875
Postage and courier	3 295 849	1 316 694
Protective clothing	1 528 146	1 769 856
Software expenses	6 007 360	5 184 967
Subscriptions and membership fees	2 236 212	2 182 252
Telephone and fax	3 046 364	2 777 078
Transport and freight	20 950	2 200
Training	471 339	431 018
Travel - local	168 695	69 757
Refuse	13 314 637	10 022 637
Assets expensed	220 331	238 165
Management fees	5 395 195	2 742 789
Materials	24 391 055	19 494 662
Other expenses	1 891 697	1 622 282
	<b>87 197 855</b>	<b>71 262 165</b>

### 40. Operating (deficit) surplus

Operating (deficit) surplus for the year is stated after accounting for the following:

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## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>40. Operating (deficit) surplus (continued)</b>		
<b>Operating lease charges</b>		
Motor vehicles		
• Contractual amounts	1 550	54 503
Equipment		
• Contractual amounts	2 568 071	997 851
	<b>2 569 621</b>	<b>1 052 354</b>
Loss on sale of property, plant and equipment	(1 056 052)	(4 494 603)
Impairment on property, plant and equipment	-	2 291 666
Amortisation on intangible assets	354 202	224 168
Depreciation on property, plant and equipment	35 118 472	35 752 621
Depreciation on investment property	2 310 890	2 365 124
Employee costs	229 292 938	229 155 589
<b>41. Taxation</b>		
The municipality is exempt from income tax in terms of the Income Tax Act (Act No 58 of 1962) Section 10(1)(a).		
<b>42. Cash generated from operations</b>		
Surplus	38 634 862	67 359 036
<b>Adjustments for:</b>		
Depreciation and amortisation	37 783 564	38 341 913
Loss on disposal of assets and liabilities	1 056 052	4 494 603
Impairment deficit	-	2 291 666
Debt impairment	203 561 879	170 468 492
Movements in retirement benefit assets and liabilities	(2 025 943)	2 336 638
Movements in provisions	5 266 080	6 953 085
Public contributions and donations	-	(39 995 423)
Other movements/changes in assets	(2 318 337)	349 520
<b>Changes in working capital:</b>		
Inventories	(5 354 921)	(287 723)
Receivables from exchange transactions	(61 723 970)	(19 979 282)
Consumer debtors	(203 561 879)	(170 468 492)
Other receivables from non-exchange transactions	(10 788 959)	(1 819 766)
Payables from exchange transactions	84 512 086	26 669 695
VAT	1 931 546	2 900 098
Unspent conditional grants and receipts	(8 912 165)	(8 311 122)
Consumer deposits	1 627 672	1 902 590
	<b>79 687 567</b>	<b>83 205 528</b>

### 43. Prior-year adjustments

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

#### Statement of financial position

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## Notes to the Annual Financial Statements

Figures in Rand		2022	2021	
<b>43. Prior-year adjustments (continued)</b>				
<b>2021</b>				
	Note	As previously reported	Correction of error	Restated
Investment property	8	132 621 348	(8 986 343)	123 635 005
Property, plant and equipment	9	951 859 113	43 005 152	994 864 265
VAT payable		(109 339 713)	93 724 330	(15 615 383)
		<b>975 140 748</b>	<b>127 743 139</b>	<b>1 102 883 887</b>

### Statement of financial performance

#### 2021

	Note	As previously reported	Correction of error	Restated
Depreciation and amortisation	32	35 001 347	3 340 566	38 341 913
Debt impairment	36	190 487 138	(20 018 646)	170 468 492
General expenditure	39	71 566 644	(304 479)	71 262 165
<b>Surplus for the year</b>		<b>297 055 129</b>	<b>(16 982 559)</b>	<b>280 072 570</b>

### Cash flow statement

#### 2021

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Suppliers		477 086 531	(169 204)	476 917 327
Cash flow from investing activities				
Purchase of property plant and equipment		93 986 360	169 204	94 155 564

### Errors

The following prior period errors adjustments occurred:

#### Investment property

During the year under review management determined that certain privately owned properties with a carrying amount of R8,986,343 was erroneously included in investment property. The properties together with the related depreciation were subsequently derecognised.

#### Property, plant and equipment

During the year under review, management identified various errors in PPE (duplications and omissions) with a carrying value of R43,005,152. The above errors with the related depreciation and accumulated were corrected in the affected financial years.

#### VAT payable

Impairment on VAT accrued for debtors was incorrectly recorded under debt impairment in the statement of financial performance. The debt impairment for the year was adjusted accordingly.

