



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

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

Legal form of entity

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act, 1998 (Act no. 117 of 1998).

Moqhaka Local Municipality is situated within the southern part of the Fezile Dabi District in the Free State province. The seat of local government is Kroonstad.

Nature of business and principal activities

Moqhaka is a local municipality performing functions as set out in the Constitution of South Africa, 1996 (Act no. 105 of 1996).

Mayoral committee

Executive Mayor
Speaker
Council Whip
Members of the Mayoral Committee

Mokatsane, ME
Khiba, SV
Semakale, MM
Tau, RD
Ramovha, S
Ntsala, TM
Tshabalala, MP
Lulama, MR
Khotle, MA
Phamotse, EP
Ramajoe, EL
Ramathibe, BS

Grading of local authority

The Moqhaka Municipality is a grade 4 Local Authority in terms of item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998 (Act no. 20 of 1998).

Accounting Officer

Tshabalala, PH

Chief Finance Officer (CFO)

Visagie, R (Acting)

Registered office

Municipal Offices
Hill Street
Kroonstad
9499

Business address

Municipal Offices
Hill Street
Kroonstad
9499

Postal address

PO Box 302
Kroonstad
9500

Bankers

ABSA Bank Limited

Auditors

Auditor General of South Africa

Attorneys

Du Randt & Louw Attorneys
Phambane Mokone Attorneys
Peyper Attorneys
Malebogo Maeyane Attorneys
Khumalo Masondo Attorneys
Majavu Incorporated

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

Members of Council

Baba, MN
Boeije, HME
Botha, AV
Chabalala, SM
Dalton, CM
Geldenhuis, J
Lebone, NS
Louwrens, L
Makoko, MP
Marapo, JS
Meko, J
Mnaba, NM
Mofokeng, TG
Mokoena, PS
Motsoeneng, SM
Mpele, MPE
Muller, ND
Nolo, NM
Pittaway, SH
Ramoola, MJ
Rankokosane, MD
Roderick, KJ
Saaiman, CJ
Sekhesa, L
Sello, T
Serapela, DJ
Sesing, IS
Thebe, EMM
Tloome, C
Van Heerden, L
Van Schalkwyk, L
Visagie, AJ

Moqhaka 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 provincial legislature:

| | Page |
|--|-------------|
| Accounting Officer's Responsibilities and Approval | 5 |
| Accounting Officer's Report | 6 |
| Statement of Financial Position | 7 |
| Statement of Financial Performance | 8 |
| Statement of Changes in Net Assets | 9 |
| Cash Flow Statement | 10 |
| Statement of Comparison of Budget and Actual Amounts | 11 |
| Accounting Policies | 12 - 35 |
| Notes to the Annual Financial Statements | 36 - 83 |

The following supplementary information does not form part of the annual financial statements and is unaudited:

Appendixes:

| | |
|---|----|
| Appendix A: Schedule of External loans | 84 |
| Appendix B: Analysis of Property, Plant and Equipment | 85 |
| Appendix C: Segmental analysis of Property, Plant and Equipment | 91 |
| Appendix D: Segmental Statement of Financial Performance | 92 |
| Appendix E: Actual versus Budget (Revenue and Expenditure) | 93 |
| Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act | 95 |

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Index

Abbreviations used:

| | |
|---------|--|
| COID | Compensation for Occupational Injuries and Diseases |
| DBSA | Development Bank of Southern Africa |
| GRAP | Generally Recognised Accounting Practice |
| HDF | Housing Development Fund |
| IAS | International Accounting Standards |
| IPSAS | International Public Sector Accounting Standards |
| MFMA | Municipal Finance Management Act, 2003 (Act no. 56 of 2003) |
| mSCOA | Municipal Standard Chart of Accounts |
| SCM | Supply Chain Management |
| CIGFARO | Chartered Institute of Government Finance, Audit and Risk Officers |
| MIG | Municipal Infrastructure Grant |

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act, 2003 (Act no. 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

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

I certify that the salaries, allowances and benefits of the accounting officer as disclosed in note 35 of these annual financial statements, are within the upper limits of the framework envisaged in Section 219 of the Constitution of South Africa, 1996 (Act no. 108 of 1996) read with the Remuneration of Public Officer Bearers Act, 1998 (Act no. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on page 6 to 83, which have been prepared on the going concern basis, were approved by the accounting officer on 29 February 2024 and were signed by:

Tshabalala, PH
Accounting Officer

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Report

The accounting officer submits her report for the year ended .

1. Review of activities

Main business and operations

Moqhaka is a local municipality performing functions as set out in the Constitution of South Africa, 1996 (Act no. 108 of 1996) and operates in the Moqhaka Municipal area.

Net deficit of the municipality was R 372 523 214 (2022: deficit R 191 395 954).

2. Going concern

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

The analysis of the going concern is clearly depicted in note 55.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year that could have an impact on the annual financial statements, except for matters as outlined in note 57.

4. Accounting Officers' interest in contracts

The accounting officer's did not have any interest in contracts during the financial year.

5. Accounting policies

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board and in accordance with section 122 (3) of the Municipal Financial Management Act, (Act No. 56 of 2003).

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

| | |
|----------------|---------------|
| Name | Nationality |
| Tshabalala, PH | South African |

7. Auditors

Auditor General of South Africa will continue in office for the next financial period.

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at

| Figures in Rand | Note(s) | 2023 | 2022 Restated* |
|--|---------|----------------------|----------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | 3 | 19 968 046 | 41 538 962 |
| Inventories | 4 | 96 985 931 | 96 874 951 |
| Investments | 5 | 120 189 | 112 026 |
| Receivables from exchange transactions | 6 | 370 646 053 | 397 000 234 |
| Receivables from non-exchange transactions | 7 | 56 622 218 | 62 717 104 |
| VAT receivable | 8 | 144 850 801 | 118 332 047 |
| | | 689 193 238 | 716 575 324 |
| Non-Current Assets | | | |
| Investments | 5 | 325 090 | 281 540 |
| Receivables from exchange transactions | 6 | 1 175 624 | 2 130 908 |
| Receivables from non-exchange transactions | 7 | 100 063 | 244 122 |
| Heritage assets | 9 | 7 754 166 | 7 761 921 |
| Intangible assets | 10 | 2 798 695 | 2 816 557 |
| Investment property | 11 | 105 102 271 | 107 623 327 |
| Property, plant and equipment | 12 | 1 901 464 084 | 1 947 015 785 |
| | | 2 018 719 993 | 2 067 874 160 |
| Total Assets | | 2 707 913 231 | 2 784 449 484 |
| Liabilities | | | |
| Current Liabilities | | | |
| Consumer deposits | 13 | 15 746 169 | 14 413 657 |
| Finance lease obligation | 14 | 1 238 510 | 942 792 |
| Borrowings | 15 | 10 564 266 | 12 654 537 |
| Payables from exchange transactions | 16 | 1 176 336 118 | 882 274 913 |
| Provisions | 17 | 51 000 | 58 000 |
| Unspent conditional grants and receipts | 18 | 2 353 851 | 1 764 538 |
| Employee benefit obligation | 19 | 7 986 232 | 7 244 490 |
| | | 1 214 276 146 | 919 352 927 |
| Non-Current Liabilities | | | |
| Finance lease obligation | 14 | 1 177 728 | 2 416 237 |
| Borrowings | 15 | 9 382 617 | 11 757 098 |
| Provisions | 17 | 128 396 708 | 111 511 971 |
| Employee benefit obligation | 19 | 144 058 000 | 156 266 000 |
| | | 283 015 053 | 281 951 306 |
| Total Liabilities | | 1 497 291 199 | 1 201 304 233 |
| Net Assets | | 1 210 622 032 | 1 583 145 251 |
| Accumulated surplus | | 1 210 622 032 | 1 583 145 251 |
| Total Net Assets | | 1 210 622 032 | 1 583 145 251 |

* See Note 51

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

| Figures in Rand | Note(s) | 2023 | 2022 Restated* |
|---|---------|------------------------|------------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Service charges | 21 | 593 248 978 | 555 326 952 |
| Rental of facilities and equipment | 22 | 5 723 509 | 5 043 682 |
| Fees earned | 23 | 148 187 | 208 378 |
| Interest received | 24 | 40 824 842 | 28 204 430 |
| Other income | 25 | 11 910 541 | 17 217 727 |
| Fair value adjustment | 26 | 1 623 365 | 2 043 982 |
| Gains on employee benefit obligation | 27 | 32 544 012 | 925 000 |
| Total revenue from exchange transactions | | 686 023 434 | 608 970 151 |
| Revenue from non-exchange transactions | | | |
| Taxation revenue | | | |
| Services charges (Availability charges) | 28 | 720 383 | 706 989 |
| Property rates | 29 | 82 052 199 | 74 402 755 |
| Interest received | 24 | 4 394 287 | 2 836 586 |
| Transfer revenue | | | |
| Government grants and subsidies | 30 | 330 100 606 | 316 798 485 |
| Public contributions and donations | 31 | 7 319 275 | 517 047 |
| Fines | 32 | 4 222 791 | 3 381 411 |
| Total revenue from non-exchange transactions | | 428 809 541 | 398 643 273 |
| Total revenue | 33 | 1 114 832 975 | 1 007 613 424 |
| Expenditure | | | |
| Employee related costs | 34 | (358 522 472) | (327 453 995) |
| Remuneration of councillors | 35 | (20 795 484) | (19 486 076) |
| Repairs and maintenance | 36 | (99 520 899) | (85 802 121) |
| Depreciation and amortisation | 37 | (111 131 304) | (108 311 080) |
| Finance costs | 38 | (83 081 714) | (73 897 023) |
| Debt impairment | 39 | (257 884 270) | (66 883 067) |
| Bulk purchases | 40 | (345 543 776) | (336 647 480) |
| Contracted services | 41 | (72 129 949) | (71 641 574) |
| General expenses | 42 | (124 516 952) | (88 506 392) |
| Total expenditure | | (1 473 126 820) | (1 178 628 808) |
| Operating deficit | | (358 293 845) | (171 015 384) |
| Cost on disposal of assets | 43 | (5 421 450) | (4 166 969) |
| Losses on employee benefit obligation | 27 | - | (2 822 878) |
| Impairment loss on assets | 44 | (8 807 919) | (13 390 723) |
| | | (14 229 369) | (20 380 570) |
| Deficit for the year | | (372 523 214) | (191 395 954) |

* See Note 51

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus / (deficit) | Total net assets |
|---|---------------------------------------|----------------------|
| Opening balance as previously reported | 1 814 654 926 | 1 814 654 926 |
| Adjustments | | |
| Prior year adjustments (Note 51) | (40 113 721) | (40 113 721) |
| Balance at 01 July 2021 as restated* | 1 774 541 205 | 1 774 541 205 |
| Changes in net assets | | |
| Deficit for the year | (191 395 954) | (191 395 954) |
| Total changes | (191 395 954) | (191 395 954) |
| Restated* Balance at 01 July 2022 | 1 583 145 246 | 1 583 145 246 |
| Changes in net assets | | |
| Deficit for the year | (372 523 214) | (372 523 214) |
| Total changes | (372 523 214) | (372 523 214) |
| Balance at | 1 210 622 032 | 1 210 622 032 |

* See Note 51

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

| Figures in Rand | Note(s) | 2023 | 2022 Restated* |
|---|---------|----------------------------|----------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Sale of goods and services | | 496 145 517 | 536 488 015 |
| Government grants and subsidies | | 330 689 919 | 302 282 061 |
| Interest income | | 2 091 824 | 1 150 843 |
| Taxation and fines revenue | | 4 222 791 | 3 381 411 |
| Other income | | 17 268 242 | 22 008 135 |
| Dividends | | 27 949 | 23 023 |
| | | <u>850 446 242</u> | <u>865 333 488</u> |
| Payments | | | |
| Employee costs | | (369 445 953) | (338 646 640) |
| Suppliers | | (366 096 318) | (367 513 305) |
| Finance costs | | (59 679 726) | (60 720 340) |
| | | <u>(795 221 997)</u> | <u>(766 880 285)</u> |
| Net cash flows from operating activities | 46 | <u>55 224 245</u> | <u>98 453 203</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 12 | (68 802 807) | (85 724 175) |
| Purchase of other intangible assets | 10 | (441 400) | (498 000) |
| Additions to investments | 5 | (8 163) | (5 234) |
| Net cash flows from investing activities | | <u>(69 252 370)</u> | <u>(86 227 409)</u> |
| Cash flows from financing activities | | | |
| Repayment of borrowings | 15 | (6 600 000) | (6 600 000) |
| Finance lease repayments | | (942 791) | (1 645 956) |
| Increase in finance lease liabilities | | - | 4 829 880 |
| Net cash flows from financing activities | | <u>(7 542 791)</u> | <u>(3 416 076)</u> |
| Net increase/(decrease) in cash and cash equivalents | | (21 570 916) | 8 809 718 |
| Cash and cash equivalents at the beginning of the year | | 41 538 962 | 32 729 244 |
| Cash and cash equivalents at the end of the year | 3 | <u>19 968 046</u> | <u>41 538 962</u> |

* See Note 51

Moqhaka 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 |
|---|------------------------|--------------------|------------------------|------------------------------------|--|-------------|
| Figures in Rand | | | | | | |
| Statement of Financial Performance | | | | | | |
| Revenue | | | | | | |
| Revenue from exchange transactions | | | | | | |
| Service charges | 711 994 000 | 823 000 | 712 817 000 | 593 248 978 | (119 568 022) | 21 |
| Rental of facilities and equipment | 7 598 000 | (21 000) | 7 577 000 | 5 723 509 | (1 853 491) | 22 |
| Other income | 20 364 000 | (4 255 000) | 16 109 000 | 46 226 105 | 30 117 105 | 23&25&26&27 |
| Interest received | 33 720 000 | (2 274 000) | 31 446 000 | 40 824 842 | 9 378 842 | 24 |
| Total revenue from exchange transactions | 773 676 000 | (5 727 000) | 767 949 000 | 686 023 434 | (81 925 566) | |
| Revenue from non-exchange transactions | | | | | | |
| Taxation revenue | | | | | | |
| Service charges (Availability charges) | - | - | - | 720 383 | 720 383 | 28 |
| Property rates | 89 572 000 | (7 633 000) | 81 939 000 | 82 052 199 | 113 199 | 29 |
| Interest received | - | - | - | 4 394 287 | 4 394 287 | 24 |
| Transfer revenue | | | | | | |
| Government grants and subsidies | 261 818 000 | 18 725 000 | 280 543 000 | 330 100 606 | 49 557 606 | 30 |
| Public contributions and donations | - | - | - | 7 319 275 | 7 319 275 | 31 |
| Fines | 4 697 000 | 30 000 | 4 727 000 | 4 222 791 | (504 209) | 32 |
| Total revenue from non-exchange transactions | 356 087 000 | 11 122 000 | 367 209 000 | 428 809 541 | 61 600 541 | |
| Total revenue | 1 129 763 000 | 5 395 000 | 1 135 158 000 | 1 114 832 975 | (20 325 025) | |
| Expenditure | | | | | | |
| Employee costs | (364 984 000) | (9 691 000) | (374 675 000) | (358 522 472) | 16 152 528 | 34 |
| Remuneration of councillors | (22 249 000) | (1 478 000) | (23 727 000) | (20 795 484) | 2 931 516 | 35 |
| Depreciation and amortisation | (10 958 000) | - | (10 958 000) | (111 131 304) | (100 173 304) | 37 |
| Finance costs | (8 696 000) | - | (8 696 000) | (83 081 713) | (74 385 713) | 38 |
| Debt impairment | (84 072 000) | 75 386 000 | (8 686 000) | (257 884 270) | (249 198 270) | 39 |
| Bulk purchases | (345 829 000) | (3 399 000) | (349 228 000) | (345 543 776) | 3 684 224 | 40 |
| Contracted services | (141 853 000) | (3 842 000) | (145 695 000) | (171 650 849) | (25 955 849) | 36&41 |
| General expenses | (109 929 000) | (27 801 000) | (137 730 000) | (138 746 321) | (1 016 321) | 42&43&44 |
| Total expenditure | (1 088 570 000) | 29 175 000 | (1 059 395 000) | (1 487 356 189) | (427 961 189) | |
| Operating deficit | 41 193 000 | 34 570 000 | 75 763 000 | (372 523 214) | (448 286 214) | |
| Transfers recognised - capital | 80 773 000 | 22 115 000 | 102 888 000 | 67 439 606 | (35 448 394) | 30 |
| Capital expenditure | (80 773 000) | (22 115 000) | (102 888 000) | (67 439 606) | 35 448 394 | 30 |
| | - | - | - | - | - | |
| Deficit for the year | 41 193 000 | 34 570 000 | 75 763 000 | (372 523 214) | (448 286 214) | |

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

| Figures in Rand | Note(s) | 2023 | 2022 |
|-----------------|---------|------|------|
|-----------------|---------|------|------|

1. Significant accounting policies

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

1.1 Basis of preparations

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, 2003 (Act no. 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.

These annual financial statements comply with all the requirements of the Standards of Generally Recognised Accounting Practice.

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

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:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Services and rates debtors

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

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. write down is included in the statement of financial performance in the year in which it arose.

Fair value estimation

The fair value of investment properties is determined with reference to market conditions as at year end. This valuation was performed by a registered professional valuer.

Provisions

Provisions were raised and management determined an estimate based on the best information available at the time of making the judgement and estimate of the financial effect.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives and residual values

The municipality's management determines the estimated useful lives and related depreciation / amortisation charges for the property, plant and equipment as well as intangible assets. The municipality re-assess the useful lives and the residual values if material of the individual asset. This estimate is based on industry norms and future plans of the municipality communicated through its strategic planning processes.

If material, management will change the depreciation consideration of the condition and actual use charge where useful lives are more / less than previously estimated.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

The municipality uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that materially impact on the fair value of the financial instruments, revenue and expenses at initial recognition. The adjustments require a degree of estimation around the discount rate and periods used.

Bad debts

All financial assets measured at amortised cost, or cost, are subject to an impairment review in accordance with paragraphs .57 to .64. of GRAP 104

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

- a) significant financial difficulty of the issuer or obligor;
- b) a breach of contract, such as a default or delinquency in interest or principal payments;
- c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- d) it is probable that the borrower will enter sequestration or other financial reorganisation;
- e) the disappearance of an active market for that financial asset because of financial difficulties; or

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

- f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - i. adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments); or
 - ii. national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers, or adverse changes in market conditions that affect the borrowers in the group).

An entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant (see paragraph .58). If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.4 Investment property

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

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

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

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

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

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

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

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.4 Investment property (continued)

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Derecognition

The gain or loss arising from derecognition of an item of investment property is included in surplus or deficit when the item is derecognised.

