



Mhlontlo Local Municipality
Annual Financial Statements
for the year ended 30 June 2023

AUDITOR GENERAL
SOUTH AFRICA
30 NOV 2023

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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

Speaker

Cllr E. Pula

Chief Whip

Cllr N. Gcaba

Executive Committee

Cllr N.M Mvanyashe

Cllr L. Yalezo

Cllr L. DLova

Cllr S. Voko

Cllr N. Sayiti

Cllr S. Kahla

Cllr S. Matshoba

Cllr M. Funo

Cllr N. Zikolo

PR Councillors

Cllr M.R. Giyose

Cllr V.G Mazitshana

Cllr Z. Makinana

Cllr N. Mbujana

Cllr B. Rasimeni

Cllr B. Madikida

Cllr N. Walaza

Cllr Z. Nondaka

Cllr K. Jubase

Cllr M Libazi

Cllr K. Mpula

Cllr B. Rosi (Deceased - July 2023)

Cllr L. Boyana

Cllr S. Bontsa

Cllr P. Tiwani



Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

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) (MPAC Chairperson) Cllr T. Titshana (Ward 13) Cllr B. Gigi (Ward 14) Cllr Z. Renene (Ward 15) Cllr B. Mthitshana (Ward 16) Cllr M. P. Bontsa (Ward 17) Cllr T. Magugu (Ward 18) Cllr M. Jikijela (Ward 19) Cllr M. Mfabela (Ward 20) (Deceased - September 2022) Cllr A.M. Thembeia (Ward 20) (Elected - December 2022) Cllr N. Khemtshe (Ward 21) Cllr S.M. Hlanti (Ward 22) Cllr M. Khonza (Ward 23) Cllr B. Ntamo (Ward 24) Cllr N.V. Ncaphayi (Ward 25) Cllr C. Mqebula (Ward 26)
Traditional leaders	Nkosi S. Mcelu Nkosi M. Ranuga
Grading of local authority	3
Chief Finance Officer (CFO)	N. Boti (Contract ended 28 February 2023) M. Langa (Acting CFO)
Accounting Officer	L. Ndabeni
Registered office	96 LG Mabindla Avenue Qumbu 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

**AUDITOR GENERAL
SOUTH AFRICA**
30 NOV 2023

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Index

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

	Page
Accounting Officer's Responsibilities and Approval	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9 - 12
Accounting Policies	13 - 27
Notes to the Annual Financial Statements	28 - 68

GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
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

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Responsibilities and Approval

I am required by the Municipal Finance Management 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 council sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

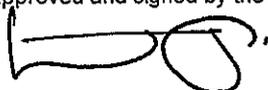
The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is 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 5 to 68, which have been prepared on the going concern basis, were approved and signed by the Accounting Officer on 28 November 2023.



L. Ndabeni
Municipal Manager



Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Restated	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	3	1 039 269	312 455
Receivables from non-exchange transactions	4	3 303 376	2 684 934
VAT receivable	5	8 701 588	13 098 643
Cash and cash equivalents	6	127 381 261	172 629 766
		<u>140 425 494</u>	<u>188 725 798</u>
Non-Current Assets			
Investment property	7	5 982 621	5 982 621
Property, plant and equipment	8	507 370 113	492 718 043
Intangible assets	9	80 985	157 238
		<u>513 433 719</u>	<u>498 857 902</u>
Total Assets		<u>653 859 213</u>	<u>687 583 700</u>
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	6 389 256	19 212 620
Employee benefit obligation	11	16 868 962	15 316 813
Unspent conditional grants and receipts	12	5 115 000	19 632 856
		<u>28 373 218</u>	<u>54 162 289</u>
Non-Current Liabilities			
Employee benefit obligation	11	6 501 967	6 465 941
Provisions	13	5 854 653	4 929 019
		<u>12 356 620</u>	<u>11 394 960</u>
Total Liabilities		<u>40 729 838</u>	<u>65 557 249</u>
Net Assets		<u>613 129 375</u>	<u>622 026 451</u>
Accumulated surplus		613 129 375	622 026 451

AUDITOR GENERAL
SOUTH AFRICA
30 NOV 2023

* See Note 33

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Restated	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	14	2 440 712	2 031 967
Rental of facilities and equipment		36 685	24 034
Agency services		1 584 703	1 248 426
Licences and permits		1 259 347	1 430 771
Other income	15	218 457	120 492
Interest earned - Investments	16	10 126 344	5 274 489
Actuarial gains		892 568	-
Total revenue from exchange transactions		16 558 816	10 130 179
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	17	33 875 730	33 278 036
Transfer revenue			
Government grants & subsidies	18	300 708 143	271 854 877
Recoveries		142 509	-
Fines		762 260	831 765
Commission received		312 851	272 031
Public contributions and donations		2 250 000	18
Total revenue from non-exchange transactions		338 051 493	306 236 727
Total revenue	39	354 610 309	316 366 906
Expenditure			
Employee related costs	19	(103 856 910)	(88 687 837)
Remuneration of councillors	20	(21 343 030)	(20 380 906)
Depreciation and amortisation	21	(47 575 776)	(47 307 986)
Impairments loss		(1 906 111)	(10 430 671)
Finance costs	22	(795 137)	(550 695)
Lease rentals on operating lease		(1 184 310)	(1 002 796)
Debt Impairment	23	(14 496 120)	(13 743 028)
Contracted services	24	(10 299 320)	(8 471 087)
Transfers and subsidies	25	(23 450 435)	(16 105 217)
Loss on disposal of assets		(244 080)	(1 917 749)
Actuarial losses		-	(342 938)
Movement in (interest)/change in estimate on Landfill Site		(925 634)	(715 484)
General expenses	26	(137 463 010)	(125 856 002)
Total expenditure		(363 539 873)	(335 512 396)
Deficit for the year		(8 929 564)	(19 145 490)

**AUDITOR GENERAL
SOUTH AFRICA
30 NOV 2023**

* See Note 33

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

Restated	Accumulated surplus	Total net assets
Opening balance as previously reported	662 069 062	662 069 062
Adjustments		
Correction of errors	(20 897 121)	(20 897 121)
Restated balance at 01 July 2021	641 171 941	641 171 941
Changes in net assets		
Surplus for the year	(19 145 490)	(19 145 490)
Total changes	(19 145 490)	(19 145 490)
Restated* Balance at 01 July 2022	622 026 451	622 026 451
Changes in net assets		
Surplus for the year	(8 929 564)	(8 929 564)
Total changes	(8 929 564)	(8 929 564)
Balance at 30 June 2023	613 096 887	613 096 887
Note(s)		

AUDITOR GENERAL
SOUTH AFRICA
30 NOV 2023

* See Note 33

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Restated	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Property rates taxes		21 491 587	20 871 866
Grants		286 190 287	291 472 733
Interest income		10 126 344	5 274 489
Other receipts		3 164 145	3 493 610
		<u>320 972 363</u>	<u>321 112 698</u>
Payments			
Employee costs		(123 611 765)	(108 140 141)
Suppliers		(180 013 591)	(151 050 005)
		<u>(303 625 356)</u>	<u>(259 190 146)</u>
Net cash flows from operating activities	28	<u>17 347 007</u>	<u>61 922 552</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(62 827 068)	(59 418 706)
Proceeds from sale of property, plant and equipment	8	-	1 412 615
Purchase of other intangible assets	9	(116 223)	-
Net cash flows from / (used in) investing activities		<u>(62 943 291)</u>	<u>(58 006 091)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(45 596 284)</u>	<u>3 916 461</u>
Cash and cash equivalents at the beginning of the year		172 629 766	169 332 520
Cash and cash equivalents at the end of the year	6	<u>127 033 482</u>	<u>173 248 981</u>

