



Mhlontlo Local Municipality
Annual Financial Statements
for the year ended 30 June 2022

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Mhlontlo Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)The municipality's operations are governed by:- Municipal Finance Management act 56 of 2003- Municipal Structure Act 117 of 1998- Municipal Systems Act 32 of 2000 and various other acts and regulations
Mayor	Cllr M.G. Jara (Elected in November 2021) Cllr. N. Dywili (Term ended in November 2021)
Speaker	Cllr E. Pula (Elected n November 2021) Cllr. M.G. Jara (Term ended in November 2021)
Chief Whip	Cllr N. Gcaba (Elected in November 2021) Cllr. N.M. Mvanyashe (Term ended in November 2021)
Executive Councillors	Cllr L. Yalezo (Elected in November 2021) Cllr L. Dlova (Elected in November 2021) Cllr S. Voko (Elected in November 2021) Cllr N. Sayiti (Elected in November 2021) Cllr S. Kahla (Elected in November 2021) Cllr N.M. Mvanyashe (Elected in November 2021) Cllr S. Matshoba (Elected in November 2021) Cllr M. Funo (Elected in November 2021) Cllr N. Zikolo (Elected in November 2021)
PR Councillors	Cllr M.R. Giyose (Elected in November 2021) Cllr V.G. Mazitshana (Elected in November 2021) Cllr Z. Makinana (Elected in November 2021) Cllr N. Mbunjana (Elected in November 2021) Cllr B. Rasimeni (Elected in November 2021) Cllr B. Madikida (Elected in November 2021) Cllr N. Walaza (Elected in November 2021) Cllr Z. Nondaka (Elected in November 2021) Cllr K. Jubase (Elected in November 2021) Cllr M. Libazi (Elected in November 2021) Cllr K. Mpula (Elected in November 2021) Cllr B. Rosi (Elected in November 2021) Cllr L. Boyana (Elected in November 2021) Cllr S. Bontsa (Elected in November 2021) Cllr N. Tiwani (Elected in November 2021)

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General Information

Councillors

Cllr S. Mngcotana (Ward 1) (Elected in November 2021)
Cllr N. Ranga (Ward 2) (Elected in November 2021)
Cllr S. Mbola (Ward 3) (Elected in November 2021)
Cllr S. Sophangisa (Ward 4) (Elected in November 2021)
Cllr M. Vunguvungu (Ward 6) (Elected in November 2021)
Cllr T.S. Guga (Ward 7) (Elected in November 2021)
Cllr V. Nododana (Ward 8) (Elected in November 2021)
Cllr A. Nombewu (Ward 9) (Elected in November 2021)
Cllr S. Mtwazi (Ward 10) (Elected in November 2021)
Cllr S. Ntukuntezi (Ward 12) (Elected in November 2021)
Cllr T. Titshana (Ward 13) (Elected in November 2021)
Cllr B. Gigi (Ward 14) (Elected in November 2021)
Cllr Z. Renene (Ward 15) (Elected in November 2021)
Cllr B. Mthitshana (Ward 16) (Elected in November 2021)
Cllr M.P. Bontsa (Ward 17) (Elected in November 2021)
Cllr T. Magugu (Ward 18) (Elected in November 2021)
Cllr M. Jikijela (Ward 19) (Elected in November 2021)
Cllr M. Mfamela (Ward 20) (Elected in November 2021)
Cllr Khemtshe (Ward 21) (Elected in November 2021)
Cllr S.M. Hlanti (Ward 22) (Elected in November 2021)
Cllr M. Khonza (Ward 23) (Elected in November 2021)
Cllr B. Ntamo (Ward 24) (Elected in November 2021)
Cllr N.V. Ncapayi (Ward 25) (Elected in November 2021)
Cllr C. Maqebula (Ward 26) (Elected in November 2021)
Cllr. M. Ncaphayi (Ward 1) (Term ended in November 2021)
Cllr. M.D. Manzi (Ward 2) (Term ended in November 2021)
Cllr. T. Mgaweni (Ward 3) (Term ended in November 2021)
Cllr. S.S. Sopangisa (Ward 4) (Term ended in November 2021)
Cllr. M. Lingela (Ward 5) (Term ended in November 2021)
Cllr. Z. Botya (Ward 6) (Term ended in November 2021)
Cllr. Z. Ntshiba (Ward 7) (Term ended in November 2021)
Cllr. N. Gcaba (Ward 8) (Term ended in November 2021)
Cllr. B. Honono (Ward 9) (Term ended in November 2021)
Cllr. P. Mdinwa (Ward 10) (Term ended in November 2021)
Cllr. L.P. Dlova (Ward 11) (Term ended in November 2021)
Cllr. S. Ntukuntezi (Ward 12) (Term ended in November 2021)
Cllr. Z. W Nondaka (Ward 13) (Term ended in November 2021)
Cllr. Z. Makinana (Ward 14) (Term ended in November 2021)
Cllr. Z. Renene (Ward 15) (Term ended in November 2021)
Cllr. B.B. Mthitshane (Ward 16) (Term ended in November 2021)
Cllr. M. Soyekwa (Ward 17) (Term ended in November 2021)
Cllr. M.N. Mpheleli (Ward 18) (Term ended in November 2021)
Cllr. M.S. Ngewu (Ward 19) (Term ended in November 2021)
Cllr. M. Mfamela (Ward 20) (Term ended in November 2021)
Cllr. M.S. Mathe (Ward 21) (Term ended in November 2021)
Cllr. P.N. Mdemka (Ward 22) (Term ended in November 2021)
Cllr. Q. Mandleni (Ward 23) (Term ended in November 2021)
Cllr. S. Maham (Ward 24) (Term ended in November 2021)
Cllr. N.V. Ncapayi (Ward 25) (Term ended in November 2021)
Cllr. E.N. Sikwatsha (Ward 26) (Term ended in November 2021)

Traditional leaders

Nkosi Tyhali
Nkosi Madolo

Grading of local authority

3

Chief Finance Officer (CFO)

N. Boti

Acting Accounting Officer

L. Ndabeni

Registered office

96 LG Mabindla Avenue
Qumbu

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

General Information

	5180
Business address	96 LG Mabindla Avenue Qumbu 5180
Postal address	5180 Qumbu 5180
Bankers	First National Bank - QUMBU
Auditors	Auditor General South Africa
Contact details	(043) 553 7000

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
VAT	Value Added Tax
PAYE	Pay As You Earn
SDL	Skills Development levy
UIF	Unemployment Insurance Fund
LED	Local Economic Development
EPWP	Expanded Public Works Programme
INEP	Integrated National Electrification Programme
DEDEAT	Department of Economic Development, Environmental Affairs and Tourism

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Officer's Responsibilities and Approval

I am required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and I am responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is my responsibility as 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 were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with (GRAP) and the MFMA 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 board of members 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 dependent on National Treasury 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 management is 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 set out on pages 6 to 71, which have been prepared on the going concern basis, were signed by the Accounting Officer on 29 November 2022.

L. Ndabeni
Acting Municipal Manager

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Restated	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	3	312 455	155 907
Receivables from non-exchange transactions	4	2 684 934	1 984 494
VAT receivable	5	13 475 233	7 924 108
Cash and cash equivalents	6	172 629 766	169 332 520
		189 102 388	179 397 029
Non-Current Assets			
Investment property	7	5 982 621	5 982 621
Property, plant and equipment	8	529 263 798	513 756 452
Intangible assets	9	157 238	322 155
Heritage assets	10	-	210 810
		535 403 657	520 272 038
Total Assets		724 506 045	699 669 067
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	18 534 023	11 739 741
Employee benefit obligation	12	15 316 813	14 669 948
Unspent conditional grants and receipts	13	19 632 856	15 000
		53 483 692	26 424 689
Non-Current Liabilities			
Employee benefit obligation	12	6 465 941	6 184 404
Provisions	14	4 929 019	4 213 535
		11 394 960	10 397 939
Total Liabilities		64 878 652	36 822 628
Net Assets		659 806 367	662 846 439
Accumulated surplus		659 806 367	662 846 439

* See Note 33

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Restated	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	15	2 031 968	1 810 647
Rental of facilities and equipment		24 034	22 302
Agency services		1 248 426	1 237 802
Licences and permits		1 430 771	1 502 869
Other income	16	120 510	127 768
Interest earned - Investments	17	5 274 489	3 573 442
Total revenue from exchange transactions		10 130 198	8 274 830
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	18	33 278 037	31 091 969
Transfer revenue			
Government grants & subsidies	19	271 854 877	291 095 701
Fines		831 765	1 377 636
Commission received		272 031	310 988
Total revenue from non-exchange transactions		306 236 710	323 876 294
Total revenue	39	316 366 908	332 151 124
Expenditure			
Employee related costs	20	(88 687 637)	(85 640 588)
Remuneration of councillors	21	(20 380 906)	(20 027 063)
Depreciation and amortisation	22	(47 307 986)	(49 964 298)
Impairments loss		(10 430 671)	(2 277 687)
Finance costs	23	(550 695)	(527 451)
Lease rentals on operating lease		(1 002 796)	(980 089)
Debt Impairment	24	(13 743 028)	(8 838 950)
Contracted services	25	(8 471 087)	(8 954 508)
Loss on disposal of assets		(1 917 749)	(1 776 866)
Actuarial losses		(342 938)	(120 304)
Movement in (interest)/change in estimate on Landfill Site		(715 484)	(1 490 484)
General Expenses	26	(125 856 003)	(73 143 295)
Total expenditure		(319 406 980)	(253 741 583)
(Deficit) surplus for the year		(3 040 072)	78 409 541

* See Note 33

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Changes in Net Assets

Restated	Accumulated surplus	Total net assets
Opening balance as previously reported	600 082 274	600 082 274
Adjustments		
Prior year adjustments	(15 645 376)	(15 645 376)
Balance at 01 July 2020 as restated*	584 436 898	584 436 898
Changes in net assets		
Surplus for the year	78 409 541	78 409 541
Total changes	78 409 541	78 409 541
Restated* Balance at 01 July 2021	662 846 439	662 846 439
Changes in net assets		
Surplus for the year	(3 040 072)	(3 040 072)
Total changes	(3 040 072)	(3 040 072)
Balance at 30 June 2022	659 806 367	659 806 367
Note(s)		