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

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

- When the municipality leases out the property and receives rental income.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- Determining any cash generations independent from other assets.
- Purpose of holding the asset, whether generally held to earn rental income or for capital appreciation.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 36).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 11).

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

It is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably

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.

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

An entity applies GRAP 12 to the costs of obligations for dismantling, removing and restoring the site on which an item is located that are incurred during a particular period as a consequence of having used the item to produce inventories during that period. The obligations for costs accounted for in accordance with GRAP 12 or this Standard are recognised and measured in accordance with the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets

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

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

| Item | Depreciation method | Average useful life |
|-----------------------------|---------------------|---------------------|
| Land | Straight-line | Indefinite |
| Buildings | Straight-line | 25 - 30 years |
| Building Fixtures | Straight-line | 3 - 5 years |
| Plant and machinery | Straight-line | 2 - 40 years |
| Furniture and fixtures | Straight-line | 3 - 15 years |
| Motor vehicles | Straight-line | 5 - 15 years |
| Office equipment | Straight-line | 3 - 15 years |
| IT equipment | Straight-line | 3 - 10 years |
| Infrastructure | Straight-line | 5 - 100 years |
| Community | Straight-line | 15 - 30 years |
| Quarries | Straight-line | 15 - 20 years |
| Landfill sites | Straight-line | 15 - 80 years |
| Finance leases - 3G cards | Straight-line | Contract Term |
| Finance leases - Cellphones | Straight-line | Contract Term |
| Solid waste | Straight-line | 5 - 55 years |
| Waste water network | Straight-line | 5 - 100 years |

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

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

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

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.5 Property, plant and equipment (continued)

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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 36).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12).

Impairment

The municipality assess 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 property, plant and equipment.

Transfer

Transfers from property, plant, and equipment assets are only made when the particular asset no longer meets the definition of a property, plant, and equipment.

Transfers to property, plant, and equipment are only made when the asset meets the definition of a property, plant, and equipment.

1.6 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

Accounting Policies

1.6 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.7 Heritage assets

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

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

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

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 36).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

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

Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.7 Heritage assets (continued)

If a heritage asset is revalued, the entire class of heritage assets to which that asset belongs shall be revalued. If the heritage asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in surplus or deficit. However, the decrease shall be debited directly in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset. The decrease recognised directly in net assets reduces the amount accumulated in net assets under the heading revaluation surplus.

There is a presumption that fair value can be measured reliably for a heritage asset. However, that presumption can be rebutted when market-determined prices or values are not available and alternative estimates of fair value are determined to be

clearly unreliable. In such a case, the heritage asset shall be measured using the cost model. The carrying amount of the heritage asset shall be its revalued amount at the date of the last revaluation less any subsequent accumulated impairment losses.

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

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.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

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.

Derecognition

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

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

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.8 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

| Item | Depreciation method | Average useful life |
|---|---------------------|---------------------|
| Computer software, internally generated | Straight-line | 20 years |
| Computer software | Straight-line | 3 - 5 years |

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.8 Intangible assets (continued)

Residual value

The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless there is a commitment by a third party to acquire the asset at the end of its useful life; or there is an active market for the asset and:

- (i) residual value can be determined by reference to that market; and
- (ii) it is probable that such a market will exist at the end of the asset's useful life.

Intangible assets are derecognised:

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

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

1.9 Financial instruments

A financial asset is:

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

Classification

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

| Class | Category |
|--|--|
| Receivables from exchange transactions | Financial asset measured at amortised cost |
| Receivables from non-exchange transactions | Financial asset measured at amortised cost |
| Other financial assets | Financial asset measured at fair value |
| Investments | Financial asset measured at amortised cost |
| Cash and Cash equivalents | Financial asset measured at amortised cost |

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

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Gains and losses

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

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

Impairment and uncollectability of financial assets

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

Financial assets measured at amortised cost:

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

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

Accounting Policies

1.9 Financial instruments (continued)

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

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

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

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

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

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.9 Financial instruments (continued)

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

1.10 Tax

Value Added Tax (VAT)

VAT comprises current and non-current VAT (deferred VAT). VAT is accounted for on an accrual basis, but the VAT declarations to the South African Revenue Services (SARS) are made on a payment basis in terms of section 15 of the Value-Added Tax Act 89 of 1991 (VAT Act). On a payment basis, the municipality must declare output tax when the recipient makes payment according to a taxable supply made to the recipient by the municipality. The municipality is liable to account for VAT at the standard rate of 15% in terms of section 7(1)(a) of the VAT Act in respect or response to a taxable supply of goods or services. Where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes, no output tax is declared to the SARS. The municipality can deduct input tax on qualifying VAT expenditure in terms of section 16 of the VAT Act also on the payment basis when they make payments to suppliers and the VAT expenditure is incurred in the course or furtherance of a taxable activity.

A VAT asset is recognised to the extent that the municipality will be able to deduct the net input tax in future VAT declarations to the SARS. VAT assets are reviewed at each reporting date and are adjusted based on the probability that the VAT asset can be realised in future VAT declarations to the SARS. The VAT asset will be reduced to the extent that it is no longer probable that the VAT asset will be realised. A VAT liability is recognised to the extent that the municipality will be obligated to declare a net output tax in future VAT declarations to the SARS.

The municipality assesses at each reporting date whether there is an indication that its output tax amount payable to the SARS is impaired. If any such indication exists, the municipality estimates the output tax payable amount based on observable data indicating a measurable decrease in the estimated future cash flows expected from its customers.

The VAT is offset in the statement of financial position because offsetting reflects the substance of the transaction as VAT is declared to the SARS on a net basis.

VAT is recognised using the VAT rates enacted or substantially enacted at the financial position date and considering any VAT payable or receivable adjustment in the past years.

1.11 Leases

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

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

Finance leases - lessor

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

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

Finance leases - lessee

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

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

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

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

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.11 Leases (continued)

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.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

1.12 Inventories

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

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

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

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

Inventories shall be recognised as an asset if, and only if,

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

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.13 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested.

Actuarial gains or losses: Actuarial gains and losses are recognised in the surplus or deficit in the reporting period in which they occur.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Post retirement obligations

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

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. Independent qualified actuaries carry out valuations of these obligations. The benefits are charge to income as incurred throughout the year.

1.14 Provisions and contingencies

Provisions are recognised when:

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

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.14 Provisions and contingencies (continued)

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

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

Future events that may affect the amount required to settle an obligation is reflected in the amount of the provision where there is sufficient objective evidence that they will occur.

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 58.

1.15 Revenue from exchange transactions

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

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

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

When uncertainty arises about the collectability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an expense rather than as an adjustment of the amount of revenue originally recognised.

Measurement

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

Sale of goods

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

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

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

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

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

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

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

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

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

Revenue from the rental of facilities and equipment is recognised on a straight-lined basis over the term of the lease agreement.

Penalty interest is levied on unpaid amounts each month. This revenue is recognised when leviable in terms of law.

1.16 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.

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.

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

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

Taxes

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

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

1.17 Borrowing costs

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

1.18 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.19 Irregular expenditure

According to section 1 of the MFMA: "irregular expenditure", in relation to a municipality or municipal entity, means:

- a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act and which has not been condoned in terms of section 170; or
- b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with a requirement of the Municipal Systems Act, 2000 (Act no. 32 of 2000) and which has not been condoned in terms of that Act; or

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.19 Irregular expenditure (continued)

- c) expenditure incurred by a 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 expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the 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 that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements. Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

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.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, 2003 (Act no. 56 of 2003), the Municipal Systems Act, 2000 (Act no. 32 of 2000), and the Public Office Bearers Act, 1998 (Act no. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Fruitless and wasteful expenditure

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

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

1.21 Comparative figures

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

Then the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed in note 51.

Where accounting errors have been identified in the current year, the correction is made retrospectively as far as practical, and the prior period comparatives are restated accordingly.

1.22 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.23 Related parties

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

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.23 Related parties (continued)

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

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

1.24 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Other grants and donations

Donations shall be measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

Other grants and donations shall be recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

1.25 Contractual commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Contractual commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract is yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.

1.26 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

1.27 Budget information

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

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

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

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.27 Budget information (continued)

The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

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.

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in Appendix E to the annual financial statements.

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

1.28 Statutory receivables

Identification

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

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means. Terms defined in other Standards of GRAP are used in this Standard with the same meaning as in those other Standards.

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

An entity shall initially measure statutory receivables at their transaction amount. The statutory receivables in paragraph .06 shall be measured initially in accordance with the applicable Standard of GRAP. The amount determined on initial measurement in accordance with another Standard of GRAP is the same as the transaction amount described in this Standard.

Subsequent measurement

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

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

Accrued interest

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

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

Impairment losses

An entity shall assess at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired. If any such indication exists, the entity shall apply paragraphs .22 to .29.

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.28 Statutory receivables (continued)

The future cash flows of a group of statutory receivables that are collectively evaluated for impairment can be estimated using historical experience for receivables with similar characteristics. Entities that have no entity-specific historical experience or insufficient experience, can use peer group experience (when available) for comparable groups of statutory receivables. Historical experience may need to be adjusted to reflect the effects of current conditions that did not affect the period on which the historical experience is based and, to remove the effects of conditions in the historical period that do not exist currently. Where historical experience is used, the methodology and assumptions used to estimate future cash flows shall be reviewed regularly to reduce any differences between estimated and actual impairment losses.

An impairment loss recognized in prior periods for a statutory receivable shall be revised if there has been a change in the estimates used since the last impairment loss was recognized, or to reflect the effect of discounting the estimated cash flows in accordance with paragraph .23.

Derecognition

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

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

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

1.29 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.30 National Housing Programme

The Moqhaka Local Municipality is a Category B municipality. The municipality is not yet accredited for the housing development scheme. The municipality is currently in the process of a level 1 accreditation. However, the municipality is still required in terms of the guidelines on accounting for arrangements undertaken in terms of the National Housing Programme.

In terms of this level 1 accreditation, the municipality is required to identify and plan local housing programmes and projects.

This is done through the Municipal Human Settlements Plan (MHSP), which is integrated into the municipality's Integrated Development Plan (IDP). The IDP has been approved through a Council resolution and subsequently submitted to the MEC for Local Government for review and comment.

In complying with the requirements of the ASB guidelines, the municipality further identified sites for Reconstruction and Development Programme (RDP) development. These sites have been included as inventory in the Annual Financial Statements.

The municipality makes available the land earmarked for RDP housing construction as classified under inventory on vacant sites to the provincial Department of Human Settlement and disposes of the land once beneficiaries take ownership and/or when deeds registrations are finalised.

Beneficiary management

The municipality assists in the collection of application forms from beneficiaries, informing eligible beneficiaries of the outcome of their application by the relevant provincial Department of Human Settlements and assisting with the handover of the houses.

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|---|--|--|
| • Guideline: Guideline on Accounting for Landfill Sites | 01 April 2025 | Unlikely there will be a material impact |
| • GRAP 104 | 01 April 2023 | Unlikely there will be a material impact |
| • GRAP 25 (as revised): Employee Benefits; and iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction | To be determined | Unlikely there will be a material impact |
| • iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction | To be determined | Unlikely there will be a material impact |
| • iGRAP 21: The Effect of Past Decisions on Materiality | 01 April 2023 | Unlikely there will be a material impact |

3. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---------------------|-------------------|-------------------|
| Bank balances | 14 602 200 | 27 365 409 |
| Short-term deposits | 5 365 846 | 14 173 553 |
| | 19 968 046 | 41 538 962 |

Cash and cash equivalents pledged as collateral

| | | |
|--|--------|--------|
| Guarantee issued to the Department of Mineral Resources | 50 000 | 50 000 |
| This cession is linked to ABSA notice deposit account number: 205-8247-882 | | |

The municipality had the following bank accounts

| Account number / description | Bank statement balances | | | Cash book balances | | |
|--|-------------------------|-------------------|-------------------|--------------------|-------------------|-------------------|
| | | 30 June 2022 | 30 June 2021 | | 30 June 2022 | 30 June 2021 |
| ABSA Bank - Cheque account - 405 327 4876 | 14 574 006 | 27 353 182 | 6 103 851 | 14 573 134 | 27 352 309 | 6 103 163 |
| ABSA Bank - Call account - 91 3190 1443 | 5 364 809 | 14 172 135 | 26 598 376 | 5 365 846 | 14 173 553 | 26 598 376 |
| ABSA Bank - Cheque account - 405 327 4876 Accrued interest | 29 066 | 13 100 | - | 29 066 | 13 100 | 3 311 |
| Total | 19 967 881 | 41 538 417 | 32 702 227 | 19 968 046 | 41 538 962 | 32 704 850 |

Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|------------------------------|-------------------|-------------------|
| 4. Inventories | | |
| Consumables stores | 24 949 411 | 24 705 417 |
| Vacant Sites held for resale | 71 747 749 | 71 904 749 |
| Water | 288 771 | 264 785 |
| | 96 985 931 | 96 874 951 |

Consumable Inventory held by the municipality increased by R 243 994 in the current year (2022: increase R 10 618 752).

Vacant sites by the municipality decreased by R 157 000 in the current year (2022: decrease R 4 485 700).

Water Inventory held by the municipality increased by R 23 986 in the current year (2022: increase R 34 369).

During the year inventory that were expensed through the Statement of Financial Performance amounted to R 12 940 787 (2022: R 9 532 230).

No Inventories have been pledged as collateral for liabilities of the municipality.

5. Investments

Designated at fair value

| | | |
|---------------|---------|---------|
| ABSA deposits | 120 189 | 112 026 |
|---------------|---------|---------|

At fair value

| | | |
|--------|---------|---------|
| Senwes | 177 330 | 165 508 |
|--------|---------|---------|

The fair value is based on quoted price from active markets for identical assets and is therefore a level 1 (11 822 shares at R15.00).

| | | |
|-----------|---------|---------|
| Senwesbel | 147 760 | 116 032 |
|-----------|---------|---------|

The fair value is based on quoted price from active markets for identical assets and is therefore a level 1 (18 130 shares at R8.15).

| | | |
|-------------------------------------|----------------|----------------|
| | 325 090 | 281 540 |
| Total other financial assets | 445 279 | 393 566 |

Non-current assets

| | | |
|---------------|---------|---------|
| At fair value | 325 090 | 281 540 |
|---------------|---------|---------|

Current assets

| | | |
|-------------------|---------|---------|
| At amortised cost | 120 189 | 112 026 |
|-------------------|---------|---------|

Financial assets at fair value

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|--|----------------------|----------------------|
| 6. Receivables from exchange transactions | | |
| Gross balances | | |
| Electricity | 132 306 659 | 100 478 496 |
| Water | 610 605 042 | 588 000 723 |
| Waste water | 178 776 041 | 161 337 802 |
| Waste | 127 691 001 | 115 469 949 |
| Other services | 86 186 262 | 84 842 078 |
| Prepayments | 5 558 532 | 3 622 596 |
| | 1 141 123 537 | 1 053 751 644 |
| Less: Allowance for impairment | | |
| Electricity | (54 048 801) | (33 350 286) |
| Water | (450 986 980) | (418 398 466) |
| Waste water | (107 976 190) | (75 132 812) |
| Waste | (79 030 771) | (54 327 064) |
| Other services* | (78 434 742) | (75 542 782) |
| | (770 477 484) | (656 751 410) |
| Net balance | | |
| Electricity | 78 257 858 | 67 128 210 |
| Water | 159 618 062 | 169 602 257 |
| Waste water | 70 799 851 | 86 204 990 |
| Waste | 48 660 230 | 61 142 885 |
| Other services | 7 751 520 | 9 299 296 |
| Prepayments | 5 558 532 | 3 622 596 |
| | 370 646 053 | 397 000 234 |
| Included in above is receivables from exchange transactions | | |
| Rentals | 761 518 | 664 567 |
| Sundry services | 85 424 744 | 84 177 511 |
| | 86 186 262 | 84 842 078 |
| The following categories are included in the balance of sundry services: | | |
| Burial and cemeteries, Advertising and signs, Building plans, Fire and rescue services, Connection of water and sanitation, Clearance certificates, Sale of stands, etc. | | |
| Electricity | | |
| Current (0 -30 days) | 2 057 328 | 1 360 828 |
| 31 - 60 days | 1 638 289 | 1 013 875 |
| 61 - 90 days | 2 033 403 | 961 497 |
| > 90 days | 72 528 838 | 63 792 010 |
| | 78 257 858 | 67 128 210 |

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|--|----------------------|----------------------|
| 6. Receivables from exchange transactions (continued) | | |
| Water | | |
| Current (0 -30 days) | 4 338 834 | 4 088 277 |
| 31 - 60 days | 3 455 095 | 3 045 941 |
| 61 - 90 days | 4 288 378 | 2 888 584 |
| > 90 days | 147 535 755 | 159 579 455 |
| | 159 618 062 | 169 602 257 |
| Waste water | | |
| Current (0 -30 days) | 2 142 547 | 2 092 805 |
| 31 - 60 days | 1 706 150 | 1 559 229 |
| 61 - 90 days | 2 117 631 | 1 478 678 |
| > 90 days | 64 833 523 | 81 074 278 |
| | 70 799 851 | 86 204 990 |
| Waste | | |
| Current (0 -30 days) | 1 476 405 | 1 483 139 |
| 31 - 60 days | 1 175 689 | 1 105 002 |
| 61 - 90 days | 1 459 236 | 1 047 916 |
| > 90 days | 44 548 900 | 57 506 828 |
| | 48 660 230 | 61 142 885 |
| Other services | | |
| Current (0 -30 days) | 213 945 | 264 859 |
| 31 - 60 days | 170 368 | 197 331 |
| 61 - 90 days | 211 457 | 187 137 |
| 91 - 120 days | 7 155 750 | 8 649 969 |
| | 7 751 520 | 9 299 296 |
| Prepayments | | |
| Current (0 -30 days) | 5 558 532 | 3 622 596 |
| Summary of debtors by customer classification | | |
| Total | | |
| Current (0 -30 days) | 36 212 748 | 25 197 241 |
| 31 - 60 days | 28 836 895 | 18 550 403 |
| 61 - 90 days | 35 791 630 | 17 623 343 |
| > 90 days | 1 034 723 732 | 988 758 061 |
| | 1 135 565 005 | 1 050 129 048 |
| Less: Allowance for impairment | (770 477 484) | (656 751 410) |
| | 365 087 521 | 393 377 638 |
| Non-current receivables from exchange transactions | | |
| > 365 days | 1 175 624 | 2 130 908 |
| Reconciliation of allowance for impairment | | |
| Balance at beginning of the year | (656 751 410) | (584 769 588) |
| Contributions to allowance | (770 477 484) | (656 751 410) |
| Debt written off against allowance | 138 713 763 | - |
| Reversal of allowance | 518 037 647 | 584 769 588 |
| | (770 477 484) | (656 751 410) |

Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---------------------|---------------------|
| 6. Receivables from exchange transactions (continued) | | |
| Non-current receivables from exchange transactions | | |
| Arrangements included in the above receivables from exchange transactions amounting to R 1 175 624 (2022: R 2 130 908) is a number of consumers with whom arrangements have been made to pay the debt over a period longer than one year. | | |
| No receivable from exchange transaction have been pledged as collateral for liabilities of the municipality. | | |
| Credit quality of consumer debtors | | |
| The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates: | | |
| 7. Receivables from non-exchange transactions | | |
| Eskom account deposit | 781 154 | 747 501 |
| Fuel deposits | 2 484 820 | 2 484 820 |
| Long term debtors | 100 063 | 244 122 |
| Other receivables | 269 391 | 1 291 313 |
| Outstanding electricity collections | 13 071 972 | 12 894 455 |
| Statutory receivables: Assessment rates | 39 230 417 | 44 759 190 |
| Statutory receivables: Fines | 784 464 | 539 825 |
| | 56 722 281 | 62 961 226 |
| Non-current assets | 100 063 | 244 122 |
| Current assets | 56 622 218 | 62 717 104 |
| | 56 722 281 | 62 961 226 |
| Assessment rates | | |
| Gross balances | 83 778 587 | 77 775 517 |
| Less: Allowance for impairment | (44 548 170) | (33 016 327) |
| | 39 230 417 | 44 759 190 |
| Total receivables from non-exchange transactions | 56 722 281 | 62 961 226 |
| Total | | |
| Current (0 -30 days) | 2 414 240 | 2 100 613 |
| 31 - 60 days | 1 922 505 | 1 787 667 |
| 61 - 90 days | 2 386 165 | 1 664 034 |
| > 90 days | 77 055 677 | 72 223 203 |
| Less: Impairment | (44 548 170) | (33 016 327) |
| | 39 230 417 | 44 759 190 |
| Reconciliation of allowances for impairment: Assessment rates | | |
| Balance at the beginning of the year | (33 016 327) | (30 183 668) |
| Contribution to allowance | (44 548 170) | (33 016 327) |
| Reversal of allowance | 33 016 327 | 30 183 668 |
| | (44 548 170) | (33 016 327) |
| Fines | | |
| Gross balance | 3 909 158 | 2 714 989 |
| Less: Impairment | (3 124 694) | (2 175 164) |
| | 784 464 | 539 825 |

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

7. Receivables from non-exchange transactions (continued)

Reconciliation of allowance for impairment: Fines

| | | |
|--------------------------------------|--------------------|--------------------|
| Balance at the beginning of the year | (2 175 164) | (1 392 332) |
| Contribution to allowance | (3 124 694) | (2 175 164) |
| Reversal of impairment | 2 175 164 | 1 392 332 |
| | (3 124 694) | (2 175 164) |

The calculation in respect of the impairment fines receivable is based on an assessment of the past payment history of fines per category. The total average collectability of fines were 23% (2022: 26%).

The calculation for initial recognition and measurement of fines reduced and or cancelled is based on an assessment of past reduced and or cancelled history of fines per category. The total average estimated reductions used were 25% (2022: 10%).

Non-current receivables from non-exchange transactions

| | | |
|-------------------|---------|---------|
| Long term debtors | 100 063 | 244 122 |
|-------------------|---------|---------|

8. VAT receivable

| | | |
|-----|-------------|-------------|
| VAT | 144 850 801 | 118 332 047 |
|-----|-------------|-------------|

The municipality is registered on the cash basis for VAT purposes. This means that VAT is only paid once cash is received or actual payments are made.

9. Heritage assets

| | 2023 | | | 2022 | | |
|-----------------|---------------------|-------------------------------------|----------------|---------------------|-------------------------------------|----------------|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| Heritage assets | 7 761 921 | (7 755) | 7 754 166 | 7 761 921 | - | 7 761 921 |

Reconciliation of heritage assets 2023

| | Opening balance | Impairment losses recognised | Total |
|-----------------|--------------------|------------------------------------|-----------|
| Heritage assets | 7 761 921 | (7 755) | 7 754 166 |

Reconciliation of heritage assets 2022

| | Opening balance | Total |
|-----------------|--------------------|-----------|
| Heritage assets | 7 761 921 | 7 761 921 |

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

9. Heritage assets (continued)

Heritage assets

The municipality's heritage assets comprise of significant historical assets within the Moqhaka Municipality.

These are made up of the:

Anglo-Boer War Memorial Burial Site,
Sports monument,
Mayoral chains, and
ZR Mahabane House.

Reconciliation of heritage assets

| | Carrying amount 2023 | Carrying amount 2022 |
|--|-------------------------|-------------------------|
| Municipal jewellery | 1 277 800 | 1 277 800 |
| Areas of land of historic or specific significance | 242 367 | 250 122 |
| Culturally significant buildings | 6 233 999 | 6 233 999 |
| | 7 754 166 | 7 761 921 |

10. Intangible assets

| | 2023 | | | 2022 | | |
|-------------------|---------------------|---|----------------|---------------------|---|----------------|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software | 6 637 421 | (3 838 726) | 2 798 695 | 6 196 021 | (3 379 464) | 2 816 557 |

Reconciliation of intangible assets - 2023

| | Opening balance | Additions | Amortisation | Total |
|-------------------|--------------------|-----------|--------------|-----------|
| Computer software | 2 816 557 | 441 400 | (459 262) | 2 798 695 |

Reconciliation of intangible assets - 2022

| | Opening balance | Additions | Amortisation | Total |
|-------------------|--------------------|-----------|--------------|-----------|
| Computer software | 2 742 315 | 498 000 | (423 758) | 2 816 557 |

Other information

There were no intangible assets that were assessed as having an indefinite useful life.

There are no intangible assets whose titles are restricted or pledged as security for municipality's liabilities.

There are no contractual commitments for the acquisition of intangible assets.

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

11. Investment property

| | 2023 | | | 2022 | | |
|---------------------|---------------------|---|----------------|---------------------|---|----------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 105 102 271 | - | 105 102 271 | 107 623 327 | - | 107 623 327 |

Reconciliation of investment property - 2023

| | Opening balance | Disposals | Transfers | Fair value adjustments | Total |
|---------------------|--------------------|-------------|-----------|---------------------------|-------------|
| Investment property | 107 623 327 | (3 876 942) | (223 929) | 1 579 815 | 105 102 271 |

Reconciliation of investment property - 2022

| | Opening balance | Disposals | Fair value adjustments | Total |
|---------------------|--------------------|-----------|---------------------------|-------------|
| Investment property | 105 837 439 | (228 500) | 2 014 388 | 107 623 327 |

Pledged as security

There are currently no restrictions on investment property as they have not being pledged as securities for liabilities.

There are no restrictions on the reliability of investment property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations for the acquisition of investment property.

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

Details of valuation

The fair value of the investment property was provided by EMS Solutions registered as a Professional Associated Valuer under subsection (2) of section 22 of the Property Valuers Profession Bill, 2000 (Act no. 47 of 2000).

Amounts recognised in surplus and deficit for the year

| | | |
|---|-----------|-----------|
| Rental revenue from investment property | 5 723 509 | 5 043 682 |
|---|-----------|-----------|

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

12. Property, plant and equipment

| | 2023 | | | 2022 | | |
|--------------------------------|----------------------|---|----------------------|----------------------|---|----------------------|
| | Cost / Valuation | Accumulated depreciation and impairment | Carrying value | Cost / Valuation | Accumulated depreciation and impairment | Carrying value |
| Land | 50 503 535 | - | 50 503 535 | 45 779 606 | - | 45 779 606 |
| Buildings | 71 261 622 | (31 747 171) | 39 514 451 | 71 207 873 | (30 010 561) | 41 197 312 |
| Plant and machinery | 10 127 535 | (6 967 231) | 3 160 304 | 10 603 209 | (7 061 683) | 3 541 526 |
| Furniture and office equipment | 11 799 541 | (7 761 368) | 4 038 173 | 12 294 569 | (8 219 087) | 4 075 482 |
| Motor vehicles | 58 124 974 | (42 849 195) | 15 275 779 | 56 877 444 | (42 408 070) | 14 469 374 |
| IT equipment | 18 250 261 | (10 342 860) | 7 907 401 | 19 582 221 | (10 016 079) | 9 566 142 |
| Landfill sites | 17 209 966 | (13 770 154) | 3 439 812 | 17 209 966 | (13 574 836) | 3 635 130 |
| Infrastructure | 4 153 571 178 | (2 586 927 931) | 1 566 643 247 | 4 120 030 039 | (2 488 484 708) | 1 631 545 331 |
| Community | 203 175 681 | (125 161 186) | 78 014 495 | 200 296 685 | (116 372 969) | 83 923 716 |
| Capital work in progress | 133 337 180 | (2 536 570) | 130 800 610 | 106 262 260 | (320 208) | 105 942 052 |
| Finance leased assets | 3 689 597 | (1 523 320) | 2 166 277 | 3 689 597 | (349 483) | 3 340 114 |
| Total | 4 731 051 070 | (2 829 586 986) | 1 901 464 084 | 4 663 833 469 | (2 716 817 684) | 1 947 015 785 |

Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

| | Opening balance | Additions | Disposals | Transfers received | Transfers | Public contributions and donations | Depreciation | Impairment loss | Total |
|--------------------------------|----------------------|-------------------|--------------------|-----------------------|----------------|--|----------------------|--------------------|----------------------|
| Land | 45 779 606 | - | - | - | 223 929 | 4 500 000 | - | - | 50 503 535 |
| Buildings | 41 197 312 | 53 748 | - | - | - | - | (1 614 814) | (121 795) | 39 514 451 |
| Plant and machinery | 3 541 526 | 581 945 | (135 972) | - | - | - | (790 256) | (36 939) | 3 160 304 |
| Furniture and office equipment | 4 075 482 | 848 575 | (185 291) | - | - | 7 800 | (645 169) | (63 224) | 4 038 173 |
| Motor vehicles | 14 469 374 | 2 849 391 | (463 450) | - | - | 1 119 843 | (2 509 947) | (189 432) | 15 275 779 |
| IT equipment | 9 566 142 | 571 242 | (342 393) | - | - | - | (1 836 846) | (50 744) | 7 907 401 |
| Landfill sites | 3 635 130 | - | - | - | - | - | (195 318) | - | 3 439 812 |
| Infrastructure | 1 631 545 331 | 2 295 576 | (260 404) | 31 328 206 | - | 653 632 | (96 819 668) | (2 099 426) | 1 566 643 247 |
| Community | 83 923 716 | 288 550 | - | 2 590 446 | - | - | (5 086 187) | (3 702 030) | 78 014 495 |
| Capital work in progress | 105 942 052 | 61 313 780 | - | (33 918 652) | - | - | - | (2 536 570) | 130 800 610 |
| Finance leased assets | 3 340 114 | - | - | - | - | - | (1 173 837) | - | 2 166 277 |
| | 1 947 015 785 | 68 802 807 | (1 387 510) | - | 223 929 | 6 281 275 | (110 672 042) | (8 800 160) | 1 901 464 084 |

Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

| | Opening balance | Additions | Disposals | Transfers received | Transfers | Public contributions and donations | Depreciation | Impairment loss | Total |
|--------------------------------|----------------------|-------------------|------------------|-----------------------|--------------------|--|----------------------|---------------------|----------------------|
| Land | 45 629 606 | 150 000 | - | - | - | - | - | - | 45 779 606 |
| Buildings and fixtures | 40 270 688 | 2 525 227 | - | - | - | - | (1 598 603) | - | 41 197 312 |
| Plant and machinery | 2 886 554 | 1 328 859 | (17 315) | - | - | - | (636 952) | (19 620) | 3 541 526 |
| Furniture and office equipment | 3 351 116 | 1 053 191 | (10 245) | - | - | 226 790 | (524 660) | (20 710) | 4 075 482 |
| Motor vehicles | 16 837 446 | - | (17 109) | - | - | - | (2 218 999) | (131 964) | 14 469 374 |
| IT equipment | 5 980 972 | 4 636 845 | (18 184) | - | - | 290 257 | (1 321 208) | (2 540) | 9 566 142 |
| Landfill sites | 1 507 868 | - | (51 781) | 2 346 750 | - | - | (167 707) | - | 3 635 130 |
| Infrastructure | 1 715 297 275 | 2 122 035 | (656 135) | 23 344 990 | - | - | (95 896 741) | (12 666 093) | 1 631 545 331 |
| Community | 89 172 045 | 26 013 | - | - | - | - | (5 044 752) | (229 590) | 83 923 716 |
| Capital work in progress | 67 358 627 | 70 243 005 | - | (25 691 740) | (5 647 632) | - | - | (320 208) | 105 942 052 |
| Finance leased assets | 178 814 | 3 639 000 | - | - | - | - | (477 700) | - | 3 340 114 |
| | 1 988 471 011 | 85 724 175 | (770 769) | - | (5 647 632) | 517 047 | (107 887 322) | (13 390 725) | 1 947 015 785 |

Capital commitments

Approved and contracted for capital expenditure

| | | |
|----------------|--------------------|--------------------|
| Infrastructure | 102 685 200 | 23 745 644 |
| Motor vehicles | 152 777 510 | 152 777 510 |
| Community | 2 774 800 | 706 876 |
| Buildings | 575 521 | - |
| Landfill sites | 5 558 937 | 25 306 603 |
| Other | - | 138 856 |
| | 264 371 968 | 202 675 489 |

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

12. Property, plant and equipment (continued)

Capital Work In Progress - 2023

| | Included within infrastructure and landfill sites | Included within community | Included within Building & Fixtures | Total |
|-------------------------------|---|---------------------------|-------------------------------------|--------------------|
| Opening balance | 94 795 588 | 10 702 001 | 444 464 | 105 942 053 |
| Additions/capital expenditure | 25 390 913 | (532 356) | - | 24 858 557 |
| | 120 186 501 | 10 169 645 | 444 464 | 130 800 610 |

Capital Work In Progress - 2022

| | Included within Infrastructure and landfill sites | Included within Community | Included within Building & Fixtures | Total |
|-------------------------------|---|---------------------------|-------------------------------------|--------------------|
| Opening balance | 58 243 044 | 8 671 120 | 444 464 | 67 358 628 |
| Additions/capital expenditure | 36 552 544 | 2 030 880 | - | 38 583 424 |
| | 94 795 588 | 10 702 000 | 444 464 | 105 942 052 |

Reconciliation of infrastructure assets

Infrastructure

| | | |
|-----------------------|----------------------|----------------------|
| Roads and storm water | 626 348 026 | 648 580 750 |
| Electricity | 317 962 010 | 347 169 330 |
| Water | 365 752 286 | 367 624 271 |
| Sewerage | 256 580 958 | 268 171 545 |
| | 1 566 643 280 | 1 631 545 896 |

Assets registers contain assets with a carrying value of R0. These are assets which have either been fully impaired or have been disposed in the 2021-22 financial year. The latter are kept in the register for comparison purposes.

Capital work in progress refers to infrastructure, community ongoing projects and assets which have been paid for and have not been delivered as at 30 June 2023.

Significantly Delayed Capital Work in Progress include: Fencing of Steynsrus/Matlwangtlwang Offices, Construction of 0.608km paved road and stormwater in Rammulotsi, Construction of indoor-outdoor sports facilities in Koekoe Village.

Halted Capital Work in Progress include: Construction of 66kv overhead ring main feed line phase 1, Upgrading sewer treatment work phase 3.

Significantly Delayed Capital Work in Progress

| | |
|----------------------|-------------------|
| Infrastructure | Amount |
| Buildings & Fixtures | 2 931 840 |
| Community | 444 464 |
| | 7 023 916 |
| | 10 400 220 |

Halted Capital Work in Progress

| | |
|----------------|------------|
| Infrastructure | Amount |
| | 17 641 396 |

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|--|-------------------|-------------------|
| 13. Consumer deposits | | |
| Electricity | 4 901 194 | 4 000 717 |
| Water | 6 615 599 | 6 247 499 |
| Sundries | 4 229 376 | 4 165 441 |
| | 15 746 169 | 14 413 657 |
| 14. Finance lease obligation | | |
| Minimum lease payments due | | |
| - within one year | 1 756 320 | 1 756 320 |
| - in second to fifth year inclusive | 1 317 240 | 3 073 560 |
| | 3 073 560 | 4 829 880 |
| less: future finance charges | (657 322) | (1 470 851) |
| Present value of minimum lease payments | 2 416 238 | 3 359 029 |
| Present value of minimum lease payments due | | |
| - within one year | 1 238 510 | 942 792 |
| - in second to fifth year inclusive | 1 177 728 | 2 416 237 |
| | 2 416 238 | 3 359 029 |
| Non-current liabilities | 1 177 728 | 2 416 237 |
| Current liabilities | 1 238 510 | 942 792 |
| | 2 416 238 | 3 359 029 |

It is municipality policy to lease certain motor vehicles and equipment under finance leases. The average lease term does not exceed 5 years. The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to the note 12.

The lease payments does not escalate per annum in line with the service level agreement that the municipality signed, and no arrangements have been entered into for any contingent rent.

15. Borrowings

At amortised cost

| | | |
|-------------------------------------|------------|------------|
| Development Bank of Southern Africa | 19 946 883 | 24 411 635 |
|-------------------------------------|------------|------------|

Non-current liabilities

| | | |
|-------------------|-----------|------------|
| At amortised cost | 9 382 617 | 11 757 098 |
|-------------------|-----------|------------|

Current liabilities

| | | |
|-------------------|------------|------------|
| At amortised cost | 10 564 266 | 12 654 537 |
|-------------------|------------|------------|

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

15. Borrowings (continued)

Defaults and breaches

The municipality restructured all loans from the Development Bank of Southern Africa during 2012. The restructured loan bears interest on the outstanding amount at a fixed rate of 9% while amounts in arrears will bear interest at 11%

The loan is payable in 60 (sixty) quarterly payments starting on 1 August 2012. The municipality has not defaulted payments in the current year. The municipality was not able to remedy the defaults and terms of the loan was not required to be renegotiated in terms of the restructured loan.