AUDITOR GENERAL
SOUTH AFRICA
30 NOV 2023

* See Note 33

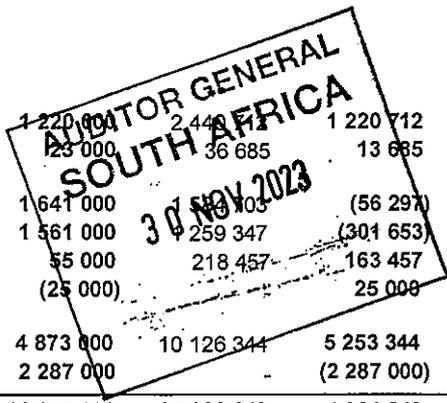
Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1 897 000	(677 000)	1 220 000	1 220 712	712	41.1
Rental of facilities and equipment	15 000	8 000	23 000	36 685	13 685	41.2
Agency services	1 641 000	-	1 641 000	1 003	(56 297)	41.3
Licences and permits	1 498 000	63 000	1 561 000	259 347	(301 653)	41.4
Other income	27 000	28 000	55 000	218 457	163 457	41.5
Interest received - investment and debtors	-	(25 000)	(25 000)	-	25 000	
Interest received - investment	3 418 000	1 455 000	4 873 000	10 126 344	5 253 344	41.6
Gains on disposal of assets	-	2 287 000	2 287 000	-	(2 287 000)	
Total revenue from exchange transactions	8 496 000	3 139 000	11 635 000	15 666 248	4 031 248	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	34 437 000	(582 000)	33 855 000	33 875 730	20 730	41.7
Transfer revenue						
Government grants & subsidies	299 280 000	37 000	299 317 000	300 708 143	1 391 143	41.8
Public contributions and donations	-	-	-	2 250 000	2 250 000	41.9
Fines, Penalties and Forfeits	72 000	186 000	258 000	762 260	504 260	41.10
Commission received	-	-	-	312 851	312 851	41.11
Recoveries	-	-	-	142 509	142 509	
Total revenue from non-exchange transactions	333 789 000	(359 000)	333 430 000	338 051 493	4 621 493	
Total revenue	342 285 000	2 780 000	345 065 000	353 717 741	8 652 741	
Expenditure						
Personnel	(107 736 000)	(2 605 000)	(110 341 000)	(103 856 910)	6 484 090	41.12
Remuneration of councillors	(24 205 000)	3 053 000	(21 152 000)	(21 343 030)	(191 030)	41.13
Depreciation and amortisation	(52 187 000)	(2 168 000)	(54 355 000)	(47 575 776)	6 779 224	41.14
Impairment loss/ Reversal of impairments	-	-	-	(1 906 111)	(1 906 111)	41.15
Finance costs	-	-	-	(795 137)	(795 137)	41.16
Lease rentals on operating lease	-	-	-	(1 184 310)	(1 184 310)	41.17
Debt Impairment	(17 800 000)	8 900 000	(8 900 000)	(14 496 120)	(5 596 120)	41.18
Contracted Services	(40 275 000)	(16 191 000)	(56 466 000)	(10 299 320)	46 166 680	41.19
Transfers and Subsidies	-	-	-	(23 450 435)	(23 450 435)	
General Expenses	(95 884 000)	(45 562 000)	(141 446 000)	(137 463 010)	3 982 990	41.20
Total expenditure	(338 087 000)	(54 573 000)	(392 660 000)	(362 370 159)	30 289 841	
Operating deficit	4 198 000	(51 793 000)	(47 595 000)	(8 652 418)	38 942 582	
Loss on disposal of assets	-	-	-	(244 080)	(244 080)	41.21
Actuarial gains/losses	-	-	-	892 568	892 568	41.22



Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Restated						
Movement in (interest)/change in estimate on Landfill Site	-	-	-	(925 634)	(925 634)	41.23
	-	-	-	(277 146)	(277 146)	
Surplus (Deficit) for the year	4 198 000	(51 793 000)	(47 595 000)	(8 929 564)	38 665 436	



Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Restated						
Statement of Financial Position						
Assets						
Current Assets						
Receivables from exchange transactions	-	-	-	1 039 269	1 039 269	41.25
Receivables from non-exchange transactions	3 688 000	8 283 000	11 971 000	3 303 376	(8 667 624)	41.26
VAT receivable	13 088 000	(363 000)	12 725 000	8 701 588	(4 023 412)	41.27
Cash and cash equivalents	123 833 009	(73 163 000)	50 670 009	127 381 261	76 711 252	41.28
	140 609 009	(65 243 000)	75 366 009	140 425 494	65 059 485	
Non-Current Assets						
Investment property	5 983 000	-	5 983 000	5 982 621	(379)	41.29
Property, plant and equipment	560 852 000	13 050 000	573 902 000	507 370 113	(66 531 887)	41.30
Intangible assets	(1 870 000)	(159 000)	(2 029 000)	80 985	2 109 985	41.31
Prepayments	211 000	-	211 000	-	(211 000)	
	565 176 000	12 891 000	578 067 000	513 433 719	(64 633 281)	
Total Assets	705 785 009	(52 352 000)	653 433 009	653 859 213	426 204	
Liabilities						
Current Liabilities						
Payables from exchange transactions	(929 000)	14 845 000	13 916 000	6 389 256	(7 526 744)	41.33
Employee benefit obligation	25 068 000	-	25 068 000	16 868 962	(8 199 038)	41.34
Unspent conditional grants and receipts	-	-	-	5 115 000	5 115 000	41.35
	24 139 000	14 845 000	38 984 000	28 373 218	(10 610 782)	
Non-Current Liabilities						
Employee benefit obligation	-	-	-	6 501 967	6 501 967	41.38
Provisions	-	-	-	5 854 653	5 854 653	41.39
	-	-	-	12 356 620	12 356 620	
Total Liabilities	24 139 000	14 845 000	38 984 000	40 729 838	1 745 838	
Net Assets	681 646 009	(67 197 000)	614 449 009	613 129 375	(1 319 634)	
Net Assets						
Accumulated surplus	681 646 009	(67 197 000)	614 449 009	613 129 375	(1 319 634)	All above

AUDITOR GENERAL
SOUTH AFRICA
30 NOV 2023

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Restated						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates taxes	17 563 000	(297 000)	17 266 000	21 491 587	4 225 587	41.40
Service charges	968 000	(345 000)	623 000	-	(623 000)	41.41
Grants - Capital and Operating	294 280 000	61	294 280 061	286 190 287	(8 089 774)	41.42
Interest income	3 418 000	1 430 000	4 848 000	10 126 344	5 278 344	41.44
Other receipts	3 253 000	2 572 000	5 825 000	3 103 282	(2 721 718)	41.45
	319 482 000	3 360 061	322 842 061	320 911 500	(1 930 561)	
Payments						
Employee costs and suppliers	(243 515 000)	(63 853 000)	(307 368 000)	(303 625 356)	3 742 644	41.46
Net cash flows from operating activities	75 967 000	(60 492 939)	15 474 061	17 286 144	1 812 083	
Cash flows from investing activities						
Purchase of property, plant and equipment	(94 451 000)	(17 699 000)	(112 150 000)	(62 418 416)	49 731 584	41.50
Purchase of other intangible assets	-	-	-	(116 223)	(116 223)	
Net cash flows from investing activities	(94 451 000)	(17 699 000)	(112 150 000)	(62 534 639)	49 615 361	
Net increase/(decrease) in cash and cash equivalents	(18 484 000)	(78 191 939)	(96 675 939)	(45 248 495)	51 427 444	All above
Cash and cash equivalents at the beginning of the year	169 229 000	(2 000)	169 227 000	172 629 766	3 402 766	41.52
Cash and cash equivalents at the end of the year	150 745 000	(78 193 939)	72 551 061	127 381 271	54 830 210	

AUDITOR GENERAL
 SOUTH AFRICA
 30 NOV 2023

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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 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 33 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 a 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 13 - Provisions.