* See Note 33

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

Restated	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Property rates taxes		20 117 963	23 010 092
Service charges		782 705	685 773
Grants		291 472 733	290 441 770
Interest income		5 274 489	3 573 442
Other receipts		3 095 772	4 579 365
		<u>320 743 662</u>	<u>322 290 442</u>
Payments			
Employee costs		(108 480 036)	(104 900 173)
Suppliers		(136 742 149)	(86 682 420)
		<u>(245 222 185)</u>	<u>(191 582 593)</u>
Net cash flows from operating activities	28	<u>75 521 477</u>	<u>130 707 849</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(73 847 656)	(61 065 857)
Proceeds from sale of property, plant and equipment	8	1 623 425	286 058
Purchase of other intangible assets	9	-	(338 261)
		<u>(72 224 231)</u>	<u>(61 118 060)</u>
Net increase/(decrease) in cash and cash equivalents		3 297 246	69 589 789
Cash and cash equivalents at the beginning of the year		169 332 520	99 742 731
Cash and cash equivalents at the end of the year	6	<u>172 629 766</u>	<u>169 332 520</u>

* See Note 33

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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
Restated						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1 810 219	189 429	1 999 648	2 031 968	32 320	41.1
Rental of facilities and equipment	14 098	10 123	24 221	24 034	(187)	41.2
Agency services	1 565 441	(408 570)	1 156 871	1 248 426	91 555	41.3
Licences and permits	1 429 519	(110 477)	1 319 042	1 430 771	111 729	41.4
Other income	25 969	76 705	102 674	120 510	17 836	41.5
Interest received - investment	3 261 408	1 474 075	4 735 483	5 274 489	539 006	41.6
Total revenue from exchange transactions	8 106 654	1 231 285	9 337 939	10 130 198	792 259	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	24 474 139	8 629 780	33 103 919	33 278 037	174 118	41.7
Transfer revenue						
Government grants & subsidies	208 751 850	(39 333)	208 712 517	271 854 877	63 142 360	41.8
Fines, Penalties and Forfeits	72 300	52 447	124 747	831 765	707 018	41.10
Commission received	-	-	-	272 031	272 031	41.11
Total revenue from non-exchange transactions	233 298 289	8 642 894	241 941 183	306 236 710	64 295 527	
Total revenue	241 404 943	9 874 179	251 279 122	316 366 908	65 087 786	
Expenditure						
Personnel	(83 254 539)	(4 917 912)	(88 172 451)	(88 687 637)	(515 186)	41.12
Remuneration of councillors	(19 077 045)	(4 961 318)	(24 038 363)	(20 380 906)	3 657 457	41.13
Depreciation and amortisation	(50 611 059)	2 067 529	(48 543 530)	(47 307 986)	1 235 544	41.14
Impairment loss/ Reversal of impairments	-	-	-	(10 430 671)	(10 430 671)	41.15
Finance costs	-	-	-	(550 695)	(550 695)	41.16
Lease rentals on operating lease	-	-	-	(1 002 796)	(1 002 796)	41.17
Debt Impairment	(17 800 000)	9 600 000	(8 200 000)	(13 743 028)	(5 543 028)	41.18
Contracted Services	(46 620 000)	1 005 000	(45 615 000)	(8 471 087)	37 143 913	41.19
General Expenses	(76 989 678)	(26 071 519)	(103 061 197)	(125 856 003)	(22 794 806)	41.20
Total expenditure	(294 352 321)	(23 278 220)	(317 630 541)	(316 430 809)	1 199 732	
Operating deficit	(52 947 378)	(13 404 041)	(66 351 419)	(63 901)	66 287 518	
Loss on disposal of assets	-	1 496 000	1 496 000	(1 917 749)	(3 413 749)	41.21
Actuarial gains/losses	-	-	-	(342 938)	(342 938)	41.22
Movement in (interest)/change in estimate on Landfill Site	-	-	-	(715 484)	(715 484)	41.23
	-	1 496 000	1 496 000	(2 976 171)	(4 472 171)	
Deficit before taxation	(52 947 378)	(11 908 041)	(64 855 419)	(3 040 072)	61 815 347	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(52 947 378)	(11 908 041)	(64 855 419)	(3 040 072)	61 815 347	

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Annual Financial Statements for the year ended 30 June 2022

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
Restated						

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Annual Financial Statements for the year ended 30 June 2022

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
Restated						

Statement of Financial Position

Assets

Current Assets

Receivables from exchange transactions	-	-	-	312 455	312 455	41.25
Receivables from non-exchange transactions	11 020 311	1 664 204	12 684 515	2 684 934	(9 999 581)	41.26
VAT receivable	22 223 414	(9 135 733)	13 087 681	13 475 233	387 552	41.27
Cash and cash equivalents	74 674 627	31 819 156	106 493 783	172 629 766	66 135 983	41.28
	107 918 352	24 347 627	132 265 979	189 102 388	56 836 409	

Non-Current Assets

Investment property	17 158 600	(11 175 979)	5 982 621	5 982 621	-	41.29
Property, plant and equipment	545 100 052	42 929 636	588 029 688	529 263 798	(58 765 890)	41.30
Intangible assets	(1 827 000)	(84 000)	(1 911 000)	157 238	2 068 238	41.31
Heritage assets	211 000	-	211 000	-	(211 000)	41.32
	560 642 652	31 669 657	592 312 309	535 403 657	(56 908 652)	

Total Assets

	668 561 004	56 017 284	724 578 288	724 506 045	(72 243)	
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Liabilities

Current Liabilities

Payables from exchange transactions	(24 003 182)	24 932 058	928 876	18 534 023	17 605 147	41.33
Employee benefit obligation	-	-	-	15 316 813	15 316 813	41.34
Unspent conditional grants and receipts	-	-	-	19 632 856	19 632 856	41.35
	(24 003 182)	24 932 058	928 876	53 483 692	52 554 816	

Non-Current Liabilities

Employee benefit obligation	-	-	-	6 465 941	6 465 941	41.38
Provisions	58 254 000	(33 186 000)	25 068 000	4 929 019	(20 138 981)	41.39
	58 254 000	(33 186 000)	25 068 000	11 394 960	(13 673 040)	

Total Liabilities

	34 250 818	(8 253 942)	25 996 876	64 878 652	38 881 776	
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Net Assets

	634 310 186	64 271 226	698 581 412	659 627 393	(38 954 019)	
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	634 310 186	64 271 226	698 581 412	659 627 393	(38 954 019)	All above
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Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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
Restated						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates taxes	12 482 000	4 401 000	16 883 000	20 117 963	3 234 963	41.40
Service charges	923 000	97 000	1 020 000	782 705	(237 295)	41.41
Grants - Capital and Operating	269 299 000	22 261 000	291 560 000	291 472 733	(87 267)	41.42
Interest income	3 261 000	1 474 000	4 735 000	5 274 489	539 489	41.44
Other receipts	3 107 000	1 116 000	4 223 000	3 095 772	(1 127 228)	41.45
	289 072 000	29 349 000	318 421 000	320 743 662	2 322 662	
Payments						
Employee costs and suppliers	-	(233 310 000)	(233 310 000)	(245 223 185)	(11 913 185)	41.46
Net cash flows from operating activities	289 072 000	(203 961 000)	85 111 000	75 520 477	(9 590 523)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(20 533 000)	(99 797 000)	(120 330 000)	(73 847 656)	46 482 344	41.50
Proceeds from sale of property, plant and equipment	-	-	-	1 623 425	1 623 425	41.51
Net cash flows from investing activities	(20 533 000)	(99 797 000)	(120 330 000)	(72 224 231)	48 105 769	
Net increase/(decrease) in cash and cash equivalents	268 539 000	(303 758 000)	(35 219 000)	3 297 246	38 515 246	All above
Cash and cash equivalents at the beginning of the year	99 743 000	69 486 000	169 229 000	169 332 520	103 520	41.52
Cash and cash equivalents at the end of the year	368 282 000	(234 272 000)	134 010 000	172 629 766	38 618 766	

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

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.

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, except for the changes set out in note 32 Changes in accounting policy.

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.

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 receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus 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 receivables is calculated on an individual basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

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 14 - Provisions.

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

The impairment of consumer debtors and other trade receivables exists predominantly due to the possibility that these debts will not be recovered. Receivables were assessed individually where applicable at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

In determining this allowance estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile. The impairment is calculated by calculating historic payments ratios for the individual assets and by assuming that the future payment ratios would be similar to the historic payment ratios.

In determining the recoverability of receivables from non-exchange and receivables from exchange transactions the municipality considers any change in the credit quality of the debtor from the date that credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of debtors impairment.

1.4 Investment property

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

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

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

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

Fair value

Subsequent to initial measurement, investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

1.5 Property, plant and equipment

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.

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.

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1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Infrastructure:		
Roads, paving, kerbs, slabs, gabions, signs, guard rails	Straight line	10-50 years
Stormwater, culverts, grid inlets	Straight line	10-50 years
Electrical, LV Networks, High Mast Lights, Street Lights	Straight line	30-40 years
Bridges	Straight line	50-80 years
Community:		
Recreational facilities etc	Straight line	10-50 years
Cemeteries, perimeter protection, security	Straight line	20-25 years
Halls, steel cover, protections	Straight line	10-50 years
Libraries, footpaths, diesel tanks etc	Straight line	10-50 years
Centres, slabs, containers, plastics	Straight line	15-50 years
Other property, plant and equipment:		
Vehicles, trucks, buses, tractors, trailers	Straight line	4-15 years
Machinery and equipment	Straight line	5-7 years
Furniture and office equipment	Straight line	4-8 years
Computer equipment, printers, machines	Straight line	4-8 years
Landfill sites	Straight line	10-50 years
Land	Not depreciated	Not depreciated
Buildings:		
Municipal offices, training centres, motor gates	Straight line	10-50 years

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

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

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

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

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

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Accounting Policies

1.6 Intangible assets

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software and other	Straight line	3-6 years

1.7 Heritage assets

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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1.7 Heritage assets (continued)

Impairment

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

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

1.8 Financial instruments

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and Cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality 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.

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

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1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

1.9 Statutory receivables

Identification

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.

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 are recognised in surplus or deficit.

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.

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1.9 Statutory receivables (continued)

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 municipality:
 - 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 municipality 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.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

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. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Impairment of cash-generating assets

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.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

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1.11 Impairment of cash-generating assets (continued)

Value in use

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

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.

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

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

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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1.12 Impairment of non-cash-generating assets

Identification

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

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.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

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.

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.

1.13 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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1.13 Employee benefits (continued)

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

When an employee has rendered service to the entity during a reporting period, the entity recognise 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 municipality recognise 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.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits: Defined contribution plans

When an employee has rendered service to the municipality during a reporting period, the municipality recognise 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 municipality recognise 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.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.14 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

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.

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1.14 Provisions and contingencies (continued)

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

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

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

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

Provisions are not recognised for future operating surplus.