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## Notes to the Annual Financial Statements

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

#### Reclassifications

The following reclassifications adjustment occurred:

#### Discontinued Notes

During the financial year under review management decided to discontinue **Note 57 Distribution losses** as presented in the 2020/21 financial statements. This information has been consolidated in **Note 37 Bulk purchases**. Management is of the view that this does not have a negative effect on fair presentation.

### 44. Financial instruments disclosure

#### Categories of financial instruments

#### 2022

##### Financial assets

	At amortised cost	Total
Other receivables from exchange transactions	12 307 706	12 307 706
Other receivables from non-exchange transactions	17 194 547	17 194 547
Consumer debtors	269 801 906	269 801 906
Cash and cash equivalents	39 971 761	39 971 761
	<b>339 275 920</b>	<b>339 275 920</b>

##### Financial liabilities

	At amortised cost	Total
Long term loans	39 572 096	39 572 096
Payables from exchange transactions	223 735 218	223 735 218
Unspent conditional grants and receipts	11 488 336	11 488 336
Consumer deposits	21 623 122	21 623 122
VAT payable	17 546 929	17 546 929
	<b>313 965 701</b>	<b>313 965 701</b>

#### 2021

##### Financial assets

	At amortised cost	Total
Other receivables from exchange transactions	4 092 598	4 092 598
Other receivables from non-exchange transactions	14 155 548	14 155 548
Consumer debtors	208 543 084	208 543 084
Cash and cash equivalents	55 027 571	55 027 571
	<b>281 818 801</b>	<b>281 818 801</b>

##### Financial liabilities

	At amortised cost	Total
Long term loans	41 805 554	41 805 554
Payables from exchange transactions	139 223 145	139 223 145



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Figures in Rand	2022	2021
<b>44. Financial instruments disclosure (continued)</b>		
Unspent conditional grants and receipts	20 400 501	20 400 501
Consumer deposits	19 995 450	19 995 450
VAT payable	15 615 383	15 615 383
	<b>237 040 033</b>	<b>237 040 033</b>

## 45. Risk management

### Liquidity risk

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

### Credit risk

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

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

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

Financial instrument	2022	2021
Current account (Absa)	7 750 852	2 584 329
Current account (Absa)	126 215	80 541
Current account (FNB)	6 211 119	755 141
Call account (Absa)	4 504 110	29 581 515
Call account (Investec)	21 124 693	21 545 491
Trade and other receivables from exchange transactions	12 307 706	4 092 598
Receivables from non exchange transactions	17 194 547	14 155 548
Consumer debtors	269 801 906	208 543 084

### 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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Figures in Rand	2022	2021
<b>46. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	10 195 278	38 532 061
<b>Total capital commitments</b>		
Already contracted for but not provided for	10 195 278	38 532 061
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Expenditure	5 635 357	18 437 666
<b>Total operational commitments</b>		
Already contracted for but not provided for	5 635 357	18 437 666
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	10 195 278	38 532 061
Authorised operational expenditure	5 635 357	18 437 666
	<b>15 830 635</b>	<b>56 969 727</b>
<b>Committed capital expenditure consists of:</b>		
984 Infinite Enterprise (Pty) Ltd	2 976 623	5 124 073
Absolute Business Consultants	13 622	85 278
BICS Engineering and Supply (Pty) Ltd	5 060 752	1 454 302
Dwellers Trading and Projects	-	5 509 281
ECE Engineers	-	1 349 386
Khoza Trading	-	7 402 733
MTP Aviations Solutions	-	7 349 392
Malindo Civil and Construction	-	1 028 880
Mbako Projects and Trading	1 826 024	-
Mbusokhumo Investments (Pty) Ltd	-	1 889 821
Neckmay Trading Enterprises (Pty) Ltd	-	2 254 688
Nissan SA	178 257	178 257
Phambili Services	-	2 640 000
SLM Trading and Projects	140 000	-
Toyota SA	-	199 848
Toyota SA	-	467 337
Toyota SA	-	1 598 785
	<b>10 195 278</b>	<b>38 532 061</b>
This committed expenditure relates to plant and equipment and will be financed by existing cash resources, funds internally generated and grant funding.		
<b>Committed operational expenditure consists of:</b>		
Bravo Span 90 CC	-	7 197 472
EWC Vehicle Communication (Pty) Ltd	338 420	700 442
Fidelity Cash Solutions (Pty) Ltd	877 383	-
GSM Neighbourhood Protection Services	-	51 325
Infratec Consulting (Pty) Ltd	3 290 756	8 651 218
Khabokedi Waste Management (Pty) Ltd	-	1 837 209
Khosanto Holdings (Pty) Ltd	1 040 302	-