AUDITOR GENERAL
SOUTH AFRICA
30 NOV 2023

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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.

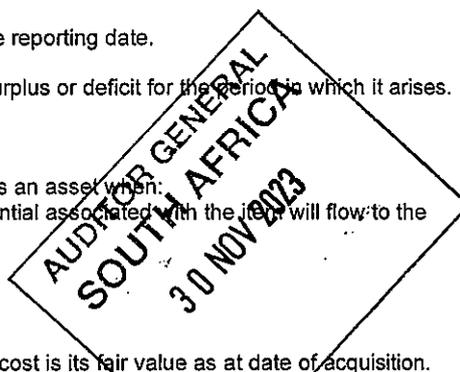
Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

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.

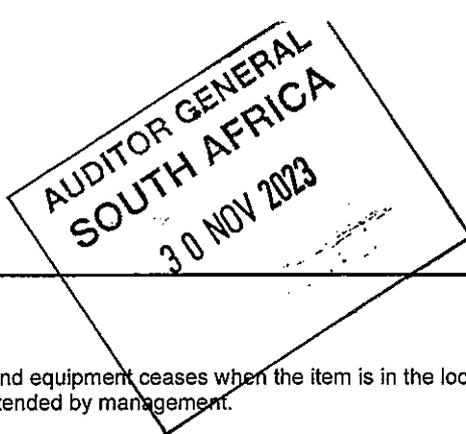
The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset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



Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies



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.

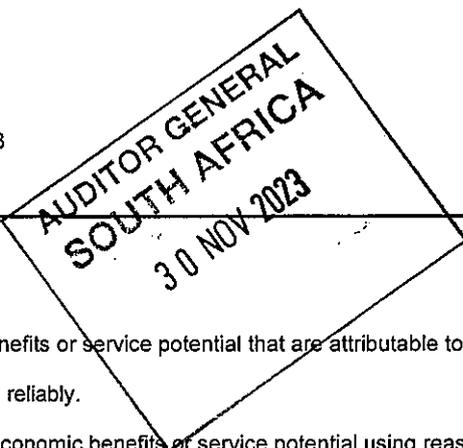
The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal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

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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	Amortisation method	Average useful life
Computer software	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.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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 a municipality 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 municipality, 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 municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, 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 Municipality to reimburse it for employee benefits already paid.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.13 Employee benefits (continued)

Termination benefits are employee benefits payable as a result of either:
an Municipality'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 Municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the Municipality has indicated to other parties that it will accept certain responsibilities and as a result, the Municipality 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 municipality 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 municipality 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.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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 2023

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 2023

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 Segment information

A segment is an activity of an entity:

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

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

The reportable segments identified are those functional segments reported in the Government Finance Statistics (GFS's) format and the Municipal Vote (Departmental) format per the Monthly Section 71 Management Reports. The information that will be reported is aligned to the monthly section 71 reports which are reviewed by the executive management. The Government Finance Statistics (GFS's) format allows for universal comparability of segments. The main factors considered in selecting the segments were the level of comparability with other preparers and a level of aggregation that does not detract from presenting the separate revenue or service delivery components.

The Municipality uses the Municipal Vote (Departmental) as Primary, secondary and tertiary levels.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.22 Segment information (continued)

Measurement

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

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

1.23 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.

1.24 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 2023

Notes to the Annual Financial Statements

Restated	2023	2022
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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	15 325 628	12 834 028
Allowance for Impairment	(14 347 222)	(12 521 573)
Prepaid expenses	60 863	-
	<u>1 039 269</u>	<u>312 455</u>

Summary of debtors by customer classification: Consumers

Current (0-30 days)	393 066	192 405
31 - 60 days	129 652	94 297
61 - 90 days	129 360	94 099
91 - 120 days	129 171	93 779
121 - 365 days	10 808 241	9 126 305
	<u>11 589 490</u>	<u>9 600 885</u>

Industrial/Commercial

Current (0 - 30 days)	157 339	80 215
31 - 60 days	47 764	36 782
61 - 90 days	47 671	36 626
91 - 120 days	46 629	36 153
121 - 365 days	2 472 481	2 162 688
	<u>2 771 884</u>	<u>2 352 464</u>

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
3. Receivables from exchange transactions (continued)		
National and provincial government		
Current (0 - 30 days)	43 469	29 072
31 - 60 days	13 143	13 445
61 - 90 days	12 590	12 157
91 - 120 days	12 590	11 760
121 - 365 days	882 461	814 245
	964 253	880 679
Total		
Current (0 - 30 days)	593 873	301 693
31 - 60 days	190 558	144 524
61 - 90 days	189 621	142 881
91 - 120 days	188 390	141 693
121 - 365 days	14 165 184	12 103 237
Less: Allowance for impairment	(14 347 222)	(12 521 573)
	980 404	312 455
Reconciliation of allowance for impairment		
Opening balance	12 521 573	11 316 041
Provision for impairment	1 825 649	1 205 532
	14 347 222	12 521 573

No debtors have been pledged as a collateral.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
4. Receivables from non-exchange transactions		
Consumer debtors - Rates	74 354 717	61 549 132
Sundry Debtors	2 771 601	2 430 782
Allowance for impairment - Rates	(72 035 019)	(59 364 549)
Allowance for impairment - Sundry debtors	(1 787 923)	(1 930 431)
	3 303 376	2 684 934
Summary of debtors by customer classification: Consumers		
Current (0 - 30 days)	852 664	555 770
31 - 60 days	272 457	263 034
61 - 90 days	272 061	261 256
91 - 120 days	270 600	258 752
121 - 365 days	19 950 291	17 633 321
	21 618 073	18 972 133
Rates		
National and provincial government		
Current (0 - 30 days)	44 486	8 633
31 - 60 days	14 829	3 295
61 - 90 days	14 829	3 295
91 - 120 days	14 829	3 295
121 - 365 days	30 266 781	22 381 702
	30 355 754	22 400 220
Total		
Current (0 - 30 days)	1 460 895	917 399
31 - 60 days	452 331	429 007
61 - 90 days	451 934	426 909
91 - 120 days	449 637	422 993
121 - 365	71 539 921	59 352 824
Less: impairment	(72 035 019)	(59 364 549)
	2 319 699	2 184 583
Sundry debtors		
Traffic fines	2 538 220	2 325 541
Payroll debtors	233 381	105 242
Less: Impairment	(1 787 923)	(1 930 431)
	983 678	500 352
Reconciliation of allowance for impairment - Rates		
Opening balance	59 364 549	47 108 874
Provision for impairment	12 670 470	12 255 675
	72 035 019	59 364 549

No debtors have been pledged as a collateral.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
5. VAT receivable		
VAT	8 701 588	13 098 643

An amount of R25 494 639.22 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	3 327	1 678
Bank balances	4 251 020	5 208 537
Short-term deposits	123 126 914	167 419 551
	127 381 261	172 629 766