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

A constructive obligation to restructure arises only when an municipality:

has a detailed formal plan for the restructuring, identifying at least:

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

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
necessarily entailed by the restructuring; and
not associated with the ongoing activities of the municipality

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

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

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

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

1.15 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

At the end of each financial period the Municipality determines commitments in respect of capital expenditure that has been approved and contracted for which is then disclosed in the commitments note to the financial statements.

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

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1.15 Commitments (continued)

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.

1.16 Revenue from exchange transactions

Measurement

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

Rendering of services

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

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

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

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

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

Interest

Revenue arising from the use by others of entity assets yielding interest 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 or deficit, using the effective interest rate method.

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

1.17 Revenue from non-exchange transactions

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

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

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

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

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

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

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

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

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

Recognition

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

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

Measurement

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

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

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.

1.18 Comparative figures

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

1.19 Unauthorised expenditure

Unauthorised expenditure is defined in section 1 of the MFMA as expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) and includes:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred in bullet points 2, 3 and 4 of the definition of "allocation" otherwise than in accordance with any conditions of allocation; or
- a grant by the municipality otherwise than in accordance with this Act.

All expenditure relating to unauthorised expenditure must be disclosed in the note to the annual financial statements.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.20 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is defined in section 1 of the MFMA as expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure must be disclosed in the note to the annual financial statements.

1.21 Irregular expenditure

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

- (a) expenditure incurred by the municipality in contravention of, or not in accordance with, a requirement of this Act, and has not been condoned in terms section 170;
- (b) expenditure incurred by the municipality in contravention of, or not in accordance with a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) expenditure incurred by the municipality in contravention of, or that is not in accordance with a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) expenditure incurred by the municipality in contravention of, or not in accordance with, a requirement of supply chain management policy of the municipality, or any municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

Irregular expenditure is recognised when a payment is made.

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.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.22 Budget information

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

1.23 Related parties

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

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

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated	2022	2021
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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact
GRAP 104 (amended): Financial Instruments	April 1, 2025	Unlikely there will be a material impact
GRAP 1 (amended): Presentation of Financial Statements	April 1, 2023	Unlikely there will be a material impact
GRAP 103 (amended): Heritage assets	April 1, 2023	Unlikely there will be a material impact
GRAP 25: Employee Benefits	April 1, 2023	Unlikely there will be a material impact
IGRAP 7: Limited on a defined Benefit asset min fund requirement and interact	April 1, 2023	Unlikely there will be a material impact
IGRAP 21: The effect on past decisions on materiality	April 1, 2025	Unlikely there will be a material impact

3. Receivables from exchange transactions

Refuse Removal	12 834 028	11 471 948
Allowance for Impairment	(12 521 573)	(11 316 041)
	312 455	155 907

Refuse

Current (0-30 days)	301 692	6 130
31 - 60 days	144 524	145 834
61 - 90 days	142 881	139 684
91 - 365 days	12 244 931	11 180 300
Impairment	(12 521 573)	(11 316 041)
	312 455	155 907

Summary of debtors by customer classification: Consumers

Current (0-30 days)	192 405	2 761
31 - 60 days	94 297	92 505
61 - 90 days	94 099	90 972
91 - 120 days	93 779	90 419
121 - 365 days	9 126 305	8 222 423
	9 600 885	8 499 080
	-	-

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated	2022	2021
3. Receivables from exchange transactions (continued)		
Industrial/Commercial		
Current (0 - 30 days)	80 215	1 563
31 - 60 days	36 782	39 425
61 - 90 days	36 626	35 318
91 - 120 days	36 153	34 797
121 - 365 days	2 162 688	2 077 684
	2 352 464	2 188 787
National and provincial government		
Current (0 - 30 days)	29 072	1 806
31 - 60 days	13 445	13 904
61 - 90 days	12 157	13 394
91 - 120 days	11 760	13 394
121 - 365 days	814 245	741 583
	880 679	784 081
Total		
Current (0 - 30 days)	301 693	6 130
31 - 60 days	144 524	145 834
61 - 90 days	142 881	139 684
91 - 120 days	141 693	138 610
121 - 365 days	12 103 237	11 041 690
Less: Allowance for impairment	(12 521 573)	(11 316 041)
	312 455	155 907
Reconciliation of allowance for impairment		
Opening balance	11 316 041	10 223 327
Provision for impairment	1 205 532	1 092 714
	12 521 573	11 316 041

No debtors have been pledged as a collateral.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated	2022	2021
4. Receivables from non-exchange transactions		
Consumer debtors - Rates	61 549 132	48 568 736
Sundry debtors	2 430 782	2 173 242
Allowance for impairment - Rates	(59 364 549)	(47 108 874)
Allowance for impairment - Sundry debtors	(1 930 431)	(1 648 610)
	2 684 934	1 984 494
Rates		
Current (0 - 30 days)	917 399	862 877
31 - 60 days	429 007	859 096
61 - 90 days	426 909	6 375 565
91 - 120 days	422 993	668 404
121 - 365 days	59 352 824	39 802 794
Less: Impairment	(59 364 549)	(47 108 874)
	2 184 583	1 459 862
Summary of debtors by customer classification: Consumers		
Current (0 - 30 days)	555 770	327 618
31 - 60 days	263 034	289 605
61 - 90 days	261 256	283 782
91 - 120 days	258 752	277 944
121 - 365 days	17 633 321	15 209 152
	18 972 133	16 388 101
Industrial/Commercial		
Current (0 - 30 days)	352 996	97 356
31 - 60 days	162 679	566 677
61 - 90 days	162 358	135 015
91 - 120 days	160 947	134 789
121 - 365 days	19 838 150	15 931 837
	20 677 130	16 865 674
National and provincial government		
Current (0 - 30 days)	8 633	437 903
31 - 60 days	3 295	2 814
61 - 90 days	3 295	5 956 768
91 - 120 days	3 295	255 671
121- 365 days	22 381 702	8 661 805
	22 400 220	15 314 961
Total		
Current (0 - 30 days)	917 399	862 877
31 - 60 days	429 007	859 096
61 - 90 days	426 909	6 375 565
91 - 120 days	422 993	668 404
120 - 365 days	59 352 824	39 802 794
Less: impairment	(59 364 549)	(47 108 874)
	2 184 583	1 459 862

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated	2022	2021
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4. Receivables from non-exchange transactions (continued)

Sundry debtors

Traffic fines	2 325 541	2 068 001
Payroll debtors	105 242	105 242
Less: Impairment	(1 930 431)	(1 648 610)
	500 352	524 633

Reconciliation of allowance for impairment - Rates

Opening balance	47 108 874	40 345 705
Provision for impairment	12 255 675	6 763 169
	59 364 549	47 108 874

No debtors have been pledged as a collateral.

5. VAT receivable

VAT	13 475 233	7 924 108
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An amount of R15 281 212,88 has been received in the current year and therefore recoverability of the amount receivable from SARS is not remote.

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 678	2 587
Bank balances	5 200 095	8 904 353
Short-term deposits	165 283 508	160 309 399
Other cash and cash equivalents	2 144 485	116 181
	172 629 766	169 332 520

Cash and cash equivalents pledged as collateral

Bank guarantee pledges/ceded	135 000	135 000
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Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated	2022	2021
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6. Cash and cash equivalents (continued)

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
FNB - Business Call account Revolving Fund - 61399068117	141 571 382	133 042 864	68 509 561	141 571 382	133 042 864	68 509 561
FNB - Business NSTD Call: Equitable share - 62027945809	717 837	23 583 420	6 148	717 837	23 582 420	6 148
FNB - Public Sector Cheque - Gqunu Lots - 62020395390	559 985	563 319	564 759	559 985	563 319	564 759
FNB - Public Cheque Account - MIG: 62170844221	19 752 745	144 880	12 520 308	19 752 745	144 880	12 520 308
FNB Commercial Money Market Investment: FMG - 62280641244	14 769	9 982	58 474	14 769	9 982	58 474
FNB - Commercial Call Account: LED- 62075571713	1 197 449	1 197 773	1 197 977	1 197 449	1 197 773	1 197 977
FNB - 7 day Interest Plus: 7 day Notice - 74366814934	-	10 000	10 000	-	10 000	10 000
FNB - Commercial Call Account: Municipal IDP - 62077570137	188 414	1 014 359	1 461 563	188 414	1 014 359	1 014 359
FNB - Commercial Money Market Investment: Housing Project - 62280645345	734 531	734 855	735 077	734 531	734 855	734 077
FNB - Money Market investment: MSIG - 62280642416	8 624	8 948	9 170	8 625	8 948	9 170
FNB - Maturity Notice - Electrification program: 74638477254	427 285	-	-	427 285	-	-
FNB - Public Sector Cheque Account - 62023382526	5 005 175	8 801 497	14 540 556	5 200 095	8 904 353	14 656 876
FNB Public sector Cheque account - COVID-19: 6285080162	-	8 654	9 883	-	8 654	9 883
FNB - Public sector Cheque account - DOT: 62869688617	2 243 570	107 527	-	2 243 570	107 527	-
Total	172 421 766	169 228 078	99 623 476	172 616 687	169 329 934	99 291 592

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated	2022	2021
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7. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	5 982 621	-	5 982 621	5 982 621	-	5 982 621

Reconciliation of investment property - 2022

	Opening balance	Total
Investment property	5 982 621	5 982 621

Reconciliation of investment property - 2021

	Opening balance	Disposals	Total
Investment property	6 041 621	(59 000)	5 982 621

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. No properties have been pledged as securities.

Details of valuation

Valuations was performed by an independent valuer not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use. These assumptions are based on current market conditions.