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Figures in Rand	2022	2021
<b>46. Commitments (continued)</b>		
Micro Alert CC	88 496	-
	<b>5 635 357</b>	<b>18 437 666</b>
<b>47. Contingencies</b>		
<b>Contingent liabilities</b>		
Claim by P Mpele against the municipality for reinstatement to position of CFO with backpay	3 035 630	428 000
Claim by P Mpele against the municipality for reinstatement to position of MM with backpay	3 035 630	2 932 596
Litigation is in the process against the municipality by a supplier for claim of payment in respect of services rendered for debt collection, electricity vending and automated meter reading	16 576 664	16 576 664
Litigation against the municipality by a supplier for payment of services rendered for security services	6 100 000	6 100 000
Litigation against the municipality for the provision of municipal services	300 000	300 000
Litigation against the municipality regarding a dispute over the closing of a street	200 000	200 000
Litigation against the municipality by IMATU relating to unfair labour practice	576 000	576 000
Contractual dispute with regards to the leasing of a property	100 000	100 000
Personal injury claim against the municipality regarding injuries suffered by a minor as a result of a pole that fell	5 472 500	-
Personal injury claim against the municipality regarding injuries suffered by a minor as a result of a pole that fell	6 622 850	-
Litigation against the municipality regarding damage to property as a result of a veld fire	1 307 000	-
	<b>43 326 274</b>	<b>27 213 260</b>
<b>Contingent assets</b>		
Claim by the municipality against a supplier regarding a contractual dispute	25 382 304	25 382 304
Claim by the municipality against a former employee for the unlawful and fraudulent transfer of municipal property	14 003 460	12 435 818
	<b>39 385 764</b>	<b>37 818 122</b>

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### 48. Related parties

Relationships

Accounting Officer

Members of key management

S Dlamini

G Mncube(Acting CFO)

G Thimane (Executive Manager: Corporate Services)

N Khawula (Executive Manager: Community Services)

T Zondi (Executive Manager: Infrastructure Services)

### Related party transactions

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

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### 48. Related parties (continued)

#### Remuneration of management

#### Councillors/Mayoral committee members

#### 2022

Name	Basic salary	Travelling Allowance	Cellphone Allowance	Total
Cllr MNR Nkosi (Executive Mayor)	548 366	345 484	40 800	934 650
Cllr PR Mpemvu (Speaker) - Appointed November 2021	462 894	-	26 411	489 305
Cllr TJ Gama	431 947	98 206	40 800	570 953
Cllr T Mashinini - Appointed November 2021	349 964	84 000	26 411	460 375
Cllr T Motsepe	436 978	233 409	40 800	711 187
Cllr MS Lukhele	412 216	118 325	40 800	571 341
Cllr ME Magazi	405 702	128 209	40 800	574 711
Cllr MV Motsepe	511 497	163 180	40 800	715 477
Cllr LS Gamede	184 592	98 278	40 800	323 670
Cllr SJ Mnyakeni	191 596	158 063	40 800	390 459
Cllr GC Holtzhausen	250 111	32 759	40 800	323 670
Cllr HACS Paul	145 262	137 608	40 800	323 670
Cllr BV Mogorosi	282 870	-	40 800	323 670
Cllr MA Mulder	242 836	40 034	40 800	323 670
Cllr M Boshoff	241 475	41 395	40 800	323 670
Cllr C Collen - Appointed November 2021	183 111	-	26 411	209 522
Cllr LM Machitje - Appointed November 2021	155 111	28 000	26 411	209 522
Cllr MF Langa - Appointed November 2021	183 111	-	26 411	209 522
Cllr J Coetzee - Appointed November 2021	183 111	-	26 411	209 522
Cllr MJ Kubheka - Appointed November 2021	183 111	-	26 411	209 522
Cllr FEJ Khumalo - Appointed November 2021	183 111	-	26 411	209 522
Cllr D Tsotetsi - Appointed November 2021	216 506	-	26 411	242 917
Cllr CD Simelane - Appointed November 2021	183 111	-	26 411	209 522
Cllr BM Mkhize - Appointed November 2021	183 111	-	26 411	209 522
Cllr LB Mloi - Appointed November 2021	183 111	-	26 411	209 522
Cllr CG Naidoo - Appointed November 2021	177 642	-	26 411	204 053
Cllr TS Moremi - Term ended November 2021	140 928	95 942	14 416	251 286
Cllr TE Ramothibe - Term ended November 2021	154 566	82 304	14 416	251 286
Cllr ZS Twala - Term ended November 2021	140 928	95 942	14 416	251 286
Cllr MK Rakitla - Term ended November 2021	140 928	95 942	14 416	251 286
Cllr RS Hlatshwayo - Term ended November 2021	65 223	34 725	14 416	114 364
Cllr NE Cindi - Term ended November 2021	73 947	26 000	14 416	114 363
Cllr AZ Abdullah - Term ended November 2021	99 947	-	14 416	114 363
Cllr JM Sabasaba - Term ended November 2021	99 947	-	14 416	114 363
Cllr TP Nyembe - Term ended November 2021	99 947	-	14 416	114 363
Cllr MP Mofokeng - Term ended November 2021	51 828	48 119	14 416	114 363
Cllr MP Mtshonyane - Term ended November 2021	50 516	49 431	14 416	114 363
Cllr MVM Malafela - Term ended November 2021	99 947	-	14 416	114 363
Cllr PR Mchunu - Term ended November 2021	59 849	40 098	14 416	114 363
	<b>8 390 954</b>	<b>2 275 453</b>	<b>1 061 151</b>	<b>11 727 558</b>