There are no cash and cash equivalents pledged as collateral by the municipality.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
FNB - Business Call account Revolving Fund - 61399068117	112 546 485	141 571 382	133 042 864	112 546 485	141 571 382	133 042 864
FNB - Business NSTD Call: Equitable share - 62027945809	118 478	717 837	23 583 420	118 478	717 837	23 582 420
FNB - Public Sector Cheque - Gqunu Lots - 62020395390	558 449	559 985	563 319	558 449	559 985	563 319
FNB - Public Sector Cheque Account - MIG: 62170844221	142 147	19 752 745	144 880	142 147	19 752 745	144 880
FNB Commercial Money Market Investment: FMG - 62280641244	14 421	14 769	9 982	14 421	14 769	9 982
FNB - Commercial Call Account: LED - 62075571713	1 197 101	1 197 449	1 197 773	1 197 101	1 197 449	1 197 773
FNB - 7 day Interest Plus: 7 day Notice - 74366814934	-	-	10 000	-	-	10 000
FNB - Commercial Call Account: Municipal IDP - 62075570137	52 699	188 414	1 014 359	52 699	188 414	1 014 359
FNB - Commercial Money Market Investment: housing Projects - 62280645345	734 183	734 531	734 855	734 183	734 531	734 855
FNB - Money Market investment: MSIG - 62280642416	5 108 276	8 624	8 948	5 108 276	8 625	8 948
FNB - Maturity Notice: Electrification program - 74638477254	139 740	427 285	-	139 740	427 285	-
FNB - Public Sector Cheque Account - 62023382526	4 135 356	5 005 175	8 801 497	4 251 020	5 200 095	8 904 353
FNB Public Sector Cheque Account - COVID-19 - 6285080162	-	-	8 654	-	-	8 654
FNB - Public Sector Cheque Account: DOT - 62869688617	2 514 934	2 243 570	107 527	2 514 934	2 243 570	107 527
Total	127 262 269	172 421 766	169 228 078	127 377 933	172 616 687	169 329 934

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
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7. Investment property

	2023			2022		
	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

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 2022/23. The independent valuer is DB Grobler.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated

8. Property, plant and equipment

	2023		2022			
	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	71 145 405	(18 094 207)	53 051 198	66 310 925	(16 243 075)	50 067 850
Strategic asset	3 294 733	(204 168)	3 090 565	3 294 733	(153 161)	3 141 572
Infrastructure	1 366 054 443	1 120 922 304)	245 132 139	1 331 408 934	1 080 524 484)	250 884 450
Community	54 845 288	(26 420 253)	28 425 035	59 567 282	(29 342 931)	30 224 351
Other property, plant and equipment	50 563 307	(14 226 925)	36 336 382	37 802 141	(14 451 823)	23 350 318
Work in progress	122 565 981	-	122 565 981	116 041 554	-	116 041 554
Landfill Site	8 683 712	(3 980 490)	4 703 222	8 683 712	(3 741 355)	4 942 357
Total	1 691 218 460	(1 183 848 347)	507 370 113	1 637 174 872	(1 144 456 829)	492 718 043

Mhiontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	14 065 591	-	-	-	-	-	14 065 591
Buildings	50 067 850	3 047 831	(35 250)	2 022 654	(2 049 191)	(2 696)	53 051 198
Strategic asset	3 141 572	-	-	-	(51 007)	-	3 090 565
Infrastructure	250 884 450	24 383 630	(1 283 325)	13 940 830	(41 233 408)	(1 560 038)	245 132 139
Community	30 224 351	-	(337 806)	-	(1 461 392)	(118)	28 425 035
Other assets	23 350 318	15 647 132	(874 627)	905 983	(2 349 165)	(343 259)	36 336 382
Work-in-progress	116 041 554	23 393 894	-	(16 869 467)	-	-	122 565 981
Landfill site	4 942 357	-	-	-	(239 135)	-	4 703 222
	492 718 043	66 472 487	(2 531 008)	-	(47 383 298)	(1 906 111)	507 370 113

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	282 105 632	-	(576 493)	16 700 948	(42 319 503)	(5 026 134)	250 884 450
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	116 668 763	58 613 840	-	(59 241 049)	-	-	116 041 554
Landfill Site	5 207 311	-	-	-	(239 135)	(25 819)	4 942 357
	489 108 574	64 385 844	(3 330 364)	-	(47 143 069)	(10 302 942)	492 718 043

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
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8. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	36 000 361	80 041 193	116 041 554
Additions/capital expenditure	37 503 975	13 437 413	50 941 388
Transferred to completed items	(38 324 271)	(6 092 692)	(44 416 963)
	35 180 065	87 385 914	122 565 979

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Total
Opening balance	14 433 173	102 235 590	116 668 763
Additions/capital expenditure	36 879 443	15 537 251	52 416 694
Transferred to completed items	(15 312 255)	(37 731 648)	(53 043 903)
	36 000 361	80 041 193	116 041 554

Expenditure incurred to repair and maintain property, plant and equipment

Repairs and maintenance	20 693 933	22 262 964
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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.

9. Intangible assets

	2023			2022		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	116 223	(35 238)	80 985	2 192 215	(2 034 977)	157 238

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Computer software	157 238	116 223	(192 476)	80 985

Reconciliation of intangible assets - 2022

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

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
10. Payables from exchange transactions		
Trade payables	2 229 420	7 042 228
Retention	8 083 483	6 688 064
Payments received in advance	1 127 055	1 420 510
Unallocated deposits	1 407 039	1 239 634
Third Parties/Payroll Debtors	(9 367 646)	(441 297)
Creditor Accruals	2 436 659	2 971 953
Department of Transport	467 751	291 528
Human settlements	5 495	-
	6 389 256	19 212 620

11. 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 2023 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	805 335	654 900
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Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated

2023 2022

11. 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	1 840 152	1 533 131
Present value of the defined benefit obligation-partly or wholly funded	14 393 013	12 516 686
Fair value of plan assets	7 136 764	7 732 937
	23 369 929	21 782 754
Non-current liabilities	(6 501 967)	(6 465 941)
Current liabilities	(16 868 962)	(15 316 813)
	(23 370 929)	(21 782 754)

Reconciliation of employee benefits - 2023

	Opening balance	Additions	Utilised during the year	Total
Bonus accrual	1 533 131	307 022	-	1 840 153
Leave pay accrual	12 516 686	2 977 074	(1 099 748)	14 394 012
Long service awards	7 732 937	707 904	(1 304 077)	7 136 764
	21 782 754	3 992 000	(2 403 825)	23 370 929

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	2 322 070	(2 570 084)	12 516 686
Long service awards	6 548 428	1 548 533	(364 024)	7 732 937
	20 854 352	3 862 511	(2 934 108)	21 782 754

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

Opening balance		
Contributions by plan participants	7 732 937	6 548 428
Net expense recognised in the statement of financial performance	(1 304 077)	(364 024)
	707 904	1 548 533
	7 136 764	7 732 937

Net expense recognised in the statement of financial performance

Current service cost	805 335	654 900
Past service cost	795 137	550 695
Interest cost	(892 568)	342 938
	707 904	1 548 533

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:

	2023	2022	2021	2020	2019
	R	R	R	R	R
Defined benefit obligation	7 136 764	7 732 937	-	6 146 196	6 148 766

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
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12. 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
Municipal Disaster Relief Grant	5 100 000	-
	<u>5 115 000</u>	<u>19 632 856</u>

Movement during the year

Balance at the beginning of the year	19 632 856	15 000
Additions during the year	86 961 000	89 801 000
Income recognition during the year	(101 478 856)	(70 183 144)
	<u>5 115 000</u>	<u>19 632 856</u>

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.

13. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	4 929 019	925 634	5 854 653

Reconciliation of provisions - 2022

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

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 12.66%. 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 2023.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
14. Service charges		
Refuse Charges -Business	769 439	628 304
Refuse charges - Households	1 502 280	1 217 547
Refuse charges - Government	168 993	186 116
	2 440 712	2 031 967
15. Other income		
Advertising fees	84 397	77 940
Sundry income	102 616	17 297
Cemetery fees	23 801	20 583
Building plan fees	7 643	4 672
	218 457	120 492
16. Interest earned - Investments		
Interest revenue		
Bank	10 126 344	5 274 489
17. Property rates		
Rates received		
Residential	4 166 095	4 204 059
Commercial	5 671 090	5 101 600
Government	24 497 121	24 407 630
Small holdings and farms	248 357	236 528
Less: Income forgone	(706 933)	(671 781)
	33 875 730	33 278 036
Valuations		
Residential	4 166 095	4 204 059
Commercial	5 671 090	5 101 600
Government	24 497 121	24 407 630
Small holdings and farms	248 357	236 528
Less: Income forgone	(706 933)	(671 781)
	33 875 730	33 278 036
<p>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.</p>		
18. Government grants and subsidies		
Operating grants		
Equitable share	217 726 856	200 960 000
Library Assistance	550 000	550 000
Financial Management Grant	2 300 000	2 300 000
EPWP casual workers	2 300 000	2 321 000
Human Settlements training grant	124 179	-
Training LG SETA	446 107	161 733
	223 447 142	206 292 733
Capital grants		

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
18. Government grants and subsidies (continued)		
Municipal Infrastructure Grant	50 293 000	47 041 144
Electrification program	26 968 001	18 521 000
	<u>77 261 001</u>	<u>65 562 144</u>
	<u>300 708 143</u>	<u>271 854 877</u>

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	82 452 051	70 894 877
Unconditional grants received	217 726 856	200 960 000
	<u>300 178 907</u>	<u>271 854 877</u>

Municipal Infrastructure Grant

Balance unspent at beginning of year	19 617 856	-
Current-year receipts	50 293 000	66 659 000
Conditions met - transferred to revenue	(50 293 000)	(47 041 144)
Withheld by National Treasury	(19 617 856)	-
	<u>-</u>	<u>19 617 856</u>

The opening balance of R19 617 856 was not approved by national treasury for a roll-over, as a result the amount was withheld from the current year equitable share.

LED

Balance unspent at beginning of year	<u>15 000</u>	<u>15 000</u>
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There was no movement during the current financial period.

Finance Management Grant

Current-year receipts	2 300 000	2 300 000
Conditions met - transferred to revenue	(2 300 000)	(2 300 000)
	<u>-</u>	<u>-</u>

Expanded Public Work Program

Current-year receipts	2 300 000	2 321 000
Conditions met - transferred to revenue	(2 300 000)	(2 321 000)
	<u>-</u>	<u>-</u>

AUDITOR GENERAL
SOUTH AFRICA
30 NOV 2023

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated

2023 2022

18. Government grants and subsidies (continued)

LG SETA

Current-year receipts	446 107	161 733
Conditions met - transferred to revenue	(446 107)	(161 733)
	<u>-</u>	<u>-</u>

Integrated Electrification Program

Current-year receipts	26 968 000	18 521 000
Conditions met - transferred to revenue	(26 968 000)	(18 521 000)
	<u>-</u>	<u>-</u>

The municipality received an additional allocation of R6m on the 31 March 2023.

Municipal Disaster Relief Grant

Current-year receipts	5 100 000	-
	<u>-</u>	<u>-</u>

The Municipal Disaster Relief Grant was received on the 15th June 2023.

19. Employee related costs

Basic	61 301 193	51 453 072
Bonus	5 320 735	3 718 561
Medical aid - company contributions	5 905 137	5 749 231
UIF	494 793	458 335
SDL	1 219 456	909 675
Other payroll levies	32 051	22 567
Leave pay provision charge	2 848 935	2 074 055
Backpay	43 748	3 521
Defined contribution plans	7 634 772	6 915 155
Travel allowance	10 217 731	8 708 778
Overtime payments	1 791 564	1 142 012
Long-service awards	(304 697)	348 885
Acting allowances	319 739	9 694
Housing benefits and allowances	3 202 551	3 140 223
Allowance- standby	2 255 070	1 944 540
Temporal employees	1 088 977	1 580 001
Allowance -cellphone	485 155	509 532
	<u>103 856 910</u>	<u>88 687 837</u>

Remuneration of Chief Financial Officer (N. Boti)

Annual Remuneration	487 307	728 229
Backpay	43 748	-
Car Allowance	170 557	254 880
Contributions to UIF, Medical and Pension Funds	-	2 125
Leave Encashment	372 588	-
Residential Allowance	37 042	55 433
	<u>1 111 242</u>	<u>1 040 667</u>

Mrs N. Boti was the Chief Financial Officer until the 28th February 2023.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
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19. Employee related costs (continued)

Remuneration of director- Community Services (L. Ndabeni)

Acting Allowance	-	21 038
Annual Remuneration	385 505	232 734
Backpay	205 605	-
Car Allowance	129 767	82 515
Cellphone Allowance	22 568	12 695
Contributions to UIF, Medical and Pension Funds	13 130	10 733
Housing Allowance	39 494	24 684
Leave Encashment	139 503	273 546
	935 572	657 945

Mr L. Ndabeni was the Director - Community services until the 28th February 2023.

Remuneration of Director - Corporate Services (W.Zwane)

Annual Remuneration	733 691	728 229
Backpay	43 748	-
Car Allowance	256 792	254 880
Contributions to UIF, Medical and Pension Funds	-	2 125
Residential Allowance	55 692	55 433
	1 089 923	1 040 667

Remuneration of Director LEDPARD (S. Bati)

Acting Allowance	9 186	66 064
Annual Bonus	52 016	68 690
Annual Remuneration	367 673	624 196
Backpay	43 748	-
Car Allowance	101 382	172 115
Contributions to UIF, Medical and Pension Funds	-	78 031
Housing Allowance	42 233	120 000
Leave Encashment	163 418	-
	779 656	1 129 096

Ms. S. Bati was the Director - LEDPARD until the 31st January 2023.

Remuneration of Director- Infrastructure Services (Z. Petse)

Annual Bonus	-	62 420
Annual Remuneration	628 878	624 196
Backpay	43 745	-
Car Allowance	196 973	135 243
Contributions to UIF, Medical and Pension Funds	57 608	64 545
Housing Allowance	106 000	156 049
	1 033 204	1 042 453

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
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19. Employee related costs (continued)

Remuneration of Municipal Manager (L. Ndabeni)

Acting Allowance	168 304	-
Annual Remuneration	257 214	-
Car Allowance	107 173	-
Contributions to UIF, Medical and Pension Funds	21 435	-
Residential Allowance	21 435	-
	575 561	-

Mr L. Ndabeni was Acting Municipal Manager from July 2023 until 28 February 2023.

Mr L. Ndabeni was appointed Municipal Manager on the 1st March 2023.

Remuneration of Municipal Manager (T.P. Mase)

Annual Remuneration	-	517 385
Car Allowance	-	129 346
Performance Bonuses	-	36 956
Contributions to UIF, Medical and Pension Funds	-	1 417
Leave encashment	-	199 990
Settlement	-	633 533
	-	1 518 627

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 2023

Notes to the Annual Financial Statements

Restated	2023	2022
20. Remuneration of councillors		
Mayor	959 686	866 626
Chief Whip	729 474	688 141
Executive Committee Members	5 056 137	4 531 344
Speaker	774 800	730 148
Ordinary Councillors	13 822 933	13 564 646
	21 343 030	20 380 905
Mayor		
Basic Salary	884 533	822 226
Backpay	29 532	40 800
Cellphone allowance	41 922	-
Data Card Allowance	3 699	3 600
	959 686	866 626
Speaker		
Basic Salary	530 720	513 576
Backpay	21 552	40 800
Cellphone Allowance	41 922	-
Data Card Allowance	3 699	3 600
Car Allowance	176 907	172 172
	774 800	730 148
Chief Whip		
Basic Salary	497 551	482 329
Backpay	20 452	40 800
Cellphone Allowance	41 922	-
Data Card Allowance	3 699	3 600
Car Allowance	165 850	161 411
	729 474	688 140
Executive committee		
Basic Salary	3 378 072	3 235 530
Backpay	141 452	350 200
Cellphone Allowance	377 298	-
Data Card Allowance	33 291	30 900
Car Allowance	1 126 024	914 715
	5 056 137	4 531 345
Ordinary councillors		
Basic Salary	8 758 356	8 936 764
Backpay	469 538	1 717 000
Car Allowance	2 819 631	2 741 382
Cellphone Allowance	1 631 456	151 500
Data Card Allowance	143 952	18 000
	-	151 500
	13 822 933	13 716 146

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
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20. 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.