There is no fair value adjustment in the value of properties in the current year 2021/22. The independent valuer is DB Grobler.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated

8. Property, plant and equipment

	2022			2021		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	14 065 591	-	14 065 591	14 065 591	-	14 065 591
Buildings	66 310 925	(16 243 075)	50 067 850	27 483 877	(14 472 393)	13 011 484
Strategic asset	3 294 733	(153 161)	3 141 572	3 294 733	(102 154)	3 192 579
Infrastructure	1 331 409 122	(1 080 524 483)	250 884 639	1 316 196 244	(1 034 090 423)	282 105 821
Community	59 567 282	(29 342 931)	30 224 351	57 576 367	(26 026 418)	31 549 949
Other property, plant and equipment	37 802 141	(14 451 823)	23 350 318	36 067 484	(12 760 219)	23 307 265
Work in progress	152 587 120	-	152 587 120	141 316 452	-	141 316 452
Landfill Site	8 683 712	(3 741 355)	4 942 357	8 683 712	(3 476 401)	5 207 311
Total	1 673 720 626	(1 144 456 828)	529 263 798	1 604 684 460	(1 090 928 008)	513 756 452

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	14 065 591	-	-	-	-	-	14 065 591
Buildings	13 011 484	-	-	38 827 048	(1 172 414)	(598 268)	50 067 850
Strategic asset	3 192 579	-	-	-	(51 007)	-	3 141 572
Infrastructure	282 105 821	-	(576 493)	16 700 948	(42 319 503)	(5 026 134)	250 884 639
Community	31 549 949	-	(171 762)	3 713 053	(1 529 151)	(3 337 738)	30 224 351
Other assets	23 307 265	5 772 004	(2 582 109)	-	(1 831 859)	(1 314 983)	23 350 318
Work-in-progress	141 316 452	70 511 717	-	(59 241 049)	-	-	152 587 120
Landfill site	5 207 311	-	-	-	(239 135)	(25 819)	4 942 357
	513 756 452	76 283 721	(3 330 364)	-	(47 143 069)	(10 302 942)	529 263 798

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	14 065 591	-	-	-	-	-	14 065 591
Buildings	13 808 562	-	(27 958)	-	(769 120)	-	13 011 484
Strategic asset	3 243 586	-	-	-	(51 007)	-	3 192 579
Infrastructure	303 287 287	-	(1 226 083)	27 374 797	(45 282 149)	(2 048 031)	282 105 821
Community	32 493 564	156 000	(30 967)	449 500	(1 518 148)	-	31 549 949
Other assets	21 820 387	4 514 396	(718 915)	-	(2 079 498)	(229 105)	23 307 265
Work-in-progress	113 351 129	56 395 707	-	(28 430 384)	-	-	141 316 452
Landfill Site	4 823 328	-	-	606 087	(221 553)	(551)	5 207 311
	506 893 434	61 066 103	(2 003 923)	-	(49 921 475)	(2 277 687)	513 756 452

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated	2022	2021
8. Property, plant and equipment (continued)		
Strategic asset		
Property 1		
Mhlontlo Local Municipality owns Transido property and the property is held as a strategic asset as it is used to assist the economy of Mhlontlo area by providing SMME's with a place to do business.		
- Purchase price: 1 December 2008	3 294 733	3 294 733
Property, plant and equipment in the process of being constructed or developed		
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Project 2 or Class 2 or Asset 2	17 021 958	17 021 958
Start Date:19 November 2018		
Completion date:29 November 2019		
Revised completion date: 31st August 2021		
Challenges were experienced with the old contractor which resulted in the termination of the contract. A new contractor was appointed in October 2020 to finish the project.		
Project 3 or Class 3 or Asset 3	17 781 127	17 781 127
Start Date:26 October 2018		
Original Completion date:23rd February 2019		
Revised Completion date: Not applicable		
The contract has been terminated in the current year March 2021 due to poor performance by the contractor.		
No impairment has been recognised in relation to this project. The assessment was done and even though this project was stopped, there is still a plan to continue with the project. A contractor was due to be appointed during the third quarter of 2021/22 financial year,however it was not appointed due to tendering process that was stopped by the minister of financance.		
Project 4 or Class 4 or Asset 4	32 694 790	29 169 731
Start Date:30 August 2017		
Original Completion date:23rd February 2019		
Revised Completion date: 30 October 2021		
The project were delayed by the EIA process, approval of the variation order, escalation of costs of items that were purchased prior and poor performance by the service provider.		
	67 497 875	63 972 816

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Buildings	Total
Opening balance	36 471 845	104 844 607	141 316 452
Additions/capital expenditure	38 907 002	31 604 715	70 511 717
Transferred to completed items	(17 796 348)	(41 444 701)	(59 241 049)
	57 582 499	95 004 621	152 587 120

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated	2022	2021
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8. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Buildings	Total
Opening balance	29 129 848	84 221 281	113 351 129
Additions/capital expenditure	34 716 794	21 678 913	56 395 707
Transferred to completed items	(27 374 798)	(1 055 586)	(28 430 384)
	36 471 844	104 844 608	141 316 452

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

Repairs and maintenance	21 502 966	7 801 215
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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. No properties have been pledged as securities.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated

9. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 192 215	(2 034 977)	157 238	2 192 215	(1 870 060)	322 155

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, other	322 155	(164 917)	157 238

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software, other	26 650	338 260	(42 755)	322 155

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated

10. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	-	-	-	210 810	-	210 810

Reconciliation of heritage assets 2022

	Opening balance	Disposals	Total
Heritage assets	210 810	(210 810)	-

Reconciliation of heritage assets 2021

	Opening balance	Total
Heritage assets	210 810	210 810

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated	2022	2021
11. Payables from exchange transactions		
Trade payables	7 188 902	2 423 722
Retention	6 541 393	4 059 333
Payments received in advance	1 420 510	2 522 944
Unallocated deposits	1 239 634	1 222 695
Third Parties/Payroll Debtors	(441 297)	147 882
Creditor Accruals	2 293 353	1 258 642
Department of Transport	291 528	104 523
	18 534 023	11 739 741

12. Employee benefit obligation

Bonuses

Bonuses are paid out to all employees, excluding some senior managers, in the month of their birthdays each year and are based on a 13th monthly basic salary.

Defined Benefit Plan

Long service awards

The obligation in respect of the long service awards is valued every year by independent qualified actuaries. The last actuarial valuation was performed on 30 June 2022 by One Pangaea Financial using the Projected Unit Credit Method. Long service awards to eligible employees are paid for services rendered by employees of 5 years and longer in five year intervals. The service awards are paid as per the municipality's policy which complies with the minimum thresholds per the collective agreement of 01 February 2018, signed by the Bargaining Council. The basis on which this was calculated is as follows:

- After 5 Continuous Years of Service - 2% of Basic Annual Salary and 5 days accumulative leave
- After 10 Continuous Years of Service - 3% of Basic Annual Salary and 10 days accumulative leave
- After 15 Continuous Years of Service - 4% of Basic Annual Salary and 15 days accumulative leave
- After 20 Continuous Years of Service - 5% of Basic Annual Salary and 15 days accumulative leave
- After 25 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 30 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 35 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 40 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 45 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave

The plan is a final salary pension / flat plan or a post employment medical benefit plan.

Current service costs

Current service cost	654 900	402 232
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Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated	2022	2021
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12. Employee benefit obligation (continued)

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	1 533 131	1 541 223
Present value of the defined benefit obligation-partly or wholly funded	12 516 686	12 764 701
Fair value of plan assets	7 732 937	6 548 428
	21 782 754	20 854 352
Non-current liabilities	(6 465 941)	(6 184 404)
Current liabilities	(15 316 813)	(14 669 948)
	(21 782 754)	(20 854 352)

Reconciliation of employee benefits - 2022

	Opening balance	Additions	Utilised during the year	Total
Bonus accrual	1 541 223	(8 092)	-	1 533 131
Leave pay accrual	12 764 701	(2 570 084)	2 322 070	12 516 686
Long service awards	364 024	902 972	-	1 266 996
	14 669 948	(1 675 204)	2 322 070	15 316 813

Reconciliation of employee benefits - 2021

	Opening balance	Additions	Utilised during the year	Total
Bonus accrual	2 086 010	124 617	(669 404)	1 541 223
Leave pay accrual	9 047 851	240 629	3 476 221	12 764 701
Long service awards	863 336	-	(499 312)	364 024
	11 997 197	365 246	2 307 505	14 669 948

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

Opening balance	6 548 428	6 146 196
Benefits paid	(364 024)	(863 336)
Net expense recognised in the statement of financial performance	1 548 533	1 265 568
	7 732 937	6 548 428

Net expense recognised in the statement of financial performance

Current service cost	654 900	617 813
Past service cost	550 695	527 451
Interest cost	342 938	120 304
	1 548 533	1 265 568

Other assumptions

The valuation basis assume that the salary inflation rate (which manifests itself as the annual increase in employees' salaries which determine the bonuses payable) will be 3.15% less than the corresponding discount rate in the long term.

The effect of one percent increase or decrease in salary inflation rates is as follows:

Cost trends rates would have the followings:

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

	2022 R	2021 R	2020 R	2019 R	2018 R
Defined benefit obligation	7 732 937	6 548 428	6 146 196	6 148 766	4 618 000

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated	2022	2021
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13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

MIG	19 617 856	-
LED	15 000	15 000
	19 632 856	15 000

Movement during the year

Balance at the beginning of the year	15 000	668 931
Additions during the year	89 801 000	59 914 000
Income recognition during the year	(70 183 144)	(60 567 931)
	19 632 856	15 000

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

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

See note 19 for reconciliation of grants from National/Provincial Government.

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

14. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	4 213 535	715 484	4 929 019

Reconciliation of provisions - 2021

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	2 723 051	1 490 484	4 213 535

Environmental rehabilitation provision

The rehabilitation cost provision is for the current operational site which is evaluated each year-end to reflect the best estimate at reporting date. The site under consideration is Qumbu landfill site. The valuation was performed by A.J. Bowers from EMS Advisory. Mr Bowers is a waste management specialist and professional engineer.

Key financial assumptions used were a CPI of 5.16%, a discount rate of 10.703% . The adjustment made to the discounting rate was made due to various risks pertaining to the specific landfill site which influences the cash flows and therefore the discounting rate.

The landfill site closure provision is calculated as the net present value of future cash flows based on the expected remaining life and on the size of the area that has been used for waste removal as at 30 June 2022.