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### 48. Related parties (continued)

#### 2021

Name	Basic salary	Pension	Medical aid	Travelling allowance	Cellphone allowance	Total
Cllr LF Maloka (Executive Mayor) - resigned March 2021	390 133	23 365	14 319	223 194	28 179	679 190
Cllr MNR Nkosi (Executive Mayor) - appointed March 2021	137 092	-	-	86 371	10 200	233 663
Cllr MNR Nkosi (Speaker) - resigned March 2021	355 751	19 809	14 319	186 565	30 600	607 044
Cllr MV Motsepe (Speaker) - appointed March 2021	118 093	-	-	60 676	10 200	188 969
Cllr MV Motsepe	327 472	18 465	11 251	166 405	30 600	554 193
Cllr T Motsepe	448 694	18 912	-	221 974	40 800	730 380
Cllr TS Moremi	411 418	17 476	11 102	249 584	40 800	730 380
Cllr MK Rakitla	411 418	17 476	11 102	249 584	40 800	730 380
Cllr TE Ramothibe	449 116	18 924	-	221 540	40 800	730 380
Cllr ZS Twala	254 558	7 985	-	144 488	40 800	447 831
Cllr SJ Mnyakeni	214 046	9 050	9 184	144 699	40 800	417 779
Cllr MS Lukhele	171 637	13 773	5 764	109 115	40 800	341 089
Cllr TJ Gama	193 173	8 201	10 575	81 801	40 800	334 550
Cllr M Malafela	278 095	9 891	5 764	-	40 800	334 550
Cllr HACCS Paul	152 348	6 510	11 308	123 584	40 800	334 550
Cllr RS Hlatshwayo	191 679	7 985	-	94 086	40 800	334 550
Cllr MP Mtshonyane	150 057	6 424	11 966	125 303	40 800	334 550
Cllr TP Nyembe	283 107	10 643	-	-	40 800	334 550
Cllr BV Mgorosi	279 305	10 073	4 372	-	40 800	334 550
Cllr MI Abdullah	279 305	10 073	4 372	-	40 800	334 550
Cllr MA Mulder	169 861	7 168	6 275	110 446	40 800	334 550
Cllr JM Sabasaba	283 107	10 643	-	-	40 800	334 550
Cllr M Boshoff	165 772	7 014	7 448	113 516	40 800	334 550
Cllr PR Mchunu	176 472	7 415	4 372	105 491	40 800	334 550
Cllr LS Gamede	206 887	-	-	86 863	40 800	334 550
Cllr GC Holtzhausen	191 679	7 985	-	94 086	40 800	334 550
Cllr TN Mofokeng	153 778	6 565	10 899	122 508	40 800	334 550
Cllr EM Magazi	171 637	7 234	5 764	109 115	40 800	334 550
Cllr NE Cindi - appointed March 2021	61 401	-	-	19 500	11 669	92 570
	<b>7 077 091</b>	<b>289 059</b>	<b>160 156</b>	<b>3 250 494</b>	<b>1 059 848</b>	<b>11 836 648</b>

#### Management class: Executive management

\*Refer to note 30 "Employee related costs"

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## Notes to the Annual Financial Statements

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### 49. Going concern

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

### 50. Unauthorised expenditure

Opening balance as previously reported	234 708 125	212 338 703
Add: Expenditure identified - current	33 330 573	22 369 422
<b>Closing balance</b>	<b>268 038 698</b>	<b>234 708 125</b>

Unauthorised expenditure identified in the current year consists of expenditure incurred in the following departments:  
Infrastructure (R33,330,573).