21. Depreciation and amortisation

Property, plant and equipment	47 383 300	47 143 069
Intangible assets	192 476	164 917
	<u>47 575 776</u>	<u>47 307 986</u>

22. Finance costs

Interest on long service awards	<u>795 137</u>	<u>550 695</u>
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23. Debt impairment

Consumer debtors and traffic fines	<u>14 496 120</u>	<u>13 743 028</u>
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24. Contracted services

Security Services	<u>10 299 320</u>	<u>8 471 087</u>
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25. Transfers and subsidies

Electrification Program	<u>23 450 435</u>	<u>16 105 217</u>
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Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
26. General expenses		
Advertising	805 185	406 052
Animal Feed	122 455	121 091
Audit committee expenses	537 974	388 399
Audit fees (Refer to note 27)	4 789 872	3 667 123
Bank Charges	325 824	212 618
Cleaning	768 560	29 158
Conferences and seminars	-	24 000
Consulting and professional fees	4 242 389	6 843 514
Consumables/Cemetery tagging	915 801	808 139
Contribution for legal fees	7 118 181	11 818 890
EPWP stipends	4 170 646	4 703 582
Electricity purchases	2 724 941	2 228 725
Entertainment	3 382 797	2 182 562
Fines and penalties	23 222	6 760
Fuel and oil	3 312 746	1 756 339
Hiring charges	37 188 191	31 357 923
Indigent subsidy	4 846 765	2 880 795
Insurance	2 361 693	1 150 786
Medical expenses	432 194	160 983
Motor vehicle expenses	267 726	298 814
Office expenses	37 865	38 441
Pound claims	36 090	5 745
Printing and stationery	1 204 758	2 360 739
Protective clothing	1 912 844	99 969
Repairs and maintenance	20 693 933	22 262 964
Software expenses	1 018 328	536 699
Special Projects	9 024 046	8 664 691
Staff welfare/COVID-19 related expenses	-	83 168
Subscriptions and membership fees	1 170 011	1 102 565
Survey and Planning	582 416	205 955
Telephone and fax	6 953 152	5 973 350
Tourism development	338 000	138 050
Training	1 698 671	1 016 687
Travel - local	7 675 713	7 959 165
Venue expenses	285 680	46 358
Ward committee stipend	6 494 341	4 315 203
	137 463 010	125 856 002
27. Auditors' remuneration		
Fees	4 789 872	3 667 123

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
28. Cash generated from operations		
Deficit	(8 929 564)	(19 145 490)
Adjustments for:		
Depreciation and amortisation	47 575 776	47 307 986
Gain on sale of assets and liabilities	244 080	1 917 749
Impairment loss on assets	1 906 111	10 430 671
Debt impairment	14 496 120	13 743 028
Movements in employee benefit obligations	1 588 175	928 402
Movements in provisions	925 634	715 484
Increase in provisions relating to employee cost	(795 137)	-
Actuarial loss	(892 568)	342 938
Other non-cash items	(312 849)	100 716
Changes in working capital:		
Receivables from exchange transactions	(2 552 463)	(1 362 080)
Receivables from exchange transactions	(13 023 006)	(13 237 936)
Payables from exchange transactions	(12 762 501)	5 737 763
VAT	4 397 055	(5 174 535)
Unspent conditional grants and receipts	(14 517 856)	19 617 856
	17 347 007	61 922 552

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
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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	2023	2022
Cash and Cash Equivalents	127 381 261	172 629 766
Receivables from exchange transactions	1 039 269	312 455
Receivables from non-exchange transactions	3 303 377	2 684 934

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 2023

Notes to the Annual Financial Statements

Restated	2023	2022
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30. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	1 039 269	1 039 269
Receivables from non-exchange transactions	-	3 303 377	3 303 377
Cash and Cash equivalents	127 381 261	-	127 381 261
	127 381 261	4 342 646	131 723 907

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	6 389 256	6 389 256

2022

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	312 455	312 455
Other 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	19 212 620	19 212 620

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
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31. Contingencies

Contingencies	72 844 710	50 035 854
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1. TDH Tsolo Junction//Mhlontlo Local Municipality

Claim for damages in the sum of R50 000 000 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 litigation relates to a contract that was terminated by the municipality on the grounds that it was awarded irregular. The municipality is being sued for amount of 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.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated

2023

2022

31. Contingencies (continued)

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.

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 2023

Notes to the Annual Financial Statements

Restated

2023

2022

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 payment 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 contingency relates to estimates legal costs of R1000 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 overtime, 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 contingency relates to estimated legal costs of 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 respondent (Municipal manager). This case relates to Mhlontlo residents who were opposing the appointed of a Municipal manager. The contingency relates to the estimated legal cost of R500 000.

43. Nqeketho//Mhlontlo Local Municipality (Case No. 1466/21)



Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
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31. Contingencies (continued)

Notice of motion. The contingency relates to the estimated legal cost of R500 000.

44. Enye Makapatwana & Ors//Mhlontlo Local Municipality (Case No. 2917/2023)

Notice of motion. The contingency relates to the estimated legal cost of R500 000.

45. Khubalo Mtshangala & Others//Mhlontlo Local Municipality (Case No. 2629/2020)

Notice of motion. The contingency relates to the estimated legal cost of R300 000.

46. Imatu Judgement & Ngcangula Judgement//Mhlontlo Local Municipality

Notice of motion. The contingency relates to the estimated legal cost of R300 000.

47. Zwelixelile Matinise & ntlangano Project CC//Mhlontlo Local Municipality (Case No. 96/21)

Notice of motion. The contingency relates to the estimated legal cost of R300 000

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated

2023

2022

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. Pula

Cllr N. Gcaba

Cllr L. Yalezo

Cllr L. Dlova

Cllr S. Voko

Cllr N. Sayiti

Cllr N.M. Mvanyashe

Cllr S. Matshoba

Cllr M. Fune

Cllr N. Zikolo

Cllr S. Kahla

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. Mputa

Cllr B. Rosi (Deceased - July 2023)

Cllr L. Boyana

Cllr S. Bontsa

Cllr N. Tiwani

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. Mfamele (Ward 20) (Deceased - September 2022)

Cllr A.M. Thembela (Ward 20) (Elected - December 2022)

Cllr N. Khemtshe (Ward 21)

Cllr S.M. Hlanti (Ward 22)

Cllr M. Khonza (Ward 23)

Cllr M. Ntamo (Ward 24)

Cllr N.V. Ncaphayi (Ward 25)

Cllr C. Maqebula (Ward 26)

Nkosi S. Mcelu

Nkosi M. Ranuga

PR Councillors

Councillors



Traditional leaders

Members of key management

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
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32. Related parties (continued)

Municipal Manager	Mr L. Ndabeni
Chief Financial Officer	Mrs N. Boti (Contract ended 28 February 2023)
	M. Langa (Acting)
Senior manager: Infrastructure Services	Ms. Z. Petse
Senior manager: Corporate Services	Mr W. Zwane
Senior manager: Local Economic Development	Ms. S Batyi (Contract ended 31 January 2023)
Acting Senior manager: Community Services	Mr. G.P. Ngcangula

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

	Previously stated	Adjustment	
Property, plant and equipment	528 263 798	(35 545 755)	492 718 043
VAT Receivable	13 475 233	(376 590)	13 098 643
Payables from exchange transaction	(18 534 023)	(678 600)	(19 212 623)
Transfers and subsidies	-	(16 105 216)	(16 105 216)
Opening Balance (accumulated surplus)	(659 806 367)	37 779 916	(622 026 451)
	<u>(136 601 359)</u>	<u>(14 926 245)</u>	<u>(151 527 604)</u>

Property, plant and Equipment

The prior year Trial Balance and FAR were correct, however they did not agree to the AFS hence the adjustment and that was never tested during the adjustment period.