Mhlontlo Local Municipality

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Notes to the Annual Financial Statements

Restated	2022	2021
15. Service charges		
Refuse Charges -Business	323 008	521 833
Refuse charges - Households	1 522 844	1 133 674
Refuse charges - Government	186 116	155 140
	2 031 968	1 810 647
16. Other income		
Advertisig fees	77 940	74 435
Over/under deposits	18	285
Sundry income	17 297	20 241
Clearance certificates	-	40
Cemetery fees	20 583	30 862
Building plan fees	4 672	1 905
	120 510	127 768
17. Interest earned - Investments		
Interest revenue		
Bank	5 274 489	3 573 442
18. Property rates		
Rates received		
Residential	4 443 875	3 966 544
Commercial	5 101 600	4 999 888
Government	24 167 815	23 073 937
Small holdings and farms	236 528	399 993
Less: Income forgone	(671 781)	(1 348 393)
	33 278 037	31 091 969
Valuations		
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.		
19. Government grants and subsidies		
Operating grants		
Equitable share	200 960 000	229 857 000
Library Assistance	550 000	550 000
Financial Management Grant	2 300 000	2 400 000
EPWP casual workers	2 321 000	1 813 092
EPWP DEDEAT	-	529 042
Training LG SETA	161 733	120 771
	206 292 733	235 269 905
Capital grants		
Municipal Infrastructure Grant	47 041 144	43 427 000
Electrification program	18 521 000	12 398 796
	65 562 144	55 825 796
	271 854 877	291 095 701

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated	2022	2021
19. Government grants and subsidies (continued)		
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	70 894 877	61 238 701
Unconditional grants received	200 960 000	229 857 000
	271 854 877	291 095 701
Municipal Infrastructure Grant		
Current-year receipts	66 659 000	43 427 000
Conditions met - transferred to revenue	(47 041 144)	(43 427 000)
	19 617 856	-
Conditions still to be met - remain liabilities (see note 13).		
LED		
Balance unspent at beginning of year	15 000	15 000
Conditions still to be met - remain liabilities (see note 13).		
Finance Management Grant		
Current-year receipts	2 300 000	2 400 000
Conditions met - transferred to revenue	(2 300 000)	(2 400 000)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
Expanded Public Work Program		
Current-year receipts	2 321 000	1 813 092
Conditions met - transferred to revenue	(2 321 000)	(1 813 092)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
LG SETA		
Current-year receipts	161 733	120 771
Conditions met - transferred to revenue	(161 733)	(120 771)
	-	-
Conditions still to be met - remain liabilities (see note 13).		

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated	2022	2021
19. Government grants and subsidies (continued)		
Integrated Electification Program		
Current-year receipts	18 521 000	12 300 000
Conditions met - transferred to revenue	(18 521 000)	(12 300 000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

20. Employee related costs

Basic	51 870 577	50 125 007
Bonus	3 610 381	4 043 027
Medical aid - company contributions	5 749 231	5 602 056
UIF	458 335	377 206
SDL	909 675	875 304
Other payroll levies	22 567	20 485
Leave pay provision charge	2 074 054	823 810
Backpay	3 521	209 048
Defined contribution plans	6 701 442	6 894 026
Travel allowance	8 708 778	9 320 689
Overtime payments	1 130 807	1 095 673
Long-service awards	348 885	(163 386)
Acting allowances	9 694	63 591
Housing benefits and allowances	3 087 747	3 003 835
Allowance- standby	1 912 410	1 798 415
Temporal employees	1 580 001	978 790
Allowance -cellphone	509 532	573 012
	88 687 637	85 640 588

Remuneration of Chief Financial Officer (N. Boti)

Annual Remuneration	728 229	728 229
Car Allowance	254 880	254 880
Contributions to UIF, Medical and Pension Funds	2 125	1 813
Housing Allowance	55 433	55 433
	1 040 667	1 040 355

Remuneration of director- Community Services (L. Ndabeni)

Annual Remuneration	232 734	-
Car Allowance	82 515	-
Housing Allowance	24 684	-
Contributions to UIF, Medical and Pension Funds	10 733	-
Cellphone Allowance	12 695	-
Leave encashment	273 546	-
Acting Allowance	21 038	-
	657 945	-

Mr L. Ndabeni was appointed Director - Community services on the 1st February 2022.

Mr L. Ndabeni was appointed Acting Municipal Manager on the 1st June 2022.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated	2022	2021
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20. Employee related costs (continued)

Remuneration of Director - Corporate Services (W.Zwane)

Annual Remuneration	728 229	728 229
Car Allowance	254 880	254 880
Contributions to UIF, Medical and Pension Funds	2 125	1 813
Housing allowance	55 433	55 433
	1 040 667	1 040 355

Remuneration of Director LEDPARD (S. Batyi)

Annual Remuneration	624 196	260 082
Car Allowance	172 115	71 714
Housing Allowance	120 000	50 000
Contributions to UIF, Medical and Pension Funds	78 031	30 772
Annual Bonus	68 690	-
Acting Allowance	66 064	-
	1 129 096	412 568

The director of LEDPARD joined the municipality in February 2021.

The director was appointed Acting Municipal Manager from February 2022 to May 2022.

Remuneration of Director- Infrastructure Services (Z. Petse)

Annual Remuneration	624 196	260 082
Car Allowance	135 243	56 351
Housing Allowance	156 049	65 020
Contributions to UIF, Medical and Pension Funds	64 545	26 780
Annual Bonus	62 420	-
Acting Allowance	-	53 209
	1 042 453	461 442

The director became an ISD director from February 2021, and from september 2020 to January 2021 she was acting as the ISD Director.

Remuneration of director - Community Services (M.J. Yilo)

Annual Remuneration	-	485 486
Car Allowance	-	169 920
Contributions to UIF, Medical and Pension Funds	-	5 859
Skills Development levy	-	6 271
Housing allowance	-	36 956
Leave encashment	-	128 805
	-	833 297

The director passed away in February 2021

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated	2022	2021
20. Employee related costs (continued)		
Remuneration of Municipal Manager (T.P. Mase)		
Annual Remuneration	517 385	813 034
Car Allowance	129 346	203 259
Housing Allowance	36 956	58 074
Contributions to UIF, Medical and Pension Funds	1 417	1 664
Leave encashment	199 990	-
Settlement	633 533	-
	1 518 627	1 076 031

The Municipal Manager was suspended on the 30th November 2021 and later terminated on the 28 January 2022.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated	2022	2021
21. Remuneration of councillors		
Mayor	866 626	905 259
Chief Whip	688 141	733 088
Executive Committee Members	4 531 344	4 290 790
Speaker	730 148	690 045
Ordinary Councillors	13 564 646	13 407 881
	20 380 905	20 027 063
Mayor		
Basic Salary	822 226	860 859
Cellphone Allowance	40 800	40 800
Data Card Allowance	3 600	3 600
	866 626	905 259
Speaker		
Basic Salary	513 576	484 234
Cellphone Allowance	40 800	40 800
Data Card Allowance	3 600	3 600
Car Allowance	172 172	161 411
	730 148	690 045
Chief Whip		
Basic Salary	482 329	516 516
Cellphone Allowance	40 800	40 800
Data Card Allowance	3 600	3 600
Car Allowance	161 411	172 172
	688 140	733 088
Executive committee		
Basic Salary	3 235 530	3 113 104
Cellphone Allowance	350 200	326 400
Data Card Allowance	30 900	28 800
Car Allowance	914 715	822 486
	4 531 345	4 290 790
Ordinary councillors		
Basic Salary	8 936 764	6 707 931
Cellphone Allowance	1 717 000	1 621 800
Data Card Allowance	151 500	143 100
Car Allowance	2 741 382	4 935 050
Backpay	18 000	-
	13 564 646	13 407 881

Hon. Cllr M. Jara was elected Mayor after the local government elections that took place in November 2021. He replaced the outgoing Mayor Cllr N. Dywili.

Cllr E. Pule was elected Speaker after the local government elections that took place in November 2021. He replaced the outgoing Speaker Cllr M. Jara.

Cllr N. Gcaba was elected Chief Whip after the local government elections that took place in November 2021. She replaced the outgoing Chief Whip Cllr M.N. Mvanyashe.

All councillors were appointed in November 2021 after the local government elections took place.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated	2022	2021
21. Remuneration of councillors (continued)		
In-kind benefits		
The Mayor, Speaker and Chief Whip are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor, Speaker and Chief Whip have use of a Council owned vehicle for official duties. The Mayor has three full-time bodyguards and the Speaker has two full-time bodyguards.		
The accounting officer confirms that the salaries, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution.		
22. Depreciation and amortisation		
Property, plant and equipment	47 143 069	49 921 542
Intangible assets	164 917	42 756
	47 307 986	49 964 298
23. Finance costs		
Interest on long service awards	550 695	527 451
24. Debt impairment		
Consumer debtors and traffic fines	13 743 028	8 838 950
25. Contracted services		
Presented previously		
Security Services	8 471 087	8 954 508

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated	2022	2021
26. General expenses		
Advertising	410 565	520 550
Audit fees (Refer to note 27)	3 667 123	3 892 505
Bank Charges	212 618	252 824
Cleaning	197 158	937 500
Consulting and professional fees	6 843 514	3 599 693
Consumables/Cemetery tagging	813 039	1 040 772
Entertainment	2 182 562	1 394 462
Fines and penalties	6 760	33 620
Animal Feed	121 091	133 763
Hiring charges	33 130 091	3 294 407
Insurance	1 150 786	649 832
Conferences and seminars	24 000	4 500
Medical expenses	160 983	91 652
Motor vehicle expenses	298 814	335 722
Pound claims	5 745	2 319
Fuel and oil	1 756 339	1 327 894
Printing and stationery	2 573 583	3 308 254
Protective clothing	123 569	303 131
Special Projects	6 312 036	4 132 375
Repairs and maintenance	22 262 964	8 142 945
Software expenses	536 699	184 976
Staff welfare/COVID-19 related expenses	94 865	316 203
Subscriptions and membership fees	1 102 565	1 408 446
Telephone and fax	5 973 350	4 843 589
Training	1 016 687	1 568 159
Travel - local	8 114 099	2 668 702
Office expenses	38 441	14 465
Electricity purchases	2 228 725	1 987 308
Tourism development	138 050	-
Audit committee expenses	388 399	208 459
EPWP stipends	4 703 582	4 040 424
Ward committee stipend	4 315 203	6 070 799
Indigent subsidy	2 880 795	8 479 113
Venue expenses	46 358	62 486
Contribution for legal fees	11 818 890	7 698 096
Survey and Planning	205 955	193 350
	125 856 003	73 143 295
27. Auditors' remuneration		
Fees	3 667 123	3 892 505

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated	2022	2021
28. Cash generated from operations		
(Deficit) surplus	(3 040 072)	78 409 541
Adjustments for:		
Depreciation and amortisation	47 307 986	49 964 298
Gain on sale of assets and liabilities	1 917 749	1 776 866
Impairment deficit	10 430 671	2 277 687
Debt impairment	13 743 028	8 838 950
Movements in employee benefit obligations	928 402	767 478
Movements in provisions	715 484	1 490 484
Increase in provisions relating to employee cost	248 015	-
Actuarial loss	342 938	-
Changes in working capital:		
Receivables from exchange transactions	(156 548)	(32 160)
Other receivables from non-exchange transactions	(700 440)	(2 899 873)
Payables from exchange transactions	4 312 222	(10 806 816)
VAT	(5 551 125)	9 321 555
Unspent conditional grants and receipts	19 617 856	(653 931)
Movement in accumulated surplus (Sundry debtors)	(14 594 689)	-
Movement in debt impairment - receivables from non-exchange transactions	-	(7 746 230)
	75 521 477	130 707 849

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated	2022	2021
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29. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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, 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 are amounts owed by consumers and are presented net of impairment losses. The municipality's constitutional mandate compels the municipality to provide minimum basic services to all its residents without recourse of creditworthiness.