Balance in arrears

| | | |
|----------|------------------|-------------------|
| Capital | 8 035 189 | 7 613 957 |
| Interest | 152 852 | 5 040 580 |
| | 8 188 041 | 12 654 537 |

16. Eskom payment arrangement

| | | |
|-------------------------------|----------------------|--------------------|
| Trade payables | 1 124 900 222 | 844 625 466 |
| Payments received in advanced | 29 021 882 | 17 769 326 |
| Deposits received | 76 893 | 87 457 |
| Retention creditors | 6 351 706 | 6 153 798 |
| Third parties | 15 985 415 | 13 638 866 |
| | 1 176 336 118 | 882 274 913 |

Bulk electricity

| | | |
|----------------------|----------------------|--------------------|
| Current (0 -30 days) | 63 230 898 | 47 979 310 |
| 31 - 60 days | 58 861 102 | 62 452 152 |
| 61 - 90 days | 68 462 447 | - |
| > 90 days | 839 105 927 | 647 573 168 |
| | 1 029 660 374 | 758 004 630 |

Various trade creditors

| | | |
|----------------------|-------------------|-------------------|
| Current (0 -30 days) | 22 602 917 | 12 513 961 |
| 31 - 60 days | 34 956 297 | 6 303 767 |
| 61 - 90 days | 1 903 688 | 2 240 089 |
| > 90 days | 35 572 504 | 65 563 018 |
| | 95 035 406 | 86 620 835 |

Auditor-General of South Africa

| | | |
|----------------------|---------|---|
| Current (0 -30 days) | 204 443 | - |
|----------------------|---------|---|

Suppliers have not been paid within the prescribed 30 day period due to cash flow constraints.

17. Provisions

Reconciliation of provisions - 2023

| | Opening Balance | Additions | Reversed | Interest costs | Change in estimate | Total |
|----------------------------------|--------------------|------------------|----------------|------------------|--------------------|--------------------|
| Funeral death benefit | 58 000 | - | (7 000) | - | - | 51 000 |
| Rehabilitation of landfill sites | 68 576 550 | - | - | 1 099 861 | 11 559 037 | 81 235 448 |
| Rehabilitation cost of quarries | 14 264 332 | - | - | 1 624 878 | 703 965 | 16 593 175 |
| Leave pay | 28 671 089 | 1 896 996 | - | - | - | 30 568 085 |
| | 111 569 971 | 1 896 996 | (7 000) | 2 724 739 | 12 263 002 | 128 447 708 |

Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

17. Provisions (continued)

Reconciliation of provisions - 2022

| | Opening Balance | Reversed | Interest costs | Change in estimate | Total |
|---------------------------------------|--------------------|------------------|------------------|--------------------|--------------------|
| Funeral death benefit | 67 000 | (9 000) | - | - | 58 000 |
| Rehabilitation cost of landfill sites | 65 257 158 | - | 971 976 | 2 347 416 | 68 576 550 |
| Rehabilitation cost of quarries | 13 120 893 | - | 1 449 859 | (306 420) | 14 264 332 |
| Leave pay | 29 110 450 | (439 361) | - | - | 28 671 089 |
| | 107 555 501 | (448 361) | 2 421 835 | 2 040 996 | 111 569 971 |
| Non-current liabilities | | | | 128 396 708 | 111 511 971 |
| Current liabilities | | | | 51 000 | 58 000 |
| | | | | 128 447 708 | 111 569 971 |

Funeral death benefit

The funeral death benefit scheme was initiated by the Municipality for its employees who were appointed prior to 1996. The scheme is only open to these municipal employees, and payouts are only made to employees who are deceased while in the service of the Municipality. The scheme participants make a monthly contribution of R 2.50 and upon death the beneficiary/family receives the R 1 000 payout.

Rehabilitation of landfill sites and quarries

In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act no. 28 of 2002), it is required from the municipality to execute the environmental management program to restore the landfill sites and quarries at Kroonstad, Viljoenskroon and Steynsrus.

Summary of liability for landfill site and quarries costs

| | | |
|-------------------------------|-------------------|-------------------|
| Kroonstad (landfill site) | 43 028 862 | 37 406 987 |
| Steynsrus (landfill site) | 12 766 386 | 9 203 859 |
| Viljoenskroon (landfill site) | 25 440 201 | 21 965 704 |
| Kroonstad (gravel quarry) | 7 875 223 | 7 240 988 |
| Steynsrus (gravel quarry) | 8 717 952 | 7 023 344 |
| | 97 828 624 | 82 840 882 |

Key assumptions used:

Assumptions used at the reporting date:

| | |
|------------------------------------|---------|
| Viljoenskroon - CPI | - % |
| Viljoenskroon - discount rate used | - % |
| Steynsrus - CPI | 6.81 % |
| Steynsrus - discount rate used | 11.95 % |
| Kroonstad - CPI | - % |
| Kroonstad - discount rate used | - % |

Kroonstad and Viljoenskroon rates are 0% for CPI and discount rate as the useful lives are 0 and no discounting is applied.

Leave pay

Annual leave accrues to employees on a monthly basis in accordance with the conditions of employment. Employees are entitled to 16 non-vested leave days and 8 vested leave days per annum, accumulated to a maximum of 48 leave days. The provision is an estimate of the amount due to staff as at the financial year-end, based on the value of leave and the estimated leave days to be forfeited.

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

17. Provisions (continued)

It is not the municipality's policy to encash leave in the normal course of business, except upon resignation, termination or retirement.

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

| | | |
|---------------|-----------|-----------|
| LG SETA Grant | 2 353 851 | 1 764 538 |
|---------------|-----------|-----------|

Movement during the year

| | | |
|--------------------------------------|------------------|------------------|
| Balance at the beginning of the year | 1 764 538 | 19 338 574 |
| Additions during the year | 330 100 606 | 316 798 251 |
| Income recognition during the year | (329 511 293) | (334 372 287) |
| | 2 353 851 | 1 764 538 |

See note 30 for the reconciliation of grants from other spheres of government. The amounts are recognised as revenue when the qualifying expenditure is incurred.

19. Employee benefit obligations

Employee benefit obligations

| Reconciliation of Employee benefit obligation - 2023 | Opening Balance | Additions / (reversal) | Interest cost | Benefits paid | Actuarial loss/(gain) | Total |
|--|--------------------|------------------------|-------------------|--------------------|-----------------------|--------------------|
| Long service awards | 18 979 000 | 1 938 000 | 2 213 000 | (1 751 000) | (1 347 000) | 20 032 000 |
| Post-retirement Medical Plan | 137 287 000 | 5 838 000 | 16 329 000 | (4 043 988) | (31 384 012) | 124 026 000 |
| 13th Cheque | 7 244 490 | 741 742 | - | - | - | 7 986 232 |
| | 163 510 490 | 8 517 742 | 18 542 000 | (5 794 988) | (32 731 012) | 152 044 232 |

| Reconciliation of Employee benefit obligation - 2022 | Opening Balance | Additions | Interest cost | Benefits paid | Actuarial loss/(gain) | Total |
|--|--------------------|------------------|------------------|------------------|-----------------------|--------------------|
| Long service awards | 18 112 000 | 1 737 000 | 1 792 000 | (2 454 000) | (208 000) | 18 979 000 |
| Post-retirement Medical Plan | 134 648 000 | - | 3 763 000 | 3 946 878 | 2 822 878 | 137 287 000 |
| 13th Cheque | 6 619 327 | 625 163 | - | - | - | 7 244 490 |
| | 159 379 327 | 2 362 163 | 5 555 000 | 1 492 878 | 2 614 878 | 163 510 490 |

Carrying value

| | | |
|-----------------------------|----------------------|----------------------|
| Long service awards | (20 032 000) | (18 979 000) |
| Post retirement medical aid | (124 026 000) | (137 287 000) |
| 13th cheque | (7 986 232) | (7 244 490) |
| | (152 044 232) | (163 510 490) |

| | | |
|-------------------------|----------------------|----------------------|
| Non-current liabilities | (144 058 000) | (156 266 000) |
| Current liabilities | (7 986 232) | (7 244 490) |
| | (152 044 232) | (163 510 490) |

Long service awards

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

19. Employee benefit obligations (continued)

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The said award comprises a certain number of vacation leave days which, in accordance with the option exercised by the beneficiary employee, can be converted into a cash amount based on his/her basic salary applicable at the time the award becomes due or, alternatively, credited his/her vacation leave accrual. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2023.

Key assumptions used

| | |
|--------------------------------|--|
| Discount rates used | Yield Curve |
| CPI (Consumer Price Inflation) | Difference between nominal and yield curve |
| Salary inflation | Equal to CPI+1 |
| Net discount rate | Yield Curve Base |

The basis on which the discount rate has been determined is as follow:

The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. Further it is assumed that the current policy for awarding long service awards remains unchanged in the future.

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

| | | |
|--|-------------------|-------------------|
| Opening balance | 18 979 000 | 18 112 000 |
| Net expense recognised in the statement of financial performance | 1 053 000 | 867 000 |
| | 20 032 000 | 18 979 000 |

Net expense recognised in the statement of financial performance:

| | | |
|--------------------------|------------------|----------------|
| Current service cost | 1 938 000 | 1 737 000 |
| Interest cost | 2 213 000 | 1 792 000 |
| Actuarial (gains) losses | (1 347 000) | (208 000) |
| Benefit payments | (1 751 000) | (2 454 000) |
| | 1 053 000 | 867 000 |

Calculation of actuarial gains and losses

| | | |
|-------------------------|--------------------|------------------|
| Current Service Cost | 1 938 000 | 1 737 000 |
| Benefits paid | (1 347 000) | (2 454 000) |
| Actuarial gain / (loss) | (1 751 000) | (208 000) |
| | (1 160 000) | (925 000) |

Post retirement medical aid plan

The Municipality's current active employees and pensioners have the choice of participating in the following medical schemes:

- LA Health Medical Scheme
- Bonitas Medical Scheme;
- Hosmed Medical Scheme
- Samwumed Medical Scheme; and
- Key Health Medical Scheme.

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

19. Employee benefit obligations (continued)

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

| | | |
|---|--------------------|--------------------|
| Present value of the defined benefit obligation-wholly unfunded | 137 287 000 | 134 648 000 |
| Current interest cost | 16 329 000 | 3 763 000 |
| Actuarial (gains) losses | (31 384 012) | 2 822 878 |
| Benefits payments | (4 043 988) | (3 946 878) |
| Current service cost | 5 838 000 | - |
| | 124 026 000 | 137 287 000 |

Net expense recognised in the statement of financial performance:

| | | |
|--------------------------|---------------------|------------------|
| Current service cost | 5 838 000 | - |
| Interest cost | 16 329 000 | 3 763 000 |
| Actuarial (gains) losses | (31 384 012) | 2 822 878 |
| Benefits payments | (4 043 988) | (3 946 878) |
| | (13 261 000) | 2 639 000 |

Calculation of actuarial gains and losses

| | | |
|--------------------------|--------------|-----------|
| Actuarial (gains) losses | (31 384 012) | 2 822 878 |
|--------------------------|--------------|-----------|

The post retirement medical plan is a defined benefit plan, of which the members are made up as follows:

| | | |
|-----------------------------------|-----|-----|
| Continuation Members (Pensioners) | 63 | 61 |
| Current (In Service) Members | 620 | 603 |

Key assumptions used

Assumptions used at the reporting date:

| | |
|------------------------------------|---|
| Discount rate | Yield Curve |
| CPI (Consumer Price Inflation) | Difference between nominal and yield curves |
| Medical Aid Contribution Inflation | CPI+1.5% |
| Net Effective Discount Rate | Yield curve based |

The expected benefit payments over the next annual reporting period is reflected in the table

| | | |
|-------------------------|---|--------------------|
| Balance at 30 June 2023 | - | 124 026 000 |
| Current Service Cost | - | 5 332 000 |
| Interest cost | - | 16 064 000 |
| Curtailment | - | (4 621 000) |
| | - | 140 801 000 |

20. Eskom payment arrangement

Reconciliation of Eskom payment arrangement

| | | |
|---|---|---------------|
| Opening balance | - | 327 653 727 |
| Other changes / movements during the year | - | (327 653 727) |
| | - | - |

Arrangement debt

The municipality entered into a payment arrangement with Eskom concerning a portion of their Eskom electricity bulk account. In terms of the payment arrangement, the municipality is required to service the arranged debt over five years, whereby the municipality committed to pay Eskom an additional amount to their monthly electricity bulk account.

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

20. Eskom payment arrangement (continued)

The municipality regrettably defaulted on making all required payments in terms of the payment arrangement, which led to the arrangement debt becoming payable immediately in terms of the arrangement agreement with Eskom.

As a consequence of the default, the municipality derecognised the long-term arrangement debt arrangement amount, which led to an increase of the current Eskom debt amount due.

21. Service charges

| | | |
|---------------------|--------------------|--------------------|
| Sale of electricity | 334 124 124 | 343 696 195 |
| Sale of water | 155 608 401 | 120 120 204 |
| Solid waste | 43 000 218 | 37 401 956 |
| Waste water | 60 516 235 | 54 108 597 |
| | 593 248 978 | 555 326 952 |

Income foregone

The income foregone included in the difference service charges relates to discounts given to farmers, discounts given to pensioners and also incentives given to debtors settling their accounts in terms of the debt collection and credit control policy.

22. Rental of facilities and equipment

Facilities and equipment

| | | |
|----------------------|-----------|-----------|
| Rental of facilities | 5 723 509 | 5 043 682 |
|----------------------|-----------|-----------|

23. Fees earned

| | | |
|------------------------------------|---------|---------|
| Administrative and management fees | 148 187 | 208 378 |
|------------------------------------|---------|---------|

24. Interest received

Interest revenue

| | | |
|--|-------------------|-------------------|
| Bank | 2 091 824 | 1 150 843 |
| Receivables from exchange transactions | 38 733 018 | 27 053 587 |
| Receivables from non-exchange transactions | 4 394 287 | 2 836 586 |
| | 45 219 129 | 31 041 016 |

All amounts above included in investment revenue arises from exchange transactions.

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|-------------------|--------------------|
| 25. Other income | | |
| Administration income | 679 059 | 524 210 |
| Building plans and inspection fees | 915 539 | 1 068 731 |
| Burial income | 1 784 405 | 1 602 183 |
| Clearance certificates | 286 495 | 302 804 |
| Connection fees | 1 075 302 | 2 827 219 |
| Discount received | 462 061 | 404 257 |
| Dividends received | 27 949 | 23 023 |
| Erven sales | 2 102 998 | 6 548 206 |
| Escort fees | 2 180 | 2 874 |
| Fire brigade and rescue services | - | 412 640 |
| Hostel fees | 41 255 | 41 255 |
| Insurance claims | 600 158 | 230 046 |
| Proceed from auction | 2 191 439 | - |
| Provision for rehabilitation adjustment | - | 306 420 |
| Railway siding | 12 482 | 128 935 |
| Special services | - | 5 387 |
| Sundry income | 1 372 646 | 2 257 516 |
| Unclaimed deposits | 332 588 | 497 649 |
| Water valuation adjustments | 23 985 | 34 372 |
| | 11 910 541 | 17 217 727 |
| 26. Fair value adjustments | | |
| Investment property | 1 579 815 | 2 014 388 |
| Investment in shares | 43 550 | 29 594 |
| | 1 623 365 | 2 043 982 |
| 27. Gains (losses) on employee benefit obligations | | |
| Long service awards: Actuarial gains / (losses) | 1 160 000 | 925 000 |
| Post retirement medical benefit: Actuarial gains / (losses) | 31 384 012 | (2 822 878) |
| | 32 544 012 | (1 897 878) |
| 28. Services charges (Availability charges) | | |
| Water | 359 644 | 344 627 |
| Waste water | 360 739 | 362 362 |
| | 720 383 | 706 989 |
| 29. Property rates | | |
| Rates received | | |
| Residential | 21 512 684 | 18 893 362 |
| Commercial | 37 183 378 | 33 948 163 |
| State | 23 356 137 | 21 561 230 |
| | 82 052 199 | 74 402 755 |

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---------------------------------------|----------------------|----------------------|
| 29. Property rates (continued) | | |
| Valuations | | |
| Commercial | 6 226 023 313 | 6 197 317 314 |
| Multi-purpose | 187 414 003 | 185 544 004 |
| Municipal | 462 104 203 | 483 940 203 |
| Non-ratable | 239 807 806 | 242 024 806 |
| Residential | 4 717 590 698 | 4 694 849 696 |
| State | 1 154 342 017 | 1 160 022 017 |
| | 2 987 282 040 | 2 963 698 040 |

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

An average rate of R 0.021 (2022: R 0.021) is applied to property valuations to determine assessment rates.

Rates are levied on a monthly basis. Interest at prime plus 1% per annum (2022: prime plus 1%) is levied on rates outstanding two months after due date. (Excluding national government property rates which is levied on an annual basis).

An application was made with the Department of CoGTA on 17 July 2020 for an extension of the Valuation Roll (01 July 2017 – 30 June 2021) due to the impact of Covid-19, condition of the water supply, solid waste and waste water services, planned extension off the new developments for business & residential developments, replacement of faulty water & electricity meters inclusive of indigents as well of funds needed for improvement of AG's report relating to infrastructure and immovable assets register. Approval was granted on 23 October 2020 by the Head of CoGTA Mr Mokete Victor Duma until June 2024.

Income foregone

The Income foregone included in the different property rates relates to the first R 200 000 of all residential properties that are exempted from paying property rates including, discounts given to farmers, discounts given to pensioners and also incentives given to debtors settling their accounts in terms of the debt collection and credit control policy.

30. Government grants and subsidies

Operating grants

| | | |
|--------------------------------------|--------------------|--------------------|
| Equitable share | 257 433 000 | 230 417 000 |
| LG SETA Grant | - | 19 778 |
| Financial Management Grant (FMG) | 2 300 000 | 2 200 000 |
| Housing Development Grant | 1 500 000 | 2 151 484 |
| Expanded Public Works Program (EPWP) | 1 428 000 | 1 392 000 |
| | 262 661 000 | 236 180 262 |

Capital grants

| | | |
|--|--------------------|--------------------|
| Water Services Infrastructure Grant (WSIG) | 10 292 000 | 16 065 046 |
| Rehabilitation of sewerage network - DWS | - | 8 134 363 |
| Rehabilitation of sewerage network - CoGTA | - | 6 500 000 |
| Municipal Infrastructure Grant (MIG) | 45 594 000 | 48 418 814 |
| Integrated National Electrification Program (INEP) | 1 923 000 | 1 500 000 |
| Regional Bulk Infrastructure Grant (RBIG) | 9 630 606 | - |
| | 67 439 606 | 80 618 223 |
| | 330 100 606 | 316 798 485 |

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

30. Government grants and subsidies (continued)

Conditional and Unconditional

Included in above are the following grants and subsidies received:

| | | |
|-------------------------------|--------------------|--------------------|
| Conditional grants received | 72 667 606 | 86 381 251 |
| Unconditional grants received | 257 433 000 | 230 417 000 |
| | 330 100 606 | 316 798 251 |

Equitable share

| | | |
|---|---------------|---------------|
| Current year receipts | 257 433 000 | 220 958 000 |
| Conditions met - transferred to revenue | (257 433 000) | (230 417 000) |
| Grant withheld by National Treasury | - | 9 459 000 |
| | - | - |

This grant is primarily used to subsidise the provision of basic services to indigent households. All registered indigent households receive a monthly subsidy based on the basic service charges for water, electricity, sewerage, refuse, which is funded from the grant. Indigent households also receive 10kl free water and 50kwh free electricity per month.