A VAT journal between WIP and VAT receivables was incorrectly passed, that error was corrected in the current year

INEP expenditure was included under work in progress for the electrification programme, due to revised guideline issued by national treasury in the current financial year, the accounting has subsequently changed for non-licenced municipalities resulting in the reclassification to General expenditure.

VAT recievable

A VAT journal between WIP and VAT receivables was incorrectly passed, that error was corrected in the current year

Payables from exchange transactions

Prior year expenditure in work in progress was recorded in the current year. The has now been corrected by increasing work in progress and prior year accruals.

The comparative balances for 2022 have been restated as follows:

Cash Flow Statement	Previously Stated	Adjustments	Restated 2022
Cash flows from operating activities			
Property rates taxes	20 117 963	753 905	20 871 868
Services Charges	782 705	(782 705)	-
Other receipts	3 096 772	396 838	3 493 610
Employee costs	(106 645 604)	(1 494 537)	(108 140 141)
Suppliers	(138 576 581)	(12 473 424)	(151 050 005)
Cash flows from investing activities			
Purchase of property, plant and equipment	(73 847 656)	14 426 950	(59 420 706)
Proceeds from sale of property, plant and equipment	1 623 425	(210 810)	1 412 615
	<u>(293 448 976)</u>	<u>616 217</u>	<u>(292 832 759)</u>

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements



Restated	2023	2022
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33. Prior period errors (continued)

The comparative figures for 2022 have been restated as a result of:

Cash Flow Statement

The restatement is due to incorrect workings for movement in the above line items. That error has now been corrected

34. Unauthorised expenditure

Opening balance as previously reported	68 266 670	56 861 188
Opening balance restated	-	-
Add: Expenditure identified - current	-	11 405 482
Add: Expenditure identified - During audit	10 554 476	-
Less: Approved/condoned/authorised by council	(68 266 670)	-
Closing balance	10 554 476	68 266 670

Unauthorised expenditure of R10 554 476 identified during the audit.

35. Fruitless and wasteful expenditure

Opening balance as previously reported	1 157 596	1 150 836
Opening balance	1 157 596	1 150 836
Add: Expenditure identified - current	17 842	6 760
Less: Amount written off - current	(1 157 596)	-
Closing balance	17 842	1 157 596

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

Prior year Fruitless and wasteful expenditure balance was investigated by MPAC and written off by the council on the 28 June 2023.

36. Irregular expenditure

Opening balance as previously reported	58 683 685	105 103 711
Opening balance as restated	58 683 685	105 103 711
Add: Irregular Expenditure - current	-	4 545 359
Add: Irregular Expenditure - Discovered during 2022/23 audit	145 946	269 939
Less: Amount written off - current	(29 882 342)	(51 235 324)
Closing balance	28 947 289	58 683 685

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

Municipal managers' salary was not according to government gazette 47538, volume 689, dated 18 November 2022.	75 953
Three written quotations not invited	69 993
	<u>145 946</u>

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
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37. Deviation from supply chain management regulations

Goods and services to the value of R2 650 070 (2022:R18 900) 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.

Supplier name	Number	Description	Amount	Reason for deviation
Makangela Ntungani Incorporated	9947	Legal services	1 336 007	The supplier was appointed as part of panel of legal services. The contract had initial expired and was extended by 3 months, which expired on the 14 March 2023. However, the appointment of a new panel had not been concluded at the time of case. Therefore, circumstance dictated that the current lawyer on the case must continue seating on the case. Hence the deviation is off exceptional circumstance.
Microsoft		Payment of microsoft office license	1 314 063	Microsoft office is a sole provider of microsoft office software.
			<u>2 650 070</u>	

38. Commitments

Already contracted for but not provided for

Already contracted for but not provided for

Property, plant and equipment

23 937 899 32 437 714

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	2 440 712	2 031 967
Rental of facilities and equipment	36 685	24 034
Agency services	1 584 703	1 248 426
Licences and permits	1 259 347	1 430 771
Actuarial gain/loss	892 568	-
Other income	218 457	120 492
Interest received - investment	10 126 344	5 274 489
Property rates	33 875 730	33 278 036
Government grants & subsidies	300 708 143	271 854 877
Public contributions and donations	2 250 000	18
Fines, Penalties and Forfeits	762 260	831 765
Commission on payroll	312 851	272 031
Recoveries	142 509	-
	<u>354 610 309</u>	<u>316 366 906</u>

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
39. Revenue (continued)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	2 440 712	2 031 967
Rental of facilities and equipment	36 685	24 034
Agency services	1 584 703	1 248 426
Licences and permits	1 259 347	1 430 771
Actuarial gain/loss	892 568	-
Other income	218 457	120 492
Interest received - investment	10 126 344	5 274 489
	16 558 816	10 130 179
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	33 875 730	33 278 036
Transfer revenue		
Government grants & subsidies	300 708 143	271 854 877
Public contributions and donations	2 250 000	18
Fines, Penalties and Forfeits	762 260	831 765
Commission on payroll	312 851	272 031
Recoveries	142 509	-
	338 051 493	306 236 727
40. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	1 069 369	1 082 946
Amount paid - current year	(1 069 369)	(1 082 946)
	-	-
Audit fees		
Current year subscription / fee	4 789 872	3 667 123
Amount paid - current year	(4 789 872)	(3 667 123)
	-	-
PAYE, SDL and UIF		
Current year subscription / fee	23 941 143	18 562 260
Amount paid - current year	(23 941 143)	(18 562 260)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	22 171 149	21 970 456
Amount paid - current year	(22 171 149)	(21 970 456)
	-	-

AUDITOR GENERAL
SOUTH AFRICA
30 NOV 2023

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated	2023	2022
40. Additional disclosure in terms of Municipal Finance Management Act (continued)		
VAT		
VAT receivable	8 701 588	13 098 643

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 2023

Notes to the Annual Financial Statements

Restated

2023

2022

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 2022/2023.

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 2022 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 2023

Notes to the Annual Financial Statements

Restated

2023

2022

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 R6 000 000 INEP additional allocation in March 2023 which was unspent as year-end.

41.29 Variance is Trivial and immaterial.

41.30 Variance is Trivial and immaterial.

41.31 Intangible assets cost was not budgeted for.

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.

42. Events after the reporting date

No significant events have occurred after reporting date.

43. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus of R 613 096 887 and that the municipality's total assets exceed its liabilities by R 613 129 375.

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated

2023

2022

43. Going concern (continued)

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.