The municipality endeavours to collect all its debts by sending monthly invoices, and levying of penalties. All rates and services accounts are payable within 30 days from invoice date.

Cash and cash equivalents consist of short term investments, the primary bank account and petty cash of the municipality. Short term investments are held at First National Bank.

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

Financial instrument	2022	2021
Cash and Cash equivalents	172 629 766	169 332 520
Receivables from exchange Transactions	312 455	155 907
Receivables from non-exchange Transactions	2 684 934	1 984 494

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.

Price risk

The municipality is not exposed to commodity price risk as it does not hold commodities on an open market platform.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated	2022	2021
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30. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	312 455	312 455
Receivables from non-exchange transactions	-	2 684 934	2 684 934
Cash and cash equivalents	172 629 766	-	172 629 766
	172 629 766	2 997 389	175 627 155

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	18 534 023	18 534 023

2021

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	155 907	155 907
Receivables from non-exchange transactions	-	1 984 494	1 984 494
Cash and cash equivalents	169 332 520	-	169 332 520
	169 332 520	2 140 401	171 472 921

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	11 739 740	11 739 740

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated	2022	2021
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31. Contingencies

50 035 854 90 952 423

1. TDH Tsolo Junction//Mhlontlo Local Municipality

Claim for damages in the sum of R500 000 for damages for a failed development over erf 42 Tsolo.

2. Review Application between Mhlontlo Local Municipality//Z Siqhola: Labour Court Matter:

Reviewing chairman's decision for agreeing to a bargain agreement giving a light sentence in view of the seriousness of offenses which culminated into a criminal case of fraud being opened against the employee.

3. Rates Collections

Rates collection in respect of all landlords and tenants in terms of the credit and debt collection policy of Mhlontlo Local Municipality. No legal case in this matter.

4. One Grid Projects- Action proceedings // Mhlontlo LM, Case No.727/20 .

The Plaintiff is suing the municipality for the breach of contract. Estimated legal cost R1 000 000.

5. One Grid Projects- Application proceedings// Mhlontlo LM, Case No.1727/20

The applicant is declaring the award of tender No. MIG/CS/EC/12532/15/18 and or the resultant contract unlawful, unconstitutional, invalid, null and void. Estimated legal cost R1 000 000.

6. One Grid Projects- Counter Application proceedings // Mhlontlo LM, Case No.727/20

The Plaintiff is claiming the money that was paid to the Respondent for the work that has been done. The total value for the specified work. The amount sued is R27 879 372,95. Estimated legal cost R500 000.

7. Mhlontlo encroachments

This is an application for illegal encroachment of the land of the municipality. The occupant does not have the title deeds. Estimated legal cost R500 000.

8. Pumzile Nomfenge // Mhlontlo Local Municipality, Case No.2651/2018

The municipality is sued for the breach of contract. The amount sued is R871 771,55. Estimated legal cost R500 000.

9. Mhlontlo Local Municipality // Malibongwe Mfobo & Others, Case No.1997/20

This is an application for illegal encroachment of the land of the municipality. The occupant does not the title deeds. Estimated legal cost R500 000.

10. EFF vs Speaker of Mhlontlo Local Municipality - 183/2021: Grahamstown High Court

EFF requests that the wearing of their red regalia be allowed by the Municipality in that the High Court should rule the resolution which bared them from wearing the red regalia be declared unconstitutional. Estimated legal cost R750 000.

11. Mhlontlo Local Municipality // Batabile Construction - 865/2020 MTHATHA Magistrate Court

Batabile Construction was being sued by Telkom for cutting their lines and Batabile claims that Mhlontlo LM is to be blamed. Estimated legal cost R90 000.

12. Mhlontlo Local Municipality // Various Ratepayers for Transfer of Properties; Various Conveyancing Matters: 81 for Tsolo and 36 for Qumbu

The municipality wants to create security of tenure to all its ratepayers so that the revenue can reflect the exact title holder in particular for those properties now registered under MLM. Estimated legal cost R1 215 000.

13. Mhlontlo Local Municipality//Commercial Property on Auction

Auction of commercial property, opinion rendered and we are now pursuing the rental arrears. Estimated legal cost R300 000.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated	2022	2021
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31. Contingencies (continued)

14. Mhlontlo Local Municipality//Lizomac Architecture Case No. 4322/20

The plaintiff is suing the municipality for breach of contract. The amount sued is R243 278,73. Estimated legal cost R300 000.

15. Fundiswa Ngebe//Mhlontlo Local Municipality Case No. 2174/20

The plaintiff is suing the Municipality for unlawfully demolishing of their properties. The amount sued is R244 000. Estimated legal cost R300 000.

16. Zukisani Msawenkosi//Mhlontlo Local Municipality Case No. 2173/20

The plaintiff is suing the Municipality for unlawfully demolishing of their properties. The amount sued is R234 000. Estimated legal cost R300 000.

17. Likona Saul//Mhlontlo Local Municipality Case No. 2176/20

The plaintiff is suing the Municipality for unlawfully demolishing of their properties. The amount sued is R400 000. Estimated legal cost R300 000.

18. Nandipha Delihlazo//Mhlontlo Local Municipality Case No. 2177/20

The plaintiff is suing the Municipality for unlawfully demolishing of their properties.

19. Mhlontlo Local Municipality//Zwelixolile Matinize, Case No. 1471/21

The applicant brought an interdict application against Mhlontlo Municipality, interdicting Municipality from demolishing his structure built at Farm Mbuto Administrative Area. Estimated legal cost R300 000.

20. Mhlontlo Local Municipality//Thando Mgaweni and Others, Case No.3127/2021

This is a review application against the decision of the resolution of the Municipality. Estimated legal cost R500 000

21. Mhlontlo Local Municipality// Other, Case No.3561

The respondents unlawfully manufacturing building blocks and building materials at ERF 641. The amount is R200 000.

22. Nandipha Delihlazo//Mhlontlo Local Municipality Case No. 2177/202

The plaintiff is suing the Municipality for unlawfully demolishing their property. The amount is R428 430,70

23. Mhlontlo Local Municipality//Bongithemba Props Pty Ltd ERF 159

The amount is R300 000.

24. Mhlontlo Local Municipality//Bongithemba Props Pty Ltd ERF 116

The amount is R300 000.

25. Mhlontlo Local Municipality//An & AT Potelwa Family Trust ERF 129.

The amount is R300 000.

26. Mhlontlo Local Municipality//James Kobi ERF 193.

The amount is R300 000.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated	2022	2021
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31. Contingencies (continued)

27. Mhlontlo Local Municipality//ERF 627.

The amount is R300 000.

28. Mhlontlo Local Municipality//ERF 629.

The amount is R300 000.

29. Mhlontlo Local Municipality//ERF 625.

The amount is R300 000.

30. Mhlontlo Local Municipality//ERF 631.

The amount is R300 000.

31. Mhlontlo Local Municipality//ERF 628.

The amount is R300 000.

32. Mhlontlo Local Municipality//ERF 638.

The amount is R300 000.

33. Mhlontlo Local Municipality//ERF 333.

The amount is R300 000.

34. Florence Jojo//Mhlontlo Local Municipality, Case No2178/2020-Mthatha High Court

The plaintiff is suing the Municipality for the demolishing of her house. She's demanding payemnt being the value of her house. The amount is R 2000 000.

35. Mzuvukile Ngeke & others//Mhlontlo Local Municipality, Case No.11/2019-Mthatha High Court

This is an interdict and restraining from demarcating, sub dividing, developing any structure of any nature on the land. The amount is R1 000 000.

36. SALGBC oboIMATU & SAMWU//Mhlontlo Local Municipality

This is a review application for an arbitration award dated 15 January 2021. The judgement was delivered on 16 August 2022 in favour of the Municipality. The amount is R 1000 000.

37. Mhlontlo Local Municipality//F.N. Themba & others

This is an application for unlawful occupiers on the Municipality's land. The amount is R500 000.

38. Mhlontlo Local Municipality//Spar/Shoprite/Usave & Others

This was a complaint that was laid by the numerous residents and business owners about sewerage and spillages around the town of Qumbu. The amount is R500 000.

39. V. Maqhutyana VS Mhlontlo LM

The Municipal vehicle was accidentally damaged whilst being driven by Mr Maqhutyana; however he lodged a claim for unpaid overtines, and we advised the Municipality to pay him whilst we are attending to the issue of damaged vehicle. The vehicle is presently with the panel beaters. The amount is R180 000.

40. Upper Ndwana community and others VS Mhlontlo LM Case Number 978/2022

This matter with many others that follow emanate from the people who have no houses. They claim that the Municipality must build houses for them. The matter is being processed on the basis that the Municipality is not responsible for building houses, this the terrain of the Department of Housing and Human Settlements. The amount is R 1350 000.

41. Mhlontlo Local Municipality//ERF 626.

The amount is R300 000.