Municipal Infrastructure Grant (MIG)

| | | |
|---|--------------|--------------|
| Balance unspent at beginning of year | - | 6 082 814 |
| Current year receipts | 45 594 000 | 42 336 000 |
| Conditions met - transferred to revenue | (45 594 000) | (48 418 814) |
| | - | - |

The grant is used to supplement the municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services.

LG SETA Grant

| | | |
|---|------------------|------------------|
| Balance unspent at beginning of year | 1 764 538 | 1 231 714 |
| Current year receipts | 589 313 | 552 602 |
| Conditions met - transferred to revenue | - | (19 778) |
| | 2 353 851 | 1 764 538 |

Conditions still to be met - remain liabilities (see note 18).

The grant is used for training municipality staff to enhance their skills in their respective positions.

Extended Public Works Program (EPWP)

| | | |
|---|-------------|-------------|
| Current year receipts | 1 428 000 | 1 392 000 |
| Conditions met - transferred to revenue | (1 428 000) | (1 392 000) |
| | - | - |

This grant is used in respect of job creation projects and programmes.

Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|--|-------------|-------------|
| 30. Government grants and subsidies (continued) | | |
| Finance Management Grant (FMG) | | |
| Current year receipts | 2 300 000 | 2 200 000 |
| Conditions met - transferred to revenue | (2 300 000) | (2 200 000) |
| | - | - |

This grant is to train and appoint intern staff members in the finance department of the municipality.

Water Services Infrastructure Grant (WSIG)

| | | |
|---|--------------|--------------|
| Balance unspent at beginning of year | - | 12 024 046 |
| Current year receipts | 10 292 000 | 13 500 000 |
| Conditions met - transferred to revenue | (10 292 000) | (16 065 046) |
| Other | - | (9 459 000) |
| | - | - |

Conditions still to be met - remain liabilities (see note 18).

This grant is used for infrastructure development including rehabilitation of key infrastructure assets.

Housing Development Grant

| | | |
|---|-------------|-------------|
| Current year receipts | 1 500 000 | 2 151 484 |
| Conditions met - transferred to revenue | (1 500 000) | (2 151 484) |
| | - | - |

The grant is used for the capacitation and support towards a level one accreditation of the housing section.

Rehabilitation of sewerage network - DWS

| | | |
|---|---|-------------|
| Current year receipts | - | 8 134 363 |
| Conditions met - transferred to revenue | - | (8 134 363) |
| | - | - |

This grant is used for the rehabilitation of Kroonstad waste water treatment works.

Integrated National Electrification Program (INEP)

| | | |
|---|-------------|-------------|
| Current-year receipts | 1 923 000 | 1 500 000 |
| Conditions met - transferred to revenue | (1 923 000) | (1 500 000) |
| | - | - |

This grant is used for the electrification of households.

Regional Bulk Infrastructure Grant (RBIG)

| | | |
|---|-------------|---|
| Current-year receipts | 9 360 606 | - |
| Conditions met - transferred to revenue | (9 360 606) | - |
| | - | - |

The grant is used for the refurbishment of the wastewater treatment works In Kroonstad.

Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|--|------|-------------|
| 30. Government grants and subsidies (continued) | | |
| Rehabilitation of sewerage network - CoGTA | | |
| Current year receipts | - | 6 500 000 |
| Conditions met - transferred to revenue | - | (6 500 000) |
| | - | - |

This grant is used for the rehabilitation of the Kroonstad waste water treatment works.

31. Public contributions and donations

| | | |
|--|------------------|----------------|
| Public contributions and donations | 7 319 275 | 517 047 |
| AJ Dieseldiens | - | 4 000 |
| Department of Rural Development | 4 500 000 | - |
| Department forestry, fisheries and the environment | 1 119 843 | - |
| Matliduna | 7 800 | - |
| Department of Water and Sanitation | 653 632 | - |
| Fezile Dabi District Municipality | - | 503 304 |
| Provincial Treasury | 1 038 000 | - |
| Mr. Gau | - | 2 781 |
| Wanga Power Projects | - | 6 962 |
| | 7 319 275 | 517 047 |

For the financial year ending 30 June 2023

- Department of Rural Development donated Land to the value of R4 500 000.
- Department forestry, fisheries and the environment donated Motor vehicles to the value of R1 119 843.
- Matliduna donated furniture and office equipment to the value of R7 800.
- Department of Water and Sanitation donated Infrastructure assets to the value of R653 632.

The Provincial Treasury paid the audit fees for the municipality to the value of R1 038 000.

For the financial year ending 30 June 2022

- AJ Dieseldiens donated IT equipment to the value of R4 000.
- Wanga Power Projects donated IT equipment to the value of R6 962.
- Fezile Dabi District Municipality donated IT equipment to the value of R279 295.

Fezile Dabi District Municipality donated Furniture and office equipment to the value of R224 009.

- Mr. Gau donated Furniture and office equipment to the value of R2 781.

32. Fines

| | | |
|---------------------|------------------|------------------|
| Illegal connections | 350 891 | 127 642 |
| Law enforcement | 21 330 | 550 339 |
| Municipal traffic | 3 850 570 | 2 703 430 |
| | 4 222 791 | 3 381 411 |

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|--|----------------------|----------------------|
| 33. Revenue | | |
| Fair value adjustments | 1 623 365 | 2 043 982 |
| Service charges | 593 248 978 | 555 326 952 |
| Gains on employee benefit obligation | 32 544 012 | 925 000 |
| Rental of facilities and equipment | 5 723 509 | 5 043 682 |
| Fees earned | 148 187 | 208 378 |
| Other income | 11 910 541 | 17 217 727 |
| Interest received | 40 824 842 | 28 204 430 |
| Service charges (Availability charges) | 720 383 | 706 989 |
| Property rates | 82 052 199 | 74 402 755 |
| Indirect taxes (VAT, customs duty) | 4 394 287 | 2 836 586 |
| Government grants & subsidies | 330 100 606 | 316 798 485 |
| Public contributions and donations | 7 319 275 | 517 047 |
| Fines | 4 222 791 | 3 381 411 |
| | 1 114 832 975 | 1 007 613 424 |

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

| | | |
|--------------------------------------|--------------------|--------------------|
| Service charges | 593 248 978 | 555 326 952 |
| Fair value adjustments | 1 623 365 | 2 043 982 |
| Gains on employee benefit obligation | 32 544 012 | 925 000 |
| Rental of facilities and equipment | 5 723 509 | 5 043 682 |
| Fees earned | 148 187 | 208 378 |
| Other income | 11 910 541 | 17 217 727 |
| Interest received | 40 824 842 | 28 204 430 |
| | 686 023 434 | 608 970 151 |

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

Taxation revenue

| | | |
|--|------------|------------|
| Service charges (Availability charges) | 720 383 | 706 989 |
| Property rates | 82 052 199 | 74 402 755 |
| Interest received | 4 394 287 | 2 836 586 |

Transfer revenue

| | | |
|------------------------------------|--------------------|--------------------|
| Government grants & subsidies | 330 100 606 | 316 798 485 |
| Public contributions and donations | 7 319 275 | 517 047 |
| Fines | 4 222 791 | 3 381 411 |
| | 428 809 541 | 398 643 273 |

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|--------------------|--------------------|
| 34. Employee related costs | | |
| Basic salary | 207 462 755 | 196 345 673 |
| Bonus | 16 865 575 | 14 751 248 |
| Leave pay provision charge | 4 034 003 | 5 470 553 |
| Overtime payments | 35 565 483 | 31 318 920 |
| Car allowance | 21 359 314 | 18 108 639 |
| Housing benefits and allowances | 1 392 225 | 1 582 063 |
| Other allowances | 18 548 | 19 814 |
| Telephone allowances | 525 981 | 532 898 |
| Post-employment medical aid- current service cost | 5 838 000 | - |
| Standby allowances | 2 958 233 | 2 821 107 |
| Long service awards | 811 055 | 628 955 |
| Defined contribution plans | 37 054 201 | 33 287 003 |
| Medical aid - company contributions | 21 750 297 | 19 624 013 |
| Group life insurance | 1 011 573 | 1 115 237 |
| Industrial council levy | 111 471 | 110 675 |
| UIF | 1 763 758 | 1 737 197 |
| | 358 522 472 | 327 453 995 |

Remuneration of Municipal Manager: P.H Tshabalala

| | | |
|---------------------|----------------|----------|
| Annual remuneration | 119 137 | - |
| Housing allowance | 7 945 | - |
| Car allowance | 39 799 | - |
| Social contribution | 24 414 | - |
| Cellphone allowance | 5 217 | - |
| | 196 512 | - |

2022-2023

During the current financial year the following directors acted as Municipal Manager and received an acting allowance:

Mr. J. Maswanganyi R 47 916,
Mr. I. Mokgatle R 19 297.

2021-2022

During the current financial year the following directors acted as the Municipal Manager and received an acting allowance

Mr. M. Mthwalo R 76 226,
Mr. I. Mokgatle R 92 797,
Ms. S. Monyaki R 125 882.

Remuneration of Municipal Manager: M.S Mqwathi (Deceased)

| | | |
|---------------------|----------|----------------|
| Annual remuneration | - | 116 949 |
| Car allowance | - | 65 606 |
| Social contribution | - | 37 245 |
| Cellphone allowance | - | 6 000 |
| Leave day payout | - | 568 740 |
| | - | 794 540 |

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

34. Employee related costs (continued)

Remuneration of Chief Financial Officer: T.R Marumo (Terminated)

| | | |
|---------------------|---|------------------|
| Annual remuneration | - | 566 052 |
| Car allowance | - | 252 403 |
| Social contribution | - | 127 866 |
| Cellphone allowance | - | 15 300 |
| Leave day payout | - | 419 633 |
| | - | 1 381 254 |

2022-2023

During the current financial year, the following officials acted as the Chief Financial Officer and received an acting allowance:

Mr. J. Maswanganyi R 51 144,
Mr. R. Buys R 195 803,
Mr. S. Theletsane R 10 222.

2021-2022

During the current financial year, Mr. J. Maswanganyi acted as the Chief Financial Office and received an acting allowance totalling R 39 763.

Executive Director: Technical Services: I.S Mokgatle

| | | |
|---------------------|------------------|------------------|
| Annual remuneration | 787 942 | 817 610 |
| Car allowance | 505 435 | 481 193 |
| Social contribution | 1 456 | 124 |
| Cellphone allowance | 13 565 | 19 304 |
| | 1 308 398 | 1 318 231 |

Executive Director: Corporate Services: M.E Mthwalo (Terminated)

| | | |
|---------------------|---|------------------|
| Annual remuneration | - | 642 279 |
| Car allowance | - | 249 763 |
| Social contribution | - | 127 866 |
| Cellphone allowance | - | 15 000 |
| Leave days payout | - | 445 294 |
| | - | 1 480 202 |

2022-2023

During the current financial year, the following officials acted as the Director Corporate Services and received an acting allowance:

Mr. R. Odendaal R 28 527,
Ms. T. Maqena R 136 496.

2021-2022

During the current financial year, Mr. R. Odendaal acted as the Director Corporate Services and received an acting allowance totalling R 28 656.

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|--|------|------------------|
| 34. Employee related costs (continued) | | |
| Executive Director: Community Services: P.H Tshabalala (Terminated) | | |
| Annual remuneration | - | 566 052 |
| Car allowance | - | 128 083 |
| Social contribution | - | 42 093 |
| Housing allowance | - | 207 597 |
| Cellphone allowance | - | 9 000 |
| Leave days payout | - | 384 916 |
| | - | 1 337 741 |

2022-2023

During the current financial year, the following officials acted as the Director Community Services and received an acting allowance:

Mr. T. Qhena R 30 902,
Mr. M. Rakgase R 54 040,
Ms. Dnd . van der Westhuizen R 62 745.

2021-2022

During the current financial year, Mr. T. Qhena acted as the Director Community Services received an acting allowance totalling R 29 839.

Executive Director: LED and Planning: S.J Monyaki (Terminated)

| | | |
|---------------------|---|------------------|
| Annual Remuneration | - | 691 934 |
| Car Allowance | - | 252 000 |
| Social contribution | - | 93 |
| Housing allowance | - | 123 945 |
| Cellphone allowance | - | 19 696 |
| Leave days payout | - | 150 947 |
| | - | 1 238 615 |

2022-2023

During the current financial year, the following officials acted as the LED and Planning Services and received an acting allowance:

Mr. T. Leie R 10 993,
Mr. G. Mogorosi R 63 255,
Ms. L. Mapane R 64 516.

2021-2022

During the current financial year, Mr. T. Leie acted as the LED and Planning Services received an acting allowance totalling R 60 600.

35. Remuneration of councillors

| | | |
|-----------------|-------------------|-------------------|
| Executive Major | 978 717 | 914 469 |
| Speaker | 802 382 | 745 136 |
| Councillors | 18 266 027 | 17 126 975 |
| Council Whip | 748 358 | 699 496 |
| | 20 795 484 | 19 486 076 |

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|--------------------|--------------------|
| 35. Remuneration of councillors (continued) | | |
| In-kind benefits | | |
| The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. | | |
| The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council-owned vehicle for official duties. | | |
| The Executive Mayor has the use of a council-owned vehicle for official duties and has one full-time bodyguard and driver. | | |
| The Speaker has one full-time driver and the use of a council-owned vehicle for official duties. | | |
| Refer to related parties note for detailed disclosure. | | |
| 36. Repairs and maintenance | | |
| Repairs and maintenance | 99 520 899 | 85 802 121 |
| Repairs and maintenance consists of: | | |
| Buildings | 62 691 144 | 44 833 382 |
| Electrical network | 7 995 484 | 15 489 849 |
| Water and sewer network | 3 601 213 | 4 237 075 |
| Fleet | 3 319 428 | 2 810 042 |
| Roads | 4 511 690 | 4 788 793 |
| Other repairs and maintenance | 17 401 940 | 13 642 980 |
| | 99 520 899 | 85 802 121 |
| 37. Depreciation and amortisation | | |
| Property, plant and equipment | 110 672 042 | 107 887 322 |
| Intangible assets | 459 262 | 423 758 |
| | 111 131 304 | 108 311 080 |
| 38. Finance costs | | |
| Annuity loans and finance leases | 2 135 249 | 2 556 176 |
| Employee benefits | 18 542 000 | 5 555 000 |
| Landfill sites and quarries | 2 724 739 | 2 421 835 |
| Late payment on creditors | 59 679 726 | 60 720 340 |
| Other interest paid | - | 2 643 672 |
| | 83 081 714 | 73 897 023 |
| 39. Debt impairment | | |
| Receivables from exchange transactions | 243 227 733 | 61 875 244 |
| Receivables from non-exchange transactions | 14 656 537 | 5 007 823 |
| | 257 884 270 | 66 883 067 |
| 40. Bulk purchases | | |
| Electricity - Eskom | 345 540 258 | 336 621 161 |
| Water | 3 518 | 26 319 |
| | 345 543 776 | 336 647 480 |

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|--------------------|-------------------|
| 41. Contracted services | | |
| Specialist services | 52 394 621 | 45 561 023 |
| Other contractors | 19 735 328 | 26 080 551 |
| Specialist services consists of: | | |
| Security services | 50 721 160 | 43 651 705 |
| Maintenance services | 1 673 461 | 1 909 318 |
| | 52 394 621 | 45 561 023 |
| Other contractors consists of: | | |
| Professional services | 904 796 | 1 044 695 |
| Electricity vending services | 8 078 684 | 12 682 018 |
| Water chemicals | 7 644 003 | 5 471 020 |
| Other contracted services | 2 879 845 | 6 660 818 |
| Valuation services | 228 000 | 222 000 |
| | 19 735 328 | 26 080 551 |
| 42. General expenses | | |
| Advertising | 1 316 365 | 627 489 |
| Auditors remuneration | 8 650 640 | 7 860 825 |
| Bank charges | 1 119 375 | 1 080 903 |
| Cleaning | 171 491 | 75 243 |
| Commission paid | 15 970 659 | 16 427 157 |
| Community expenses | 127 104 | 125 001 |
| Consumables stores | 28 568 124 | 7 731 004 |
| Entertainment | 162 611 | 192 984 |
| Fuel and oil | 6 712 854 | 7 604 680 |
| Funeral costs | 49 714 | 109 130 |
| Insurance | 5 075 176 | 4 614 403 |
| Lease rentals on operating lease | 13 158 380 | 9 064 063 |
| Legal services | 3 926 579 | 3 517 627 |
| Licences - other | 3 655 568 | 4 510 075 |
| Licences - vehicles | 678 575 | 712 538 |
| Medical expenses | 753 525 | 518 479 |
| Other expenses | 5 317 641 | 8 171 922 |
| Postage and courier | 1 257 459 | 475 697 |
| Printing and stationery | 82 293 | 60 875 |
| Protective clothing | 2 754 582 | 2 768 285 |
| Provision for rehabilitation adjustment | 12 263 002 | 2 347 416 |
| Skills development levy | 3 031 170 | 2 838 707 |
| Subscriptions and membership fees | 3 588 751 | 3 202 866 |
| Telephone and fax | 1 655 296 | 1 549 864 |
| Travel and subsistence | 3 025 905 | 1 045 703 |
| Workmens compensation | 1 444 113 | 1 273 456 |
| | 124 516 952 | 88 506 392 |
| 43. Cost on disposal of assets | | |
| Investment property | 3 876 940 | 228 500 |
| Property, plant and equipment | 1 387 510 | 770 536 |
| Vacant sites | 157 000 | 3 167 700 |
| | 5 421 450 | 4 166 736 |