44. Segment information

General information

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 removal 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 2023
Notes to the Annual Financial Statements

Restated

44. Segment information (continued)
Segment surplus or deficit, assets and liabilities

2023

	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	2 440 712	-	-	2 440 712	-	2 440 712
Revenue from exchange transactions	-	17 348	-	17 348	19 337	36 685
Service charges	-	1 584 703	-	1 584 703	-	1 584 703
Rental of facilities and equipment	-	1 176 532	-	1 176 532	82 815	1 259 347
Agency services	-	23 801	-	23 801	194 656	218 457
Licences and permits	-	-	-	-	10 126 344	10 126 344
Other income	-	-	-	-	892 568	892 568
Interest earned - investments	-	-	-	-	-	-
Actuarial gains	-	-	-	-	-	-
Revenue from non-exchange transactions	33 875 731	-	-	33 875 731	-	33 875 730
Property rates	17 334 538	23 372 157	138 617 293	179 323 987	121 384 155	300 708 143
Government grants & subsidies	-	762 260	-	762 260	-	762 260
Fines	-	-	-	-	142 509	142 509
Recoveries	-	-	-	-	312 851	312 851
Commission received	-	-	-	-	-	-
Public contributions and donations	-	-	-	-	2 250 000	2 250 000
Total municipal revenue	53 650 981	26 936 801	138 617 293	219 205 074	135 405 235	354 610 309
Municipality's revenue						354 610 309

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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
44. Segment information (continued)						
Expenditure						
Employee related costs	(19 107 933)	(20 141 725)	(12 396 893)	(51 646 550)	(52 210 360)	(103 856 910)
Remuneration of councillors	-	-	-	-	(21 343 030)	(21 343 030)
Depreciation and amortisation	-	(1 461 393)	(41 472 543)	(42 933 936)	(4 641 840)	(47 575 776)
Impairments loss	-	-	(1 906 111)	(1 906 111)	-	(1 906 111)
Finance costs	-	-	-	-	(795 137)	(795 137)
Lease rentals on operating lease	-	-	-	-	(1 184 310)	(1 184 310)
Debt Impairment	(14 496 120)	-	-	(14 496 120)	-	(14 496 120)
Contracted services	-	(10 299 320)	-	(10 299 320)	-	(10 299 320)
Transfers and subsidies	-	-	-	-	(23 450 435)	(23 450 435)
Loss on disposal of assets	-	-	-	-	(244 080)	(244 080)
Loss on disposal of assets	-	(925 634)	-	(925 634)	-	(925 634)
Movement in (interest)/change in estimate on Landfill Site	(4 764 628)	(3 618 809)	(58 119 696)	(66 503 133)	(70 979 713)	(137 482 846)
General expenses	-	-	-	-	-	-
Total segment expenditure	(38 368 681)	(36 446 881)	(113 895 243)	(188 710 804)	(174 848 905)	(363 539 873)
Total municipality's surplus/(deficit)						(8 929 564)
Total segment revenue						219 205 074
Total segment expenditure						(188 710 804)
Segment surplus (deficit) for the year						30 494 270
Municipality's surplus (deficit) for the period						(8 929 564)

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated

44. Segment information (continued)

Assets	Trading services (Primary segment)	Public safety and Community services (Secondary segment)	Technical services, Road and Transport (Tertiary segment)	Segment Total	Eliminations (Non-segment)	Total
Receivables from exchange transactions	978 406	-	-	978 406	60 863	1 039 269
Receivables from non-exchange transactions	2 319 698	750 297	-	3 069 995	233 381	3 303 376
VAT Receivables	-	-	-	-	8 701 588	8 701 588
Cash and cash equivalents	-	-	-	-	127 381 261	127 381 261
Investment property	-	-	-	-	5 982 621	5 982 621
Property, plant and equipment	4 703 222	28 425 035	245 132 139	278 260 396	229 109 717	507 370 113
Intangible assets	-	-	-	-	80 985	80 985
Total assets	8 001 326	29 175 332	245 132 139	282 308 797	371 550 416	653 859 213
Total assets as per Statement of financial Position						653 859 213

Liabilities	Trading services (Primary segment)	Public safety and Community services (Secondary segment)	Technical services, Road and Transport (Tertiary segment)	Segment Total	Eliminations (Non-segment)	Total
Payables from exchange transactions	-	-	(8 083 483)	(8 083 483)	1 694 227	(6 389 256)
Employee benefits	-	-	-	-	(23 370 929)	(23 370 929)
Unspent conditional grants	-	-	(5 100 000)	(5 100 000)	(15 000)	(5 115 000)
Provisions	(5 854 653)	-	-	(5 854 653)	-	(5 854 653)
Total liabilities	(5 854 653)	-	(13 183 483)	(19 038 136)	(21 691 702)	(40 729 838)
Total segment assets						282 308 797
Total segment liabilities						(19 038 136)
Net segment assets						263 270 661
Municipalities' net assets						613 129 375

2022

Total

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated

44. Segment information (continued)

Revenue	2 031 968	-	-	2 031 968	-	-	2 031 968
Service charges	-	13 912	-	13 912	-	10 122	24 034
Rental of facilities and equipment	-	1 248 426	-	1 248 426	-	-	1 248 426
Agency services	-	1 279 253	-	1 279 253	-	151 518	1 430 771
Licences and permits	-	20 584	-	20 584	-	99 926	120 510
Other income	-	-	-	-	-	5 274 489	5 274 489
Interest earned - Investments	33 278 036	-	-	33 278 036	-	-	33 278 036
Property rates	27 971 539	27 165 924	87 525 339	142 662 802	129 192 075	271 854 877	271 854 877
Government grants and subsidies	-	831 765	-	831 765	-	-	831 765
Fines	-	-	-	-	-	272 031	272 031
Commission received	-	-	-	-	-	-	-
Total municipalities revenue	63 281 543	30 559 864	87 525 339	181 366 746	135 000 161	316 366 906	316 366 906

Municipality's revenue

316 366 906

Expenditure

Employee related costs	(14 933 837)	(23 119 484)	(10 669 018)	(48 722 339)	(39 965 298)	(88 687 637)
Remunerations 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)
Impairment of assets	(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)
Transfers and subsidies	-	-	-	-	(16 105 217)	(16 105 217)
Loss on disposal of assets	-	-	-	-	(1 917 749)	(1 917 749)
Actuarial losses	-	(715 484)	-	(715 484)	(342 938)	(342 938)
Movement in (interest)/change in estimate on Landfill site	-	-	-	-	-	(715 484)
General expenses	(2 123 546)	(2 614 948)	(53 690 651)	(58 429 145)	(67 426 857)	(125 856 002)
Total expenditure	(30 783 544)	(40 069 712)	(111 705 306)	(182 558 551)	(152 953 631)	(335 512 396)

Total municipality's surplus/(deficit)

(19 145 490)

Mhlontlo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated

						Total
44. Segment information (continued)						
Total segment revenue						(181 366 746)
Total segment expenditure						182 558 551
Segment surplus (deficit) for the year						<u>(1 191 805)</u>
Municipality's surplus (deficit) for the period						(19 145 490)
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	-	-	-	-	13 098 643	13 098 643
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	214 338 884	249 505 592	243 212 451	492 718 043
Intangible assets	-	-	-	-	157 238	157 238
Total assets	7 439 395	30 619 461	214 338 884	252 397 739	435 185 961	687 583 700
Total assets as per Statement of financial Position						687 583 700
Liabilities						
Payables from exchange transactions	-	-	-	-	(19 212 620)	(19 212 620)
Employee benefit obligation	-	-	-	-	(21 782 754)	(21 782 754)
Unspent conditional grants and receipts	-	-	(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)	(41 010 374)	(65 557 249)
Total segment assets						252 397 739
Total segment liabilities						(24 546 875)
Total segments net assets						227 850 064
Total liabilities as per Statement of financial Position						622 026 451

Mhlonlto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Restated

44. Segment Information (continued)

Reporting on Segments Assets and Liabilities

Assets and liabilities are utilised by management to assess key financial indicators and financial ratios 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 a number of geographical areas (i.e wards) in and around Qumbu and Tsolo area, the geographical information is not considered relevant 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.

The municipality's has aggregated some of its reportable segment (Secondary and Tertiary segments) as they share similar economic activity.

Measurement of segment surplus or deficit, assets and liabilities