42. Mteto Justice Ndabeni//Mhlontlo Local Municipality

This is a review application wherein the applicant seeks to review the appointment of the 4th respondedent (Municipal manager. The estimated legal cost is R500 000.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated	2022	2021
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32. Related parties

Relationships

Accounting Officer

Mayor

Speaker

Chief Whip

Executive Councillors

Refer to accounting officer's report note

Cllr. M.G. Jara

Cllr. E. Pule

Cllr. N. Gcaba

Cllr. L. Yalezo

Cllr L. Dlova

Cllr. S. Voko

Cllr N. Sayiti

Cllr. S. Kahla

Cllr N.M Mvanyashe

Cllr S. Matshoba

Cllr M. Funo

Cllr N. Zikolo

PR Councillors

Cllr M.R. Giyose

Cllr V.G. Mazitshana

Cllr Z. Makinana

Cllr N. Mbunjana

Cllr B. Rasimeni

Cllr B. Madikida

Cllr N. Walaza

Cllr Z. Nondaka

Cllr K. Jubase

Cllr M. Libazi

Cllr K. Mpula

Cllr B. Rosi

Cllr L. Boyana

Cllr S. Bontsa

Cllr N. Tiwani

Councillors

Cllr S. Mngcotana (Ward 1)

Cllr N. Ranga (Ward 2)

Cllr S. Mbola (Ward 3)

Cllr S. Sophangisa (Ward 4)

Cllr M. Vunguvungu (Ward 6)

Cllr T.S. Guga (Ward 7)

Cllr V. Nododana (Ward 8)

Cllr A. Nombewu (Ward 9)

Cllr S. Mtwazi (Ward 10)

Cllr S. Ntukuntezi (Ward 12)

Cllr T. Titshana (Ward 13)

Cllr B. Gigi (Ward 14)

Cllr Z. Renene (Ward 15)

Cllr B. Mthishana (Ward 16)

Cllr M.P. Bontsa (Ward 17)

Cllr T. Magugu (Ward 18)

Cllr M. Jikijela (Ward 19)

Cllr M. Mfamela (Ward 20)

Cllr Khemtshe (Ward 21)

Cllr S.M. Hlanti (Ward 22)

Cllr M. Khonza (Ward 23)

Cllr M. Ntamo (Ward 24)

Cllr N.V. Ncapayi (Ward 25)

Cllr C. Maqebula (Ward 26)

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated	2022	2021
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32. Related parties (continued)

Members of key management	
Municipal Manager	Mr T.P. Mase (Dismissed on 28 January 2022)
Acting Municipal Manager	Mr L. Ndabeni (From 1 June 2022)
Chief Financial Officer	Mrs N. Boti
Community Services Director	Mr L. Ndabeni
Infrastructure Services Director	Ms Z. Petze
Corporate Services Director	Mr W. Zwane
Local Economic Development Director	Mrs S. Batyi

There were no related party transactions. Apart from the remuneration, no further transactions occurred with councillors and section 56 managers. Refer to Note 20 & 21.

33. Prior period errors

The current year comparatives have been adjusted as follows

Statement of Financial Position	Previously stated	Adjustment	Restated 2021
Receivables from non-exchange transactions	17 596 253	(15 611 759)	1 984 494
Property, plant and equipment	513 975 593	(219 141)	513 756 452
Opening Balance (Retained Income/Accumulated Surplus)	(600 082 274)	15 645 376	(584 436 898)
	(68 510 428)	(185 524)	(68 695 952)

The comparative balances for 2021 have been restated as follows:

Receivables from non-exchange transactions

The restatement is as a result of prior year recalculation the overpayment of salaries as a result of the 2.5% increment being removed due to events after reporting period. We have also removed bank charges that were incorrectly recorded in the debtors account as unknown debits.

Property, plant and Equipment

The restatement is due to the Strategic assets that were not depreciated. That error has now been corrected.

2 Project completed before 2021 were not correctly capitalised. That error has now been corrected.

Statement of Financial Performance	Previously Stated	Adjustments	Restated 2021
Expenditure			
Depreciation and amortisation	(49 871 190)	(93 108)	(49 964 298)
General expenses	(73 036 883)	(106 412)	(73 143 295)
	(122 908 073)	(199 520)	(123 107 593)

The comparative figures for 2021 have been restated as a result of:

General expenses

The restatement is as a result of prior year bank charges being recorded as debtors. That error has now been corrected.

Depreciation and amortisation

The restatement is due to the Strategic assets that were not depreciated. That error has now been corrected
Correction on infrastructure assets that were incorrectly capitalised before 2021..

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated	2022	2021
34. Unauthorised expenditure		
Opening balance as previously reported	56 861 188	56 861 188
Opening balance restated	-	-
Add: Expenditure identified - current	11 405 482	-
Closing balance	68 266 670	56 861 188

Unauthorised expenditure that has been reported and incurred in the current year is due to impairment loss and depreciation.

35. Fruitless and wasteful expenditure

Opening balance as previously reported	1 150 836	1 031 784
Opening balance	1 150 836	1 031 784
Add: Expenditure identified - current	6 760	-
Add: Expenditure identified - prior period	-	119 052
Closing balance	1 157 596	1 150 836

Fruitless and wasteful expenditure incurred relates to interest charged on overdue accounts and penalties from SARS. The expenditure is under investigation.

36. Irregular expenditure

Opening balance as previously reported	105 103 711	99 959 448
Opening balance as restated	105 103 711	99 959 448
Add: Irregular Expenditure - current	4 545 359	5 144 263
Add: Irregular Expenditure - Identified by AG in current year	269 939	-
Less: Amount written off - current	(51 235 324)	-
Closing balance	58 683 685	105 103 711

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

Competitive bidding not followed	2 142 243
False declaration of interest submitted	950 331
SCM regulations not followed	1 722 724
	4 815 298

Amounts written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R51 235 324 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

37. Deviation from supply chain management regulations

Goods and services to the value of R18 900 (2021:R1 222 036) 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.

A register containing the details of the deviations is available for inspection.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated	2022	2021
38. Commitments		
Already contracted for but not provided for		
Already contracted for but not provided for		
Property, plant and equipment	32 437 714	61 961 744

This committed capital expenditure relates to roads and other infrastructure developments, building of town halls and other goods and services and will be financed by available bank facilities, retained surpluses, as well as Grant funding and existing cash resources.

39. Revenue

Service charges	2 031 968	1 810 647
Rental of facilities and equipment	24 034	22 302
Agency services	1 248 426	1 237 802
Licences and permits	1 430 771	1 502 869
Other income	120 510	127 768
Interest received - investment	5 274 489	3 573 442
Property rates	33 278 037	31 091 969
Government grants & subsidies	271 854 877	291 095 701
Fines, Penalties and Forfeits	831 765	1 377 636
Commission on payroll	272 031	310 988
	316 366 908	332 151 124

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	2 031 968	1 810 647
Rental of facilities and equipment	24 034	22 302
Agency services	1 248 426	1 237 802
Licences and permits	1 430 771	1 502 869
Other income	120 510	127 768
Interest received - investment	5 274 489	3 573 442
	10 130 198	8 274 830

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	33 278 037	31 091 969
Transfer revenue		
Government grants & subsidies	271 854 877	291 095 701
Fines, Penalties and Forfeits	831 765	1 377 636
Commission on payroll	272 031	310 988
	306 236 710	323 876 294

40. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 082 946	1 219 061
Amount paid - current year	(1 082 946)	(1 219 061)
	-	-

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated	2022	2021
40. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Audit fees		
Current year subscription / fee	3 667 123	3 892 505
Amount paid - current year	(3 667 123)	(3 237 032)
	-	655 473
PAYE, SDL and UIF		
Current year subscription / fee	18 562 260	18 478 931
Amount paid - current year	(18 562 260)	(18 478 931)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	21 970 456	20 580 918
Amount paid - current year	(21 970 456)	(20 580 918)
	-	-
VAT		
VAT receivable	13 475 233	7 924 108

VAT output payables and VAT input receivables are shown in note .

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

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated	2022	2021
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41. Budget differences

Material differences between budget and actual amounts

Only variances exceeding 10% are considered material and have been explained below.

STATEMENT OF FINANCIAL PERFORMANCE

41.1 Variance is trivial and immaterial

41.2 Variance is trivial and immaterial.

41.3 Variance is trivial and immaterial.

41.4 Variance is trivial and immaterial.

41.5 Variance is trivial and immaterial.

41.6 Interest received on investments increased due to the increased cash investments by the municipality..

41.7 Variance is trivial and immaterial.

41.8 Variance is trivial and immaterial.

41.10 Fines, penalties and forfeits were underbudgeted.

41.12 Underspending on employee costs and also the reverting to old salary scales before the 2.5% in February 2021.

41.13 Variance is due to salary increment for councillors not been implemented in 2021/2022.

41.14 Budget was compiled using the fixed asset register before considering the change in estimates and othe depreciation factors.

41.15 Budget was compiled using the fixed asset register before considering impairments. The floods that took place in November and December 2021 damaged alot of infrastructure assets that had to be impaired. Also in the budget document, impairment and Depreciation are budgeted for under 1 line item.

41.16 Finance costs not budgeted for.

41.17 Leases not budgeted for.

41.18 Debt impairment is as a result of an increase in debtors in the current year and less collection in revenue.

41.19 Overbudgeting on contracted services. Some of the items budgeted for under contracted services were general expenditure items.

41.20 Underbudgeting on general expenditure.

41.21 The municipality budgted for a Gain on disposal of assets instead it made a loss hence the variance.

41.22 Actuatial gain or losses not budgeted for.

41.23 Movement in (interest)/change in estimate on Landfill Site not budgeted for.

STATEMENT OF FINANCIAL POSITION

41.25 The variance is due receivables from exchange transactions and receivables from non-exchange transactions being budgeted together as consumer debtors on the budget document.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated	2022	2021
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41. Budget differences (continued)

41.26 The variance is due to less collection of revenue in the current year which resulted in a huge increase in debt impairment provision and less net receivables.

41.27 Variance is Trivial and Immaterial.

41.28 Cash and cash equivalents variance is due to the municipality having received more than what was budgeted for and savings from equitable share. The municipality also received a R20 000 000 MIG additional allocation in March 2022 which was unspent as year-end.

41.29 Variance is Trivial and immaterial.

41.30 Due to the floods that took place in November and December 2021, there was a large increase in impairment of assets. Also the completion of various Capital projects led them being depreciated thus a decrease in carry value.

41.31 Intangible assets cost was not budgeted for.

41.32 Variance is due to Heritage Assets being written-off in current year..

41.33 The variance is due to an increase in Retentions and accruals at year end.

41.34 Employee benefit obligation not budgeted for.

41.35 Unspent conditional grant and subsidies not budgeted for.

41.38 Employee benefit obligation not budgeted for.

41.39 Provisions were overbudgeted for since in the past the municipality use to account for legal costs as provisions.

CASH FLOW STATEMENT

41.40 The variance is due to additional schools that were valued and billed.

41.41 Low collection on refuse removal due to rural nature of the municipality.

41.42 Variance is due to overbudgeting.

41.43 Interest received on investment increased to the saving on equitable share that was generating increase.

41.44 Variance is trivial and immaterial.

41.46 Employee costs and payments of suppliers are budgeted in one place on the budget and the actuals in the financial statements were splitted for GRAP Financial compliance.

41.50 Purchase of Property, Plant and Equipment was overbudgeted.

41.52 Variance is due to the saving on equitable share expenditure and additional MIG funding that was received by the municipality.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated	2022	2021
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42. Change in estimate

Property, plant and equipment

The useful life of all assets were assessed and as a result certain infrastructure assets, bulidings and movable assets useful lives were changed in the current year. The effect of this revision has decreased the depreciation charges for the current and future periods. The impact on depreciation is as follows:

- Movable assets depreciation has decreased by R304 622,58.
- Buildings depreciation has decreased by R62 435,70.
- Community asset depreciation has decreased by R7 874,87

The list of these assets is available on the asset register.. The effect of this revision has decreased the depreciation charges for the current and future periods by R374 933,15

43. Events after the reporting date

The following significant event has occurred after the reporting date.