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|--------------------|--------------------|
| 44. Impairment loss | | |
| Impairments | | |
| Property, plant and equipment | 8 807 919 | 13 390 723 |
| 45. Auditors' remuneration | | |
| Fees | 8 650 640 | 7 860 825 |
| 46. Cash generated from operations | | |
| Deficit | (372 523 214) | (191 395 954) |
| Adjustments for: | | |
| Depreciation and amortisation | 111 131 304 | 108 311 080 |
| Cost on disposal of assets | 5 421 450 | 4 166 969 |
| Public contribution and donations | (7 319 275) | (517 047) |
| Discount received | (462 061) | (404 257) |
| Fair value adjustments | (1 623 365) | (2 043 982) |
| Gains on employee benefit obligation | (32 544 012) | (925 000) |
| Losses on employee benefit obligation | - | 2 822 878 |
| Property, plant and equipment (Transfers) | (223 929) | 5 647 632 |
| Investment property (Transfers) | 223 929 | - |
| Finance costs | 23 401 988 | 13 176 683 |
| Impairment loss on assets | 8 807 915 | 13 390 723 |
| Debt impairment | 257 884 270 | 66 883 067 |
| Interest-Receivables from exchange transactions | (38 733 018) | (27 053 587) |
| Interest-Receivables from non exchange transactions | (4 394 287) | (2 836 586) |
| Provisions raised | (2 144 007) | (6 225 334) |
| Prior period adjustments | - | (3 033 072) |
| Water valuation adjustments | (23 985) | (34 372) |
| Provision for rehabilitation adjustment | 12 263 002 | 2 347 416 |
| Leave pay provision charge | 4 034 003 | 5 470 553 |
| Post-employment medical aid- current service cost | 5 838 000 | - |
| Changes in working capital: | | |
| Inventories | (243 995) | (10 618 749) |
| Receivables from exchange transactions | (177 185 250) | (84 448 378) |
| Receivables from non-exchange transactions | (4 023 305) | (10 472 704) |
| Unspent conditional grants and receipts | 589 313 | (14 516 424) |
| Payables from exchange transactions | 295 561 262 | 704 941 439 |
| Interest concession | - | (115 289 547) |
| Consumer deposits | 1 332 512 | 972 401 |
| Employee benefit obligation | (3 302 246) | (3 321 715) |
| VAT receivables | (26 518 754) | (28 887 203) |
| Eskom payment arrangement | - | (327 653 727) |
| | 55 224 245 | 98 453 203 |
| 47. Irregular expenditure | | |
| Opening balance as previously reported | 891 837 807 | 771 354 551 |
| Add: Irregular expenditure - current | 97 477 869 | 120 483 256 |
| Less: Amount written off - prior period | (847 076 704) | - |
| Closing balance | 142 238 972 | 891 837 807 |

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

47. Irregular expenditure (continued)

Irregular expenditure incurred during the financial year

Irregular expenditure disclosure figure should be added indicating that Irregular expenditure is always calculated inclusive of VAT. The figures disclosed above have been presented in this set of AFS inclusive of VAT.

| | | |
|---|-------------------|--------------------|
| Deviations | - | 157 378 |
| Incorrect awarding of BBEEE points (25% subcontracting) | 11 369 590 | 1 166 005 |
| Local content instruction notes were not followed | 9 047 570 | 12 530 624 |
| Non-compliance with the PPPFA Act and Section 112 of the MFMA for the use of panels | 9 286 741 | 36 045 756 |
| Tax clearance not obtained | 978 571 | 886 758 |
| Tender documents did not include the requirements for mandatory subcontracting | 54 885 026 | 35 816 730 |
| Tender were not advertised for required number of days | - | 7 587 926 |
| SCM competitive bidding process was not followed to re-appoint contractor | - | 2 423 395 |
| Three written quotations not invited | 7 133 053 | 1 567 643 |
| Objective test not stipulated in the bid documentation | 4 777 318 | 22 301 041 |
| | 97 477 869 | 120 483 256 |

48. Fruitless and wasteful expenditure

| | | |
|---|-------------------|-------------------|
| Opening balance as previously reported | 58 630 736 | 28 836 224 |
| Add: Fruitless and wasteful expenditure identified - current | 61 001 447 | 29 686 263 |
| Add: Fruitless and wasteful expenditure identified - prior period | - | 108 249 |
| Less: Amount written off - prior period | (58 630 736) | - |
| Closing balance | 61 001 447 | 58 630 736 |

Expenditure identified in the current year include those listed below:

| | | |
|--|-------------------|-------------------|
| Interest and penalties | 61 001 447 | 19 428 044 |
| Arbitration awards | - | 108 249 |
| Refurbishment of the Kroonstad Waste Water Treatment Works | - | 10 258 219 |
| | 61 001 447 | 29 794 512 |

49. Unauthorised expenditure

| | | |
|--|--------------------|--------------------|
| Opening balance as previously reported | 451 772 673 | 347 616 301 |
| Add: Unauthorised expenditure - current | 338 494 818 | 103 156 372 |
| Add: Unauthorised expenditure - prior period | - | 1 000 000 |
| Less: Amount written off - prior period | (450 772 673) | - |
| Closing balance | 339 494 818 | 451 772 673 |

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

| | | |
|----------|-------------|-------------|
| Non-cash | 338 494 818 | 103 156 372 |
|----------|-------------|-------------|

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

49. Unauthorised expenditure (continued)

Unauthorised expenditure: Budget overspending – per municipal department:

| | | |
|--------------------|--------------------|--------------------|
| Financial Services | 72 789 680 | 53 753 185 |
| Corporate Services | 2 508 954 | - |
| Technical Services | 259 402 635 | 40 959 684 |
| Council | 3 793 549 | 8 443 503 |
| | 338 494 818 | 103 156 372 |

Analysed as follows: Non-cash

| | | |
|---|--------------------|--------------------|
| Depreciation and amortisation | 39 561 236 | 40 959 684 |
| Finance charges (e.g. interest charge on the Eskom account) | 57 583 726 | 53 753 185 |
| Impairment loss on assets | 3 793 549 | 8 443 503 |
| Bad debt written off | 235 047 353 | - |
| Current service cost (Post Employee Medical Aid) | 2 508 954 | - |
| | 338 494 818 | 103 156 372 |

50. Deviation from supply chain management regulations

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

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

During the financial year there were instances where goods and services were procured and deviated from the normal SCM policy.

The reason for these deviations were documented and reported to the accounting officer who considered them and approved the deviation from the normal SCM Regulations.

| Description | Number | 2023 |
|---------------|-----------|------------------|
| Emergency | 4 | 1 135 624 |
| Sole supplier | 24 | 1 975 055 |
| Urgent | 43 | 2 308 785 |
| | 71 | 5 419 464 |

| Description | Number | 2022 |
|---------------|-----------|------------------|
| Emergency | 8 | 2 336 613 |
| Sole Supplier | 15 | 199 747 |
| Urgent | 53 | 3 752 965 |
| | 76 | 6 289 325 |

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

51. Prior-year adjustments

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

Statement of financial position

2022

| | Note | As previously reported | Correction of error | Statement of financial performance | Re-classification | Restated |
|--|------|------------------------|---------------------|------------------------------------|-------------------|-----------------|
| Cash and cash equivalents | 3 | 41 563 356 | (24 394) | - | - | 41 538 962 |
| Receivables from non-exchange transactions | 7 | 64 374 216 | (1 452 287) | - | 39 297 | 62 961 226 |
| Inventories | 4 | 98 192 951 | (1 318 000) | - | - | 96 874 951 |
| Property, plant and equipment | 12 | 1 946 747 431 | 302 183 | - | (33 829) | 1 947 015 785 |
| Payables from exchange transactions | 16 | (942 404 039) | 60 168 424 | - | (39 297) | (882 274 912) |
| Unspent conditional grants and receipts | 18 | (4 822 150) | 3 057 612 | - | - | (1 764 538) |
| Employee benefit obligations | 19 | (65 883 490) | (97 627 000) | - | - | (163 510 490) |
| Accumulated surplus | | (1 620 072 542) | 40 113 721 | (3 186 431) | - | (1 583 145 252) |
| | | (482 304 267) | 3 220 259 | (3 186 431) | (33 829) | (482 304 268) |

Statement of financial performance

2022

| | Note | As previously reported | Correction of error | Re-classification | Restated |
|---------------------------------|------|------------------------|---------------------|-------------------|---------------------|
| Other income | 25 | (17 265 724) | 48 000 | - | (17 217 724) |
| Government grants and subsidies | 30 | (313 740 873) | (3 057 612) | - | (316 798 485) |
| Repairs and maintenance | 36 | 85 773 289 | (4 997) | 33 829 | 85 802 121 |
| Depreciation and amortisation | 37 | 108 482 507 | (171 427) | - | 108 311 080 |
| General expenses | 42 | 88 536 349 | (29 961) | - | 88 506 388 |
| Cost on disposal of assets | 43 | 4 171 231 | (4 262) | - | 4 166 969 |
| Surplus for the year | | (44 043 221) | (3 220 259) | 33 829 | (47 229 651) |

Errors

A number of prior period errors were corrected during the year ending 30 June 2023. The details of the retrospective prior period errors adjusted are reflected below.

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

51. Prior-year adjustments (continued)

Cash and cash equivalents, Accumulated surplus

The Municipality do not provide petty cash to user departments anymore. A correction was done accordingly resulting in the decrease of Accumulated surplus to the amount of R 24 394 and the decrease of Cash and cash equivalent to the amount of (R 24 394).

Receivables from non-exchange transactions, Accumulated surplus

The fruitless and wasteful balance was written off by Council. A correction was done accordingly resulting in the decrease of Accumulated surplus to the amount of R 1 452 287 and the decrease of Receivables from non-exchange transactions to the amount of (R 1 452 287).

Payables from exchange transactions, Accumulated surplus

The Eskom agreement lapsed. A correction was done accordingly resulting in the increase of Accumulated surplus to the amount of (R 58 775 321) and the decrease of Payables from exchange transactions to the amount of R 58 775 321.

Unspent conditional grants and receipts, Government grants and subsidies

The Cogta Grant was not fully recognised. A correction was done accordingly resulting in the decrease of Unspent conditional grants and receipts to the amount of R 3 057 378 and the increase of Government grants and subsidies to the amount of (R 3 057 378).

Inventories, Accumulated surplus

Municipal stands were transferred to residents. A correction was done accordingly resulting in the decrease of Inventories to the amount of (R 1 318 000) and the decrease of Accumulated surplus to the amount of R 1 318 000.

Payables from exchange transactions, Accumulated surplus

Payables from exchange transactions were overstated. A correction was done accordingly resulting in the decrease of Payables from exchange transactions to the amount of R 131 503 and the increase of Accumulated surplus to the amount of (R 131 503).

Property, plant and equipment, Repairs and maintenance

Property, plant and equipment were overstated. A correction was done accordingly resulting in the decrease of Property, plant and equipment to the amount of (R 42 300) and the increase of Repairs and maintenance to the amount of R 42 300.

Property, plant and equipment, Accumulated surplus

Property, plant and equipment were overstated. A correction was done accordingly resulting in the decrease of Property, plant and equipment to the amount of (R 17 040) and the decrease of Accumulated surplus to the amount of R 17 040.

Payables from exchange transactions, Accumulated surplus

Retentions were overstated. A correction was done accordingly resulting in the decrease of Payables from exchange transactions to the amount of R 1 184 348 and the increase of Accumulated surplus to the amount of (R 1 184 348).

Payables from exchange transactions, Repairs and maintenance, General expenditure

Payables from exchange transactions were overstated. A correction was done accordingly resulting in the decrease of Payables from exchange transactions to the amount of R 60 764, the decrease of Repairs and maintenance to the amount of (R 30 804) and decrease of General expenditure to the amount of (R 29 960).

Payables from exchange transactions, Repairs and maintenance

Payables from exchange transactions were overstated. A correction was done accordingly resulting in the decrease of Payables from exchange transactions to the amount of R 2 288 and the decrease of Repairs and maintenance to the

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

51. Prior-year adjustments (continued)

amount of (R 2 288).

Payables from exchange transactions, Repairs and maintenance

Payables from exchange transactions were overstated. A correction was done accordingly resulting in the decrease of Payables from exchange transactions to the amount of R 14 205 and the decrease of Repairs and maintenance to the amount of (R 14 205).

Property, plant and equipment, Accumulated surplus, Depreciation and amortisation

Property, plant and equipment were understated. A correction was done accordingly resulting in the increase of Property, plant and equipment to the amount of R 132 542, the increase of Depreciation and amortisation to the amount of R 8 545 and the increase of Accumulated surplus to the amount of (R 141 086).

Property, plant and equipment, Accumulated surplus, Depreciation and amortisation

Property, plant and equipment were understated. A correction was done accordingly resulting in the increase of Property, plant and equipment to the amount of R 188 103, the decrease of Depreciation and amortisation to the amount of (R 187 539) and the increase of Accumulated surplus to the amount of (R 564).

Accumulated surplus, Other income

Other income were overstated. A correction was done accordingly resulting in the decrease of Other income to the amount of R 48 000, and the increase of Accumulated surplus to the amount of (R 48 000).

Accumulated surplus, Employee benefit obligation

The employee benefit obligation was understated as not all active employees were considered when the calculation was done. A correction was done accordingly resulting in the increase of Employee benefit obligation to the amount of (R 97 627 000), and the decrease of Accumulated surplus to the amount of R 97 627 000.

Unspent conditional grants and receipts, Government grants and subsidies

The Unspent conditional grants and receipts was overstated as National Treasury did not take the R 234 when they withheld funds from the equitable shares. A correction was done accordingly resulting in the decrease of Unspent conditional grants and receipts to the amount of R 234, and the increase of Government grants and subsidies to the amount of (R 234).

Property, plant and equipment, Accumulated surplus, Depreciation and amortisation, Cost on disposal of assets

Property, plant and equipment were understated. A correction was done accordingly resulting in the increase of Property, plant and equipment to the amount of R 40 878, the increase of Accumulated surplus to the amount of (R 44 183), the increase of Depreciation and amortisation to the amount of R 7 567, and the decrease of Cost on disposal of assets to the amount of R (4 262).

Reclassifications

The following reclassifications adjustment occurred:

Receivables from non-exchange transactions, Payables from exchange transactions

Third party refunds were incorrectly disclosed under payables from exchange transactions. A correction was done accordingly resulting in the increase of Receivables from non-exchange transactions to the amount of R 39 297 and the increase of Payables from exchange transactions to the amount of (R 39 297).

Repairs and maintenance, Property, plant and equipment

Property, plant and equipment was overstated in the prior year. A correction was done accordingly resulting in the increase of Repairs and maintenance to the amount of R 33 829 and the decrease of Property, plant and equipment to the amount of (R 33 829).

Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|--------------------|--------------------|
| 52. Commitments | | |
| Authorised capital expenditure | | |
| Approved and contracted for | | |
| • Infrastructure | 264 371 968 | 202 675 489 |
| Approved and not contracted for: | | |
| • Infrastructure | 65 514 772 | 18 818 218 |
| Total capital commitments | | |
| Approved and contracted for | 264 371 968 | 202 675 489 |
| Approved and not contracted for | 65 514 772 | 18 818 218 |
| | 329 886 740 | 221 493 707 |

Infrastructure commitments approved and contracted for will be funded by grants from government.

53. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

| | | |
|----------------------------|--------------|---------------|
| Opening balance | 32 305 | 25 100 |
| Current year fee | 3 712 130 | 3 156 303 |
| Amount paid - current year | (3 736 730) | (3 149 098) |
| | 7 705 | 32 305 |

Audit fees

| | | |
|------------------------------|----------------|--------------------|
| Opening balance | (1 553 932) | 9 197 104 |
| Current year fee | 12 772 088 | 5 223 865 |
| Interest charged | 130 654 | 11 546 |
| Amount paid - current year | (9 874 447) | (6 789 343) |
| Amount paid - previous years | (1 269 920) | (9 197 104) |
| | 204 443 | (1 553 932) |

PAYE and UIF

| | | |
|---------------------------------|------------------|------------------|
| Opening balance | 3 595 583 | 3 705 637 |
| Current year subscription / fee | 54 084 396 | 50 886 201 |
| Amount paid - current year | (53 131 765) | (50 996 255) |
| | 4 548 214 | 3 595 583 |

Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

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

Pension and medical aid deductions

| | | |
|---------------------------------|------------------|------------------|
| Opening balance | 7 030 542 | 6 755 165 |
| Current year subscription / fee | 92 198 445 | 82 961 509 |
| Amount paid - current year | (91 299 135) | (82 686 132) |
| | 7 929 852 | 7 030 542 |

Skills development levy

| | | |
|----------------------------|----------------|----------------|
| Opening balance | 237 547 | 214 838 |
| Current payroll deductions | 3 031 273 | 2 839 070 |
| Amount paid - current year | (3 008 774) | (2 816 361) |
| | 260 046 | 237 547 |

Distribution losses

Estimated electricity losses suffered by the municipality for the year under review are as follows:

Technical losses 4% (2022: 4%).

Non-Technical losses 13.18% (2022: 12.24%).

| | | |
|---|-------------------|-------------------|
| Estimated line losses | 18 914 858 | 18 657 181 |
| Losses due to faulty meters, tampering or theft | 65 244 964 | 57 048 353 |
| | 84 159 822 | 75 705 534 |

Estimated water losses suffered by the municipality for the year under review is are follows:

Water losses 21% (2022: 71.10%).

| | | |
|------------------------|------------|------------|
| Estimated water losses | 66 389 940 | 42 387 110 |
|------------------------|------------|------------|

Details of amounts written off

2023

| | | |
|------------------------------------|-------------|---|
| Debt written off against allowance | 138 713 763 | - |
|------------------------------------|-------------|---|

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|------------------|------------------|
| 53. Additional disclosure in terms of Municipal Finance Management Act (continued) | | |
| Councillors' arrear consumer accounts | | |
| During the year the following Councillors' had arrear accounts outstanding for more than 90 days. | | |
| | 30 June 2023 | 30 June 2022 |
| Mosolodi (Nzunga ND) SL | 20 501 | 16 325 |
| Botha RA | 5 334 | 2 329 |
| Khiba MJ | 15 578 | 20 378 |
| Khotle MI | 15 322 | 20 995 |
| Klaas TL | 34 317 | 24 987 |
| Lebone B | 15 522 | 11 312 |
| Maleeme ML | 38 726 | 48 121 |
| Marapo BB&MM | 1 281 | 6 468 |
| Mbona NK | 11 210 | 6 867 |
| Meko MJ | 125 506 | 94 691 |
| Mnqonyama E | 64 838 | 55 778 |
| Mofokeng MC | 47 135 | 42 230 |
| Mokatsane ELM | 105 824 | 89 667 |
| Mokoena NM | 73 986 | 51 042 |
| Morake ME | 101 299 | 83 093 |
| Mosiuoa TD&S | 32 032 | 23 685 |
| Nolo MM | 23 574 | 17 711 |
| Ntsala SN | 45 993 | 57 684 |
| Papashane TJ | 8 674 | 10 576 |
| Phamotse MI | 107 506 | 102 570 |
| Ramajoe MS | 6 459 | 2 230 |
| Ramoolia MW | 352 | 2 315 |
| Rankokosane BN | 3 820 | 3 019 |
| Saaiman CJ | 56 639 | 47 533 |
| Sekheja L | 45 980 | 57 622 |
| Sello T | 1 229 | - |
| Serapela MS&ML | 117 024 | 109 924 |
| Thebe EM | 19 789 | 25 997 |
| Tshabalala S | 64 072 | 61 382 |
| Tsobo NE | 5 227 | 10 311 |
| Visagie AJ | 23 146 | 37 017 |
| Motsoeneng DM&NL | 13 121 | 12 300 |
| | 1 251 016 | 1 156 159 |

54. Non-compliance with the Municipal Finance Management Act

During the current financial year the following non-compliance issues were identified:

Supply chain management regulations 12(1)(c) & (d) 17(1)(a) - (c)

Goods and services of a transaction value between R 10 000 and R 200 000 were procured without inviting at least three written price quotations from accredited prospective providers.