### 51. Fruitless and wasteful expenditure

Opening balance as previously reported	14 856 874	14 817 310
Add: Fruitless and wasteful expenditure identified - current	835 563	39 564
<b>Closing balance</b>	<b>15 692 437</b>	<b>14 856 874</b>

Fruitless and wasteful expenditure is presented inclusive of VAT

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

Balju Sheriff	263	10 845
City of Ekurhuleni	1 807	3 958
Eskom	730 673	24 761
Rand Water	93 645	-
Telkom	9 175	-
	<b>835 563</b>	<b>39 564</b>

Fruitless and wasteful expenditure identified in the current period consists of interest and penalties on late payments made.  
Fruitless and wasteful expenditure identified in the prior period consists of interest and penalties on late allocation of payments made.

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## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>52. Irregular expenditure</b>		
Opening balance as previously reported	293 707 208	279 226 002
Add: Irregular expenditure - current	5 169 213	14 481 206
<b>Closing balance</b>	<b>298 876 421</b>	<b>293 707 208</b>

### Irregular expenditure identified include those listed below:

Absa Bank	483 129	-
Bidvest Steiner	10 147	123 434
BMG Industries	-	1 086 750
Emanteni Engineering	-	198 860
Focus Forms	351 719	791 679
Gobodo Forensic and Investigative Accounting	248 043	-
Heios Investment (Pty) Ltd	-	1 632 575
Jenec Construction and Electrical	-	4 857 114
Khasonto Holdings	-	115 000
Khoza Trading	-	941 474
Kloofsig Motors	747 500	-
Malaka Supplies	-	129 950
Mayehlome Communications	-	303 830
Mendi Trading and Investments	-	231 769
Micro Alert CC	-	46 373
Mkhabela Huntley Attorneys Inc	108 699	-
Mukulu Library Furniture Manufacturers	-	122 376
Pambili Document Solutions	-	312 031
Phileza Tyres	-	371 944
Raphela Attorneys Inc	45 762	-
Rasegoete Attorneys	310 140	-
Shandukani Technologies	38 500	42 000
Singa Tel (Pty) Ltd	315 512	366 538
Suikerbos Motors	2 452 050	1 712 800
Thembridge Support Services	-	831 410
Vukayibambe Trading Enterprise	-	39 968
Webb Industries	58 012	55 753
Xihlamariso Logistics	-	167 578
	<b>5 169 213</b>	<b>14 481 206</b>

### 53. Deviation from supply chain management regulations

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

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

Ten procurements (spread over 10 companies), noted below, were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

The procurements noted above are:

Reason	Number	Value
Sole Supplier [S36(1)(a)(ii)]	1 Companies	R 11,834
Impractical to follow SCM [S36(1)(a)(v)]	9 Companies	R5,133,803



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<b>54. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Audit fees</b>		
Current year subscription / fee	3 585 467	3 866 998
Amount paid - current year	(3 585 467)	(3 866 998)
	-	-
<b>PAYE and UIF</b>		
Current year subscription / fee	29 388 654	33 675 597
Amount paid - current year	(29 388 654)	(33 675 597)
	-	-
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	54 308 532	57 079 481
Amount paid - current year	(54 308 532)	(57 079 481)
	-	-
<b>VAT</b>		
VAT receivable	(17 546 929)	(15 615 383)

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

### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2022:

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
Machitje LM	6 009	100 239	106 248
Mashinini T	4 169	36 134	40 303
Tsotetsi D	2 897	2 872	5 769
Mkhize BM	1 472	-	1 472
Khumalo FEJ	3 664	49 454	53 118
Naidoo CG	12 692	5 256	17 948
Kubheka MJ	2 466	19 127	21 593
Simelane CD	530	1 268	1 798
	<b>33 899</b>	<b>214 350</b>	<b>248 249</b>
<hr/>			
30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
SJ Sibaya	2 491	54 819	57 310
TP Nyembe	1 672	406	2 078
MM Skosana	1 717	5 040	6 757
	<b>5 880</b>	<b>60 265</b>	<b>66 145</b>