There's a court judgement with case number 1433/2021 delivered in the Mthatha High Court on 16 August 2022, it has been noted that the court ruled in favour of the two employees that instituted a claim against the municipality regarding the salary overpayments. The court judgement stipulates the following:

The decision of the respondents (municipality and its representatives) that the applicants were overpaid is unlawful and of no force and effect;

The respondents' decision to reduce the applicants' basic salaries and essential use allowances is unlawful.

The respondents are directed to re-instant the applicants' basic salary and essential use allowance and with retrospective effect to the date the reduction was effected.

As a result the sundry debtors overpayment of R15 666 746 is no longer applicable.

44. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus of R 659 806 367 and that the municipality's total liabilities exceed its assets by R 659 806 367.

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.

45. Segment information

General information

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated

2022

2021

45. Segment information (continued)

Identification of segments

The municipality is organised and reports to management on the basis of the following functional areas: Community and Social Services, Executive and council, Finance and administration, Planning and Development, Public Safety, Road Transport and Waste Management. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives.

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.

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

- Trading services (Refuse remove and property rates) (Primary segment)
- Public safety and Community services (Secondary segment)
- Technical services, roads and transport (Tertiary segment)

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated

45. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2022

	Trading services (Primary segment)	Public safety and Community services (Secondary segment)	Technical services, Road and Transport (Tertiary segment)	Segment Total	Eliminations (Non- segment)	Total
Revenue						
<u>Revenue from exchange transactions</u>						
Service charges	(2 031 968)	-	-	(2 031 968)	-	(2 031 968)
Rental of facilities and equipment	-	(13 912)	-	(13 912)	(10 122)	(24 034)
Agency services	-	(1 248 426)	-	(1 248 426)	-	1 248 426
Licences and permits	-	(1 279 253)	-	(1 279 253)	(151 518)	(1 430 771)
Other income	-	(20 584)	-	(20 584)	(99 926)	(120 510)
Interest earned - investments	-	-	-	-	(5 274 489)	(5 274 489)
Revenue from non-exchange transactions						
Property rates	(33 038 221)	-	-	(33 038 221)	-	(33 038 221)
Government grants & subsidies	(27 971 539)	(27 165 924)	(87 525 339)	(142 662 802)	(129 192 075)	(271 854 877)
Fines	-	(831 765)	-	(831 765)	-	(831 765)
Commision received	-	-	-	-	(272 031)	(272 031)
Total municipal revenue	(63 041 728)	(30 559 864)	(87 525 339)	(181 126 931)	(135 000 161)	(316 366 908)
Municipality's revenue						(316 366 908)

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated

	Trading services (Primary segment)	Public safety and Community services (Secondary segment)	Technical services, Road and Transport (Tertiary segment)	Segment Total	Eliminations (Non-segment)	Total
45. Segment information (continued)						
Expenditure						
Employee related costs	14 933 837	23 119 484	10 669 018	48 722 339	39 965 298	88 687 637
Remuneration of councillors	-	-	-	-	20 380 905	20 380 905
Depreciation and amortisation	239 135	1 529 151	42 319 503	44 087 789	3 220 197	47 307 986
Impairments loss	25 819	3 337 738	5 026 134	8 389 680	2 040 980	10 430 660
Finance costs	-	-	-	-	550 695	550 695
Lease rentals on operating lease	-	-	-	-	1 002 795	1 002 795
Debt Impairment	13 461 207	281 821	-	13 743 028	-	13 743 028
Contracted services	-	8 471 086	-	8 471 086	-	8 471 086
Loss on disposal of assets	-	-	-	-	1 917 749	1 917 749
Actuarial losses	-	-	-	-	342 938	342 938
Movement in (interest)/change in estimate on Landfill Site	-	715 484	-	715 484	-	715 484
General expenses	2 123 546	2 614 948	53 690 651	58 429 145	67 426 858	125 856 003
Total segment expenditure	30 783 544	40 069 712	111 705 306	182 558 551	136 848 415	322 268 071
Total municipality's surplus/(deficit)						(3 040 072)
Total segment revenue						(181 126 931)
Total segment expenditure						182 558 551
Segment surplus (deficit) for the period						(1 431 620)

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated

	Trading services (Primary segment)	Public safety and Community services (Secondary segment)	Technical services, Road and Transport (Tertiary segment)	Segment Total	Eliminations (Non-segment)	Total
45. Segment information (continued)						
Assets						
Receivables from exchange transactions	312 455	-	-	312 455	-	312 455
Receivables from non-exchange transactions	2 184 583	395 110	-	2 579 692	105 242	2 684 934
VAT Receivables	-	-	-	-	13 475 233	13 475 233
Cash and cash equivalents	-	-	-	-	172 629 766	172 629 766
Investment property	-	-	-	-	5 982 621	5 982 621
Property, plant and equipment	4 942 357	30 224 351	250 884 639	286 051 347	243 212 451	529 263 798
Intangible assets	-	-	-	-	157 238	157 238
Total segment assets	7 439 395	30 619 461	250 884 639	288 943 494	435 562 551	724 506 045
Total assets as per Statement of financial Position						724 506 045
Liabilities						
Payables from exchange transactions	-	-	-	-	18 534 023	18 534 023
Employee benefits	-	-	-	-	21 782 754	21 782 754
Unspent conditional grants	-	-	19 617 856	19 617 856	15 000	19 632 856
Provisions	4 929 019	-	-	4 929 019	-	4 929 019
Total liabilities	4 929 019	-	19 617 856	24 546 875	40 331 777	64 878 652
Total segment assets						288 943 494
Total segment liabilities						(24 546 875)
Net segment assets						264 396 619
Municipalities' net assets						659 806 367

2021

Total

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated

45. Segment information (continued)

Revenue

Service charges	(1 810 647)	-	-	(1 810 647)	-	(1 810 647)
Rental of facilities and equipment	-	(10 272)	-	(10 272)	(12 030)	(22 302)
Agency services	-	(1 237 802)	-	(1 237 802)	-	(1 237 802)
Licences and permits	-	(1 502 869)	-	(1 502 869)	-	(1 502 869)
Other income	-	(107 203)	-	(107 203)	(20 565)	(127 768)
Interest earned - Investments	-	-	-	-	(3 573 442)	(3 573 442)
Property rates	(31 091 969)	-	-	(31 091 969)	-	(31 091 969)
Government grants and subsidies	(8 925 117)	(47 147 368)	(106 806 841)	(162 879 326)	(128 216 375)	(291 095 701)
Fines	-	(1 377 636)	-	(1 377 636)	-	1 377 636
Commision recieved	-	-	-	-	(310 988)	(310 988)
Total municipalities revenue	(41 827 733)	(51 383 150)	(106 806 841)	(200 017 724)	(132 133 400)	(332 151 124)
Municipality's revenue						(332 151 124)

Expenditure

Employee related costs	15 761 915	20 873 891	10 982 108	47 617 914	38 022 674	85 640 588
Remunerations of councillors	-	-	-	-	20 027 063	20 027 063
Depreciation and amortisation	221 553	1 518 148	45 282 149	47 021 850	2 942 448	49 964 298
Impairment of assets	551	-	2 048 031	2 048 582	229 105	2 277 687
Finance costs	-	-	-	-	527 451	527 451
Lease rentals on operating lease	-	-	-	-	980 089	980 089
Debt impairment	7 855 883	983 067	-	8 838 950	-	8 838 950
Contracted services	-	8 954 508	-	8 954 508	-	8 954 508
Loss on disposal of assets	-	-	-	-	1 776 866	1 776 866
Actuarial losses	-	-	-	-	120 304	120 304
Movement in (interest)/change in estimate on Landfill site	-	1 490 484	-	1 490 484	-	1 490 484
General expenses	3 034 764	6 163 855	12 587 772	21 786 391	51 356 904	73 143 295
Total expenditure	26 874 666	39 983 953	70 900 060	137 758 679	115 982 904	253 741 583
Total segmental surplus/(deficit)						78 409 541
Total segment revenue						200 017 724
Total segment expenditure						(137 758 679)
Total segment Surplus for the year						74 836 009
Municipality's surplus (deficit) for the period						78 409 541

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated

						Total
45. Segment information (continued)						
Assets						
Receivables from exchange transactions	155 907	-	-	155 907	-	155 907
Receivables from non-exchange transactions	1 459 863	782 106	-	1 984 494	-	1 984 494
VAT Receivables	-	-	-	-	7 924 108	7 924 108
Cash and cash equivalents	-	-	-	-	169 332 520	169 332 520
Investment property	-	-	-	-	5 982 621	5 982 621
Property, plant and equipment	5 207 311	31 549 949	282 105 821	318 863 081	194 893 371	513 756 452
Intangible assets	-	-	-	-	322 155	322 155
Heritage assets	-	-	-	-	210 810	210 810
Total assets	6 823 081	32 332 055	282 105 821	321 003 482	378 665 585	699 669 067
Total assets as per Statement of financial Position						699 669 067
Liabilities						
Payables from exchange transactions	-	(2 659 571)	-	(2 659 571)	(9 080 170)	(11 739 741)
Employee benefit obligation	-	-	-	-	(20 854 352)	(20 854 352)
Unspent conditional grants and receipts	-	-	-	-	(15 000)	(15 000)
Provisions	(4 213 535)	-	-	(4 213 535)	-	(4 213 535)
Total liabilities	(4 213 535)	(2 659 571)	-	(6 873 106)	(29 949 522)	(36 822 628)
Total segment assets						321 003 482
Total segment liabilities						(6 873 106)
Total segments net assets						314 130 376
Total liabilities as per Statement of financial Position						662 846 439

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Restated

45. Segment information (continued)

Reporting on Segments Assets and Liabilities

Assets and liabilities are utilised by management to assess key financial indicators and financial ratio's such as solvency ratio, liquidity ratio, Debt to equity ratio etc, for the municipality as a whole.

Geographic Segment Reporting

Although the Municipality operates in anumber of geographical areas (i.e wards) in and around Qumbu and Tsolo area, the geographical information is not considered relavant to management for decision making. The goods and services provided to the community throughout the entire municipal area are based on similar tariffs and service standards.

Measurement of specific segment information

The accounting policies of the respective segments are the same as the prescribed in the summary of accounting policies and therefore the basis of measurement between the segment reporting and the annual financial statements are consistent

The municipality has no changes to the structure of its internal organisation in a manner that caused the composition of its reportable segments to change from prior year.