Deviations from competitive bidding were approved on the basis of it being an emergency, urgency or sole supplier.

Municipal Finance Management Act section 116(2)(b), (c)

The performances of all contractors were not monitored on a monthly basis.

Municipal Finance Management Act section 65 (e)

Creditors were not paid in 30 days as required by the Act.

Municipal Finance Management Act section 52(d)

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

54. Non-compliance with the Municipal Finance Management Act (continued)

The budget implementation and state of financial affairs submission was not in accordance with the prescribed time frame.

55. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of R 1 210 622 032 and that the municipality's total assets exceed its total liabilities by R 1 210 622 032.

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.

The following are events and conditions that cast doubt on the municipalities ability to continue as a going concern.

The municipality incurred a deficit for the current financial year of R 372 523 214 and R 191 395 953 in the previous financial year.

The current liabilities amounting to R 1 214 276 146 exceeds current assets of R 689 193 238 by R 525 082 908.

The receivables from exchange transactions decreased from R 399 131 142 to R 371 821 677, which resulted in a 7% decrease as at 30 June 2023.

The payables from exchange transactions increased from R 882 274 912 to R 1 176 336 119 which results in a 25% increase. The creditors' payment period also increased from 461 days to 576 days as at 30 June 2023. The payables from exchange transactions outstanding for a period longer than 30 days amounted to R 1 035 790 696 (92%). Eskom is the biggest contributor interms of payables. The Municipality applied for the Debt Relief Programme rolled out by National Treasury to give relief in terms of writting off the debt owed to Eskom if the municipality keeps up with paying the current account. At 30 June 2023 thus application was not yet finalised by Eskom. The key condition for this application is that the municipality must pay its current account every month for 12 months, then Eskom will write off one third of the outstanding debit.

The cash equivalents amounted to R 19 968 046 as 30 June 2023 (2022: R 41 538 962).

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

Despite the material uncertainties which cast a significant doubt on the municipality's ability to continue as a going concern, the municipality will continue to have the power to levy rates in the following financial period. The municipality is also likely to receive continued government funding, as has been disclosed in the Division of Revenue Act of 2023, as there are no current indications that government funding will be withheld from the municipality for any reason.

56. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

| | At fair value | At amortised cost | At cost | Total |
|--|----------------|----------------------|-------------------|--------------------|
| Receivables from exchange transactions | - | 371 821 677 | - | 371 821 677 |
| Receivables from non-exchange transactions | - | 56 722 281 | - | 56 722 281 |
| Cash and cash equivalents | - | - | 19 968 046 | 19 968 046 |
| Investments | 445 279 | - | - | 445 279 |
| | 445 279 | 428 543 958 | 19 968 046 | 448 957 283 |

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

56. Financial instruments disclosure (continued)

Financial liabilities

| | At amortised cost | At cost | Total |
|---|--------------------|----------------------|----------------------|
| Consumer deposits | 15 746 169 | - | 15 746 169 |
| Finance lease obligation | 2 416 238 | - | 2 416 238 |
| Provisions | 128 447 708 | - | 128 447 708 |
| Borrowings | - | 19 946 883 | 19 946 883 |
| Payables form exchange transactions | - | 1 176 336 119 | 1 176 336 119 |
| Unspent conditional grants and receipts | 2 353 851 | - | 2 353 851 |
| | 148 963 966 | 1 196 283 002 | 1 345 246 968 |

2022

Financial assets

| | At fair value | At amortised cost | At cost | Total |
|--|----------------|--------------------|-------------------|--------------------|
| Receivables from exchange transactions | - | 399 131 142 | - | 399 131 142 |
| Receivables from non-exchange transactions | - | 62 961 226 | - | 62 961 226 |
| Cash and cash equivalents | - | - | 41 538 962 | 41 538 962 |
| Investments | 393 566 | - | - | 393 566 |
| | 393 566 | 462 092 368 | 41 538 962 | 504 024 896 |

Financial liabilities

| | At amortised cost | At cost | Total |
|---|--------------------|--------------------|----------------------|
| Consumer deposit | 14 413 657 | - | 14 413 657 |
| Finance lease obligation | 3 359 029 | - | 3 359 029 |
| Provisions | 111 569 971 | - | 111 569 971 |
| Borrowings | - | 24 411 635 | 24 411 635 |
| Payables form exchange transactions | - | 882 274 912 | 882 274 912 |
| Unspent conditional grants and receipts | 1 764 538 | - | 1 764 538 |
| | 131 107 195 | 906 686 547 | 1 037 793 742 |

57. Subsequent events

Parameter fencing at Wespark Cemetery, which was recently unbundled into community assets, was removed due to reports of theft. Community services is in the planning process of redirecting the fence to other municipal properties.

58. Contingencies

Contingent liabilities - pending claims

The municipality is a defendant against various claims against the council. All the claims are being contested based on legal advice.

The certainty and the timing of the outflow of these liabilities are uncertain. The amounts disclosed below are possible outflow amounts.

Contingent liabilities

| | | |
|--|------------|------------|
| Claims by individuals due to damage of property in various incidents | 25 828 756 | 21 822 091 |
| Claims from suppliers - contractual disputes | 28 032 060 | 11 798 254 |

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

58. Contingencies (continued)

Contingent assets

The municipality is a claimant against the Insure Guardrisk .The claims are being contested based on legal advice.

The certainty and the timing of the inflow of these assets are uncertain. The amounts disclosed below are possible inflow amounts.

Contingent assets

| | | |
|------------------------------------|------------|------------|
| Claims against Guardrisk Insurance | 36 053 580 | 36 053 580 |
|------------------------------------|------------|------------|

59. Budget differences

Material differences between budget and actual amounts

Refer to the Statement of Comparison of Budget and Actual Amounts in the annual financial statements for an analysis of budget versus the actual amounts.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to Appendix E to the annual financial statements.

The changes between the approved and final budget are a consequence of changes in the overall budget parameters. For details on these changes please refer to Appendix E to the annual financial statements.

60. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings disclosed in notes 15, cash and cash equivalents disclosed in note 3, and accumulated surplus as disclosed in the statement of financial position.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Liquidity risk

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

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.

The municipality's risk to liquidity is a result of funds not being available to cover future commitments.

The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the entity's reputation.

The municipality manages liquidity risk through proper management of working capital, ongoing review of future commitments, capital expenditure and actual versus forecast cash flows.

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|--|---------------|-------------|
| 60. Risk management (continued) | | |
| Financial Liabilities | 2023 | 2022 |
| Payables from exchange transactions | 1 176 336 119 | 882 274 912 |
| Finance lease | 2 416 238 | 3 359 029 |
| DBSA Loans | 19 946 883 | 24 411 635 |

The municipality is in arrears with servicing of the Eskom debt.

The municipality defaulted on its DBSA loan agreement in the current financial year. The DBSA loan carries fixed interest rate at 9% per annum. In mitigating the risk of non-payment, the municipality did hold bilaterals with DBSA regarding the loan account and a debit order was signed to ensure that the loan repayments are honored on a monthly basis, which also takes into account the arrear loan repayment so as to ensure that the loan is paid up by the redemption date.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties is monitored regularly.

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

Credit risk relating to trade receivables is managed in accordance with the municipalities' credit control and debt collection policy. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad earned doubtful debt. Additional information relating to the analysis of consumer debtors is given in note 6 to the annual financial statements.

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

| | | |
|--|-------------|-------------|
| Financial instrument | 2023 | 2022 |
| Cash and cash equivalents | 19 968 046 | 41 538 962 |
| Investments | 445 279 | 393 566 |
| Receivables from exchange transactions | 371 821 677 | 399 131 142 |
| Receivables from non-exchange transactions | 56 722 281 | 62 961 226 |

Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

61. Related parties

Key management information

| | |
|---------------------|----|
| Executive mayor | 1 |
| Councillors | 44 |
| Municipal Manager | 1 |
| Section 57 Managers | 1 |

Remuneration of management

Councillors

2023

| | Basic salary | Car allowance | Social contribution | Cellphone allowance | Total |
|--|-------------------|------------------|---------------------|---------------------|-------------------|
| Name | | | | | |
| Executive Mayor: Cllr M.E Mokatsane | 571 442 | 266 738 | 99 737 | 40 800 | 978 717 |
| Speaker: Cllr S.V Khiba | 464 800 | 209 936 | 83 246 | 44 400 | 802 382 |
| Council Whip: Cllr M.M Semakale | 428 996 | 195 815 | 79 146 | 44 400 | 748 357 |
| MMC: Community and Social Services: Cllr M.A Khotle | 428 996 | 195 815 | 81 629 | 44 400 | 750 840 |
| MMC: Public Safety and Transport: Cllr E.P Phamotse | 428 996 | 195 815 | 79 146 | 44 400 | 748 357 |
| MMC: Policy Development and Monitoring: Cllr .S Ramovha | 138 162 | 65 623 | 26 484 | 14 800 | 245 069 |
| MMC: Integrated Development Plan: Cllr M.R Lulama | 428 996 | 195 815 | 79 146 | 44 400 | 748 357 |
| MMC: Municipal Infrastructure and Technical Services: Cllr B.S Ramathibe | 436 267 | 195 815 | 79 146 | 44 400 | 755 628 |
| MMC: Local Economic Development: Cllr R.D Tau | 428 996 | 195 815 | 81 629 | 44 400 | 750 840 |
| MMC: Spatial Development and Human Settlement: Cllr M.P Tshabalala | 428 996 | 195 815 | 81 629 | 44 400 | 750 840 |
| MMC: Finance, Audit and Risk Management: Cllr T.M Ntsala | 428 996 | 195 815 | 81 629 | 44 400 | 750 840 |
| MMC: Corporate Support Services: Cllr L.E Ramajoe | 432 018 | 195 815 | 110 233 | 44 400 | 782 466 |
| MPAC Chairperson: A.V Botha | 416 018 | 189 487 | 77 317 | 44 400 | 727 222 |
| Part time Councillors | 6 059 795 | 2 380 853 | 1 414 391 | 1 400 530 | 11 255 569 |
| | 11 521 474 | 4 874 972 | 2 454 508 | 1 944 530 | 20 795 484 |

Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

61. Related parties (continued)

2022

| Name | Basic salary | Car allowance | Social contribution | Cellphone allowance | Total |
|---|-------------------|------------------|---------------------|---------------------|-------------------|
| Executive Mayor: Cllr M.E Mokatsane | 332 854 | 160 847 | 61 448 | 26 446 | 581 595 |
| Executive Mayor: Cllr M.S Chakane (Terminated) | 200 094 | 86 605 | 32 576 | 13 600 | 332 875 |
| Speaker: Cllr S.V Khiba | 427 716 | 195 181 | 78 848 | 43 391 | 745 136 |
| Council Whip: Cllr M.M Semakale | 251 087 | 118 601 | 49 183 | 26 118 | 444 989 |
| MMC: Council Whip: Cllr S.B Tladi (Terminated) | 150 323 | 63 513 | 25 872 | 14 800 | 254 508 |
| MMC: Community and Social Services: Cllr M.A Khotle | 244 922 | 115 416 | 47 866 | 28 591 | 436 795 |
| MMC: Community and Social Services: Cllr V.L Mpondo (Terminated) | 150 323 | 63 513 | 25 872 | 14 800 | 254 508 |
| MMC: Public Safety and Transport: Cllr E.P Phamotse | 244 922 | 115 416 | 47 866 | 28 591 | 436 795 |
| MMC: Public Safety and Transport: Cllr Z.S Magadlela (Terminated) | 150 323 | 63 513 | 25 872 | 14 800 | 254 508 |
| MMC: Integrated Development Plan: Cllr M.R Lulama | 244 922 | 115 416 | 47 866 | 28 591 | 436 795 |
| MMC: Integrated Development Plan: Cllr S Mokoena (Terminated) | 150 323 | 63 513 | 25 872 | 14 800 | 254 508 |
| MMC: Municipal Infrastructure and Technical Services: Cllr B.S Ramathibe | 395 244 | 178 929 | 74 130 | 43 391 | 691 694 |
| MMC: Local Economic Development: Cllr R.D Tau | 244 922 | 115 416 | 47 866 | 28 591 | 436 795 |
| MMC: Local Economic Development: Cllr Z.J.C Manefelt (Terminated) | 150 323 | 63 513 | 25 872 | 14 800 | 254 508 |
| MMC: Spatial Development and Human Settlement: Cllr M.P Tshabalala | 244 922 | 115 416 | 47 866 | 28 591 | 436 795 |
| MMC: Spatial Development and Human Settlement: Cllr K.L Kokami (Terminated) | 150 323 | 63 513 | 25 872 | 14 800 | 254 508 |
| MMC: Policy Development and Monitoring: Cllr M Mbona | 244 922 | 115 416 | 47 866 | 28 591 | 436 795 |
| MMC: Policy Development and Monitoring: Cllr E.R Moletsane (Terminated) | 150 323 | 63 513 | 25 782 | 14 800 | 254 418 |
| MMC: Finance, Audit and Risk Management: Cllr T.M Ntsala | 244 922 | 115 416 | 47 866 | 28 591 | 436 795 |
| MMC: Finance, Audit and Risk Management: Cllr B Rooskrans (Terminated) | 150 323 | 63 513 | 25 782 | 14 800 | 254 418 |
| MMC: Corporate Support Services: Cllr L.E Ramajoe | 252 360 | 115 416 | 47 866 | 28 591 | 444 233 |
| MMC: Corporate Support Services: Cllr M.S Mahlatsi (Terminated) | 150 323 | 63 513 | 25 782 | 14 800 | 254 418 |
| MPAC Chairperson: Cllr A.V Botha | 293 203 | 92 854 | 41 315 | 28 591 | 455 963 |
| MPAC Chairperson: Cllr M.L Pietersen (Terminated) | 145 942 | 61 481 | 25 282 | 14 800 | 247 505 |
| Part time Councillors | 5 398 286 | 2 142 790 | 1 301 912 | 1 351 231 | 10 194 219 |
| | 10 764 147 | 4 532 233 | 2 280 200 | 1 909 496 | 19 486 076 |

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

62. Segment information

General information

Identification of segments

The municipality is organised into six functional directorates for management purposes. The directorates are Municipal Manager, Finance, Corporate Services, Community and Social Services, Technical Services, and Local Economic Development and Planning Services.

Only the Community and Social Services, Technical Services, and Local Economic Development and Planning Services directorates have been identified as reportable segments. Management monitors the operating results of these units to make decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these business units.

The Municipal Manager, Finance, Corporate Services directorates are the governance and administration units of the municipality. However, they are not reportable segments; their results are reported as non-reportable segments to reconcile the results of the reportable segments to the total revenue and expenses of the municipality for the year under review.

The three reportable segments comprise of:

- Community and social services, which include sport and recreation, public safety, refuse removal, street cleaning and cemeteries;
- Technical services which include energy sources, water management, and wastewater management; and
- Local economic development and planning services, which include planning and development, housing, and the Kroonpark resort.

Management does not monitor financial performance geographically and does not have reliable separate financial information.

A measure of assets and liabilities for each reportable segment has not been presented as these amounts are not regularly provided to management.

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

Aggregated segments

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

Types of goods and/or services by segment

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

| Reportable segment | Goods and/or services |
|--------------------|--|
| Segment 1 | Local economic development and planning services |
| Segment 2 | Technical services |
| Segment 3 | Community and social services |
| Segment 4 | Governance & Administration (Not reportable Segment) |

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

62. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

| | Local economic development and planning services | Technical services | Community and social services | Governance and administration (not a reportable segment) | Total |
|---|--|-----------------------|-------------------------------------|---|----------------------|
| Revenue | | | | | |
| External revenue from exchange transactions | 7 076 440 | 554 286 857 | 77 569 366 | 6 265 930 | 645 198 593 |
| External revenue from non-exchange transactions | 2 538 000 | 75 121 643 | 4 970 413 | 341 785 199 | 424 415 255 |
| Interest revenue - exchange | - | 29 026 353 | 5 544 969 | 6 253 519 | 40 824 841 |
| Interest revenue - non exchange | - | - | - | 4 394 286 | 4 394 286 |
| Revenue from transactions with other segments | - | 15 169 564 | 412 215 | - | 15 581 779 |
| Total segment revenue | 9 614 440 | 673 604 417 | 88 496 963 | 358 698 934 | 1 130 414 754 |
| Entity's revenue | | | | | 1 130 414 754 |
| Expenditure | | | | | |
| Bulk Purchases | 57 002 | 345 002 160 | 484 614 | - | 345 543 776 |
| Contracted Services | 104 512 | 17 396 149 | 51 827 674 | 2 801 614 | 72 129 949 |
| Debt impairment | - | 224 425 083 | 14 268 263 | 19 190 924 | 257 884 270 |
| Depreciation and amortisation | 285 347 | 98 436 977 | 6 929 110 | 5 479 870 | 111 131 304 |
| Employee related costs | 26 689 713 | 105 724 352 | 106 611 626 | 119 496 781 | 358 522 472 |
| Expenditure from transactions with other segments | 4 462 294 | 9 599 438 | 1 515 238 | 4 809 | 15 581 779 |
| Interest expense | - | - | 21 266 739 | 61 814 975 | 83 081 714 |
| General expenses | 2 360 894 | 49 146 457 | 29 863 854 | 43 145 747 | 124 516 952 |
| Remuneration of Councillors | - | - | - | 20 795 484 | 20 795 484 |
| Impairment loss on assets | - | - | - | 8 807 919 | 8 807 919 |
| Loss on disposal of assets | - | 260 404 | - | 5 161 046 | 5 421 450 |
| Repairs and maintenance | 2 572 900 | 84 687 590 | 9 548 423 | 2 711 986 | 99 520 899 |
| Total segment expenditure | 36 532 662 | 934 678 610 | 242 315 541 | 289 411 155 | 1 502 937 968 |
| Total segmental surplus/(deficit) | (26 918 222) | (261 074 193) | (153 818 578) | 69 287 779 | (372 523 214) |