# Lesedi Local Municipality

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## Notes to the Annual Financial Statements

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### 55. Budget differences

#### Material differences between budget and actual amounts

Explanation for the variances between the budget and actual amounts:

#### Statement of Financial Performance

1. Interest received - Lower cash balances
2. Government grants and subsidies - Unspent grants at year end
3. Personnel costs - Unfilled posts
4. Debt impairment - Debtor collection rate lower than anticipated
5. Bulk purchases - Consumption lower than anticipated
6. Contracted services - Unforeseen maintenance costs
7. General expenses - Higher than expected refuse costs

#### Statement of Financial Position

8. Cash and cash equivalents - Unspent grants and cash management
9. Receivables from exchange transactions - Receivables lower than budgeted
10. Receivables from non-exchange transactions - Receivables higher than budgeted
11. Inventories - Higher stock on hand at year end
12. Payables from exchange transactions - Payables higher than anticipated due to increased costs and cash flow challenges
13. VAT payable - VAT accrued higher than anticipated
14. Unspent conditional grants - Unspent libraries and Cogta grants

### 56. Segment information

#### General information

#### Identification of segments

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

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

#### Aggregated segments

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

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

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

#### Reportable segment

Governance and Administration  
Community and Public Safety

Economic and Environmental Services

Trading Services

#### Goods and/or services

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

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## Notes to the Annual Financial Statements

Figures in Rand

### 56. Segment information (continued)

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

2022

	Governance and Administration	Community and Public Safety	Economic and Environmental Services	Trading Services	Total
<b>Revenue</b>					
Revenue from non-exchange transactions	314 579 627	21 843 804	22 716 000	73 436 864	432 576 295
Revenue from exchange transactions	5 428 099	8 521 191	291 943	629 242 349	643 483 582
Interest revenue	13 030 055	-	-	37 125 306	50 155 361
<b>Total segment revenue</b>	<b>333 037 781</b>	<b>30 364 995</b>	<b>23 007 943</b>	<b>739 804 519</b>	<b>1 126 215 238</b>
<b>Entity's revenue</b>					<b>1 126 215 238</b>
<b>Expenditure</b>					
Salaries and wages	78 697 862	63 506 642	26 554 110	59 922 322	228 680 936
Other expenses	122 204 568	11 643 713	28 654 308	691 885 631	854 388 220
Interest expense	756 465	-	182 391	3 572 351	4 511 207
<b>Total segment expenditure</b>	<b>201 658 895</b>	<b>75 150 355</b>	<b>55 390 809</b>	<b>755 380 304</b>	<b>1 087 580 363</b>
<b>Total segmental surplus/(deficit)</b>	<b>131 378 88</b>	<b>(44 785 35)</b>	<b>(32 382 86)</b>	<b>(15 575 78)</b>	<b>38 634 875</b>

In order to achieve fair presentation and compliance with GRAP 1, management has identified the following reportable segments. Further the prior year comparative figures have been depicted below.

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### 56. Segment information (continued)

2021

	Governance and Administration	Community and Public Safety	Economic and Environmental Services	Trading Services	Total
<b>Revenue</b>					
Revenue from non-exchange transactions	305 715 382	24 905 845	30 264 065	88 048 074	448 933 366
Revenue from exchange transactions	2 937 875	11 738 521	260 310	538 683 727	553 620 433
Interest revenue	12 222 396	-	-	27 934 475	40 156 871
<b>Total segment revenue</b>	<b>320 875 653</b>	<b>36 644 366</b>	<b>30 524 375</b>	<b>654 666 276</b>	<b>1 042 710 670</b>
<b>Entity's revenue</b>					<b>1 042 710 670</b>
<b>Expenditure</b>					
Salaries and wages	84 364 177	62 478 353	26 192 901	55 455 373	228 490 804
Other expenses	104 138 342	13 091 367	22 604 183	602 882 776	742 716 668
Interest expense	861 703	-	249 722	3 032 732	4 144 157
<b>Total segment expenditure</b>	<b>189 364 222</b>	<b>75 569 720</b>	<b>49 046 806</b>	<b>661 370 881</b>	<b>975 351 629</b>
<b>Total segmental surplus/(deficit)</b>	<b>131 511 43</b>	<b>(38 925 35)</b>	<b>(18 522 43)</b>	<b>(6 704 60)</b>	<b>67 359 041</b>