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

2022

| | Local economic development and planning services | Technical services | Community and social services | Governance and administration (not a reportable segment) | Total |
|---|--|-----------------------|-------------------------------------|---|-------------|
| Revenue | | | | | |
| External revenue from exchange transactions | 13 404 865 | 521 442 743 | 40 869 891 | 5 048 224 | 580 765 723 |
| External revenue from non-exchange transactions | 2 151 484 | 83 408 935 | 2 703 430 | 307 542 837 | 395 806 686 |
| Interest received - exchange | - | 21 100 558 | 3 428 949 | 3 674 923 | 28 204 430 |
| Interest received - non exchange | - | - | - | 2 836 586 | 2 836 586 |
| Revenue from transactions with segments | - | 18 021 410 | 557 143 | - | 18 578 553 |

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

62. Segment information (continued)

| | | | | | |
|---|---------------------|---------------------|----------------------|--------------------|----------------------|
| Total segment revenue | 15 556 349 | 643 973 646 | 47 559 413 | 319 102 570 | 1 026 191 978 |
| Entity's revenue | | | | | 1 026 191 978 |
| Expenditure | | | | | |
| Bulk purchases | 47 775 | 336 130 960 | 468 745 | - | 336 647 480 |
| Contracted services | 1 899 127 | 20 062 358 | 45 153 667 | 4 526 422 | 71 641 574 |
| Debt impairment | - | 63 313 895 | 2 323 958 | 1 245 213 | 66 883 066 |
| Depreciation and amortisation | 226 945 | 97 118 915 | 6 732 002 | 4 233 220 | 108 311 082 |
| Employee related cost | 25 738 061 | 100 542 012 | 100 861 740 | 100 312 182 | 327 453 995 |
| Expenditure from transactions with other segments | 8 579 876 | 8 924 878 | 1 069 330 | 4 468 | 18 578 552 |
| General expenses | 839 798 | 27 733 575 | 15 041 572 | 44 891 447 | 88 506 392 |
| Impairment loss on assets | - | - | - | 13 390 723 | 13 390 723 |
| Interest expense | - | 2 643 672 | 7 976 835 | 63 276 516 | 73 897 023 |
| Loss on disposal of assets | - | 656 135 | 51 780 | 3 459 054 | 4 166 969 |
| Losses on employee benefit obligation | - | - | 2 822 878 | - | 2 822 878 |
| Remuneration of councilors | - | - | - | 19 486 076 | 19 486 076 |
| Repairs and maintenance | 3 789 853 | 69 743 245 | 9 651 696 | 2 617 327 | 85 802 121 |
| Total segment expenditure | 41 121 435 | 726 869 645 | 192 154 203 | 257 442 648 | 1 217 587 931 |
| Total segmental surplus/(deficit) | (25 565 086) | (82 895 999) | (144 594 790) | 61 659 922 | (191 395 953) |

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

Moghaka Local Municipality
Appendix A

Schedule of external loans as at 30 June 2023

| Loan Number | Balance at 30 June 2022 | Interest | Redeemed written off during the period | Balance at 30 June 2023 | Carrying Value of Property, Plant & Equip | Other Costs in accordance with the MFMA Rand |
|-------------------------------------|--|-------------------|---|--|--|---|
| | Rand | Rand | Rand | Rand | Rand | |
| Development Bank of South Africa | | | | | | |
| Restructured DBSA Loan | 12007690 | 24 411 635 | 2 135 249 | 6 600 000 | 19 946 884 | 1 887 553 880 |
| | | 24 411 635 | 2 135 249 | 6 600 000 | 19 946 884 | 1 887 553 880 |

Appendix B

Analysis of property, plant and equipment as at 30 June 2023

Cost/Revaluation

Accumulated depreciation

| | Opening Balance | Additions | Disposals | Transfers | Revaluations | Public contributions and donations | Closing Balance | Opening Balance | Disposals | Depreciation | Impairment loss | Closing Balance | Carrying value |
|---------------------------------------|----------------------|------------------|------------------|-------------------|--------------|--|----------------------|----------------------|----------------|---------------------|--------------------|------------------------|----------------------|
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Land and buildings | | | | | | | | | | | | | |
| Land (Separate for AFS purposes) | 45 779 606 | - | - | 223 929 | - | 4 500 000 | 50 503 535 | - | - | - | - | - | 50 503 535 |
| Buildings (Separate for AFS purposes) | 71 207 873 | 53 749 | - | - | - | - | 71 261 622 | (30 010 562) | - | (1 614 814) | (121 795) | (31 747 171) | 39 514 451 |
| | 116 987 479 | 53 749 | - | 223 929 | - | 4 500 000 | 121 765 157 | (30 010 562) | - | (1 614 814) | (121 795) | (31 747 171) | 90 017 986 |
| Infrastructure | | | | | | | | | | | | | |
| Infrastructure | 4 120 030 039 | 2 295 608 | (736 307) | 31 328 206 | - | 653 632 | 4 153 571 178 | 2 488 484 709 | 475 904 | (96 819 667) | (2 099 427) | (2 586 927 899) | 1 566 643 279 |
| | 4 120 030 039 | 2 295 608 | (736 307) | 31 328 206 | - | 653 632 | 4 153 571 178 | 2 488 484 709 | 475 904 | (96 819 667) | (2 099 427) | (2 586 927 899) | 1 566 643 279 |
| Community Assets | | | | | | | | | | | | | |
| Community Assets | 200 296 684 | 288 550 | - | 2 590 446 | - | - | 203 175 680 | (116 373 024) | - | (5 086 187) | (3 702 030) | (125 161 241) | 78 014 439 |
| | 200 296 684 | 288 550 | - | 2 590 446 | - | - | 203 175 680 | (116 373 024) | - | (5 086 187) | (3 702 030) | (125 161 241) | 78 014 439 |

Appendix B

Analysis of property, plant and equipment as at 30 June 2023

| | Opening Balance | Additions | Disposals | Transfers | Revaluations | Public contributions and donations | Closing Balance | Opening Balance | Disposals | Depreciation | Impairment loss | Closing Balance | Carrying value |
|--|-----------------|-----------|-----------|-----------|--------------|------------------------------------|-----------------|-----------------|-----------|--------------|-----------------|-----------------|----------------|
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
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Appendix B

Analysis of property, plant and equipment as at 30 June 2023

| | Opening Balance | Additions | Disposals | Transfers | Revaluations | Public contributions and donations | Closing Balance | Opening Balance | Disposals | Depreciation | Impairment loss | Closing Balance | Carrying value |
|------------------------------------|-----------------|------------|--------------|--------------|--------------|------------------------------------|-----------------|-----------------|-----------|---------------|-----------------|-----------------|----------------|
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| | | | | | | | | | | | | | |
| Total property plant and equipment | | | | | | | | | | | | | |
| Land and buildings | 116 987 479 | 53 749 | - | 223 929 | - | 4 500 000 | 121 765 157 | (30 010 562) | - | (1 614 814) | (121 795) | (31 747 171) | 90 017 986 |
| Infrastructure | 4 120 030 039 | 2 295 608 | (736 307) | 31 328 206 | - | 653 632 | 4 153 571 178 | 2 488 484 709 | 475 904 | (96 819 667) | (2 099 427) | (2 586 927 899) | 1 566 643 279 |
| Community Assets | 200 296 684 | 288 550 | - | 2 590 446 | - | - | 203 175 680 | (116 373 024) | - | (5 086 187) | (3 702 030) | (125 161 241) | 78 014 439 |
| Heritage assets | 7 761 921 | - | - | - | - | - | 7 761 921 | - | - | - | (7 755) | (7 755) | 7 754 166 |
| Landfill Sites | 17 209 966 | - | - | - | - | - | 17 209 966 | (13 574 836) | - | (195 318) | - | (13 770 154) | 3 439 812 |
| Other assets | 209 031 387 | 67 292 573 | (7 033 919) | (33 960 953) | - | - | 235 329 088 | (68 054 473) | 5 906 814 | (6 956 060) | (2 876 912) | (71 980 631) | 163 348 457 |
| | 4 671 317 476 | 69 930 480 | (7 770 226) | 181 628 | - | 5 153 632 | 4 738 812 990 | 2 716 497 604 | 6 382 718 | (110 672 046) | (8 807 919) | (2 829 594 851) | 1 909 218 139 |
| Intangible assets | | | | | | | | | | | | | |
| Computer software | 6 196 021 | 441 400 | - | - | - | - | 6 637 421 | (3 379 464) | - | (459 262) | - | (3 838 726) | 2 798 695 |
| | 6 196 021 | 441 400 | - | - | - | - | 6 637 421 | (3 379 464) | - | (459 262) | - | (3 838 726) | 2 798 695 |
| Investment properties | | | | | | | | | | | | | |
| Investment property | 107 623 360 | - | (3 876 942) | (223 929) | 1 579 815 | - | 105 102 304 | - | - | - | - | - | 105 102 304 |
| | 107 623 360 | - | (3 876 942) | (223 929) | 1 579 815 | - | 105 102 304 | - | - | - | - | - | 105 102 304 |
| Total | | | | | | | | | | | | | |
| Land and buildings | 116 987 479 | 53 749 | - | 223 929 | - | 4 500 000 | 121 765 157 | (30 010 562) | - | (1 614 814) | (121 795) | (31 747 171) | 90 017 986 |
| Infrastructure | 4 120 030 039 | 2 295 608 | (736 307) | 31 328 206 | - | 653 632 | 4 153 571 178 | 2 488 484 709 | 475 904 | (96 819 667) | (2 099 427) | (2 586 927 899) | 1 566 643 279 |
| Community Assets | 200 296 684 | 288 550 | - | 2 590 446 | - | - | 203 175 680 | (116 373 024) | - | (5 086 187) | (3 702 030) | (125 161 241) | 78 014 439 |
| Heritage assets | 7 761 921 | - | - | - | - | - | 7 761 921 | - | - | - | (7 755) | (7 755) | 7 754 166 |
| Landfill Sites | 17 209 966 | - | - | - | - | - | 17 209 966 | (13 574 836) | - | (195 318) | - | (13 770 154) | 3 439 812 |
| Other assets | 209 031 387 | 67 292 573 | (7 033 919) | (33 960 953) | - | - | 235 329 088 | (68 054 473) | 5 906 814 | (6 956 060) | (2 876 912) | (71 980 631) | 163 348 457 |
| Intangible assets | 6 196 021 | 441 400 | - | - | - | - | 6 637 421 | (3 379 464) | - | (459 262) | - | (3 838 726) | 2 798 695 |
| Investment properties | 107 623 360 | - | (3 876 942) | (223 929) | 1 579 815 | - | 105 102 304 | - | - | - | - | - | 105 102 304 |
| | 4 785 136 857 | 70 371 880 | (11 647 168) | (42 301) | 1 579 815 | 5 153 632 | 4 850 552 715 | 2 719 877 068 | 6 382 718 | (111 131 308) | (8 807 919) | (2 833 433 577) | 2 017 119 138 |

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Appendix B

| Opening Balance | Additions | Disposals | Transfers | Revaluations | Other changes, movements | Closing Balance | Opening Balance | Disposals | Depreciation | Impairment loss | Closing Balance | Carrying value |
|--------------------|-----------|-----------|-----------|--------------|--------------------------------|--------------------|--------------------|-----------|--------------|--------------------|--------------------|-------------------|
| Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |

Appendix B

| Opening Balance | Additions | Disposals | Transfers | Revaluations | Other changes, movements | Closing Balance | Opening Balance | Disposals | Depreciation | Impairment loss | Closing Balance | Carrying value |
|--------------------|-----------|-----------|-----------|--------------|--------------------------------|--------------------|--------------------|-----------|--------------|--------------------|--------------------|-------------------|
| Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |

Moghaka Local Municipality
Appendix C

| Segmental analysis of property, plant and equipment as at 30 June 2023 | | | | | | | | | | | |
|--|-------------------|-------------------|-------------------|----------------------------|----------------------------|-------------------|-------------------|----------------------|--------------------|----------------------------|------------------------|
| Cost/Revaluation | | | | | Accumulated Depreciation | | | | | | |
| Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment Rand | Closing Balance Rand | Carrying value Rand |
| Municipality | | | | | | | | | | | |
| Community Assets | 200 296 684 | 288 550 | - | 2 590 446 | 203 175 680 | (116 373 024) | - | (5 086 187) | (3 702 030) | (125 161 241) | 78 014 439 |
| Roads & Storm Water | 1 638 760 852 | - | - | 14 800 952 | 1 653 561 804 | (990 180 292) | - | (35 249 120) | (1 784 366) | (1 027 213 778) | 626 348 026 |
| Electricity | 1 159 092 940 | 492 781 | (736 307) | 2 926 593 | 1 161 776 007 | (811 923 610) | 475 904 | (32 366 291) | - | (843 813 997) | 317 962 010 |
| Water | 775 762 195 | 2 272 638 | - | 13 600 661 | 791 635 494 | (408 137 924) | - | (17 602 512) | (142 773) | (425 883 209) | 365 752 285 |
| Sewer | 546 414 052 | 183 820 | - | - | 546 597 872 | (278 242 882) | - | (11 601 745) | (172 287) | (290 016 914) | 256 580 958 |
| Solid Waste | 17 209 966 | - | - | - | 17 209 966 | (13 574 836) | - | (195 318) | - | (13 770 154) | 3 439 812 |
| 4 337 536 689 | 3 237 789 | (736 307) | 33 918 652 | 4 373 956 823 | 2 618 432 568 | 475 904 | - | (102 101 173) | (5 801 456) | (2 725 859 293) | 1 648 097 530 |
| Total | | | | | | | | | | | |
| Municipality | 4 337 536 689 | 3 237 789 | (736 307) | 33 918 652 | 4 373 956 823 | 2 618 432 568 | 475 904 | - | (102 101 173) | (5 801 456) | 1 648 097 530 |
| 4 337 536 689 | 3 237 789 | (736 307) | 33 918 652 | 4 373 956 823 | 2 618 432 568 | 475 904 | - | (102 101 173) | (5 801 456) | (2 725 859 293) | 1 648 097 530 |

Moghaka Local Municipality
Appendix D

| Segmental Statement of Financial Performance for the year ended | | | | | | |
|---|----------------------|----------------------|---------------------------------------|----------------------|----------------------|----------------------|
| Prior Year | | | Current Year | | | |
| Actual Income | Actual | Surplus | | Actual Income | Actual | Surplus |
| Rand | Expenditure | /(Deficit) | | Rand | Expenditure | /(Deficit) |
| | Rand | Rand | | | Rand | Rand |
| Municipality | | | | | | |
| 235 256 271 | 88 279 456 | 146 976 815 | Executive & Council | 262 375 035 | 91 639 957 | 170 735 078 |
| - | 18 682 457 | (18 682 457) | Executive & Council/Municipal Manager | - | 20 246 950 | (20 246 950) |
| 804 119 | 47 514 933 | (46 710 814) | Corporate services | 115 573 | 52 040 031 | (51 924 458) |
| 83 007 803 | 102 949 693 | (19 941 890) | Finance & Admin/Finance | 96 208 329 | 125 479 407 | (29 271 078) |
| 15 556 349 | 41 121 435 | (25 565 086) | Planning & Development | 9 614 440 | 32 070 369 | (22 455 929) |
| 47 002 271 | 191 610 363 | (144 608 092) | Community & Social Services | 88 084 748 | 240 800 303 | (152 715 555) |
| 625 986 611 | 708 851 040 | (82 864 429) | Other | 658 434 850 | 925 079 172 | (266 644 322) |
| 1 007 613 424 | 1 199 009 377 | (191 395 953) | | 1 114 832 975 | 1 487 356 189 | (372 523 214) |
| 1 007 613 424 | 1 199 009 377 | (191 395 953) | Municipality | 1 114 832 975 | 1 487 356 189 | (372 523 214) |
| 1 007 613 424 | 1 199 009 377 | (191 395 953) | Total | 1 114 832 975 | 1 487 356 189 | (372 523 214) |

Moghaka Local Municipality
Appendix E

Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2023

| | Current year 2022 Act. Bal. | Current year 2022 Bud. Amt | Variance | Explanation of Significant Variances greater than 10% versus Budget |
|--|--|---|---------------------|--|
| | Rand | Rand | Rand | Var |
| Revenue | | | | |
| Service charges | 593 969 361 | 712 817 000 | (118 847 639) | - The decrease in the services charges was mainly affected by the reticulation losses experience by the municipality, particularly on water services which affected mainly the industrial water supply as well as this unused prepaid electricity that was recognised at year end. |
| Property rates | 82 052 199 | 81 939 000 | 113 199 | 0.1 |
| Rental of facilities and equipment | 5 723 509 | 7 577 000 | (1 853 491) | (24.5) The significant decline was mainly as a result of tenants moving out due to adverse economic activities and some as a result of the conditions of the properties being leased out. |
| Interest received | 45 219 129 | 31 446 000 | 13 773 129 | 43.8 The achievement was due to interest on outstanding debtors. |
| Fines | 4 222 791 | 4 727 000 | (504 209) | (10.7) The non achieved revenue budget was mainly influenced by the fact that the law enforcement and traffic division did not have adequate tools of trade (vehicles) during the financial year, which affected them executing their responsibilities accordingly. |
| Government grants subsidies– Operational | 262 661 000 | 280 543 000 | (17 882 000) | (6.4) |
| Other income | 53 545 380 | 16 109 000 | 37 436 380 | 232.4 This achievement was due to the recognition of the gains on employee benefits. |
| | 1 047 393 369 | 1 135 158 000 | (87 764 631) | (7.7) |
| Expenses | | | | |
| Employee costs | (358 522 472) | (374 675 000) | 16 152 528 | (4.3) |
| Remuneration of councillors | (20 795 484) | (23 727 000) | 2 931 516 | (12.4) The actual councillors remuneration was less than anticipated. |
| Depreciation and amortisation | (111 131 304) | (10 958 000) | (100 173 304) | 914.2 The municipality is progressively making budget available to cater for the GRAP 17 depreciation item, which is a non-cash transaction. |
| Finance costs | (83 081 713) | (8 696 000) | (74 385 713) | 855.4 The finance cost increased significantly due to the interest on the overdue Eskom aaccount. |
| Debt Impairment | (257 884 270) | (8 686 000) | (249 198 270) | 2 869.0 The decrease in the debt impairment was as a result of the revision of the debt impairment in alignment to GRAP 104. As well as the debt written off by Council. |
| Bulk purchases | (345 543 776) | (349 228 000) | 3 684 224 | (1.1) |
| Contracted Services | (171 650 848) | (145 695 000) | (25 955 848) | 17.8 This was due to the increase cost of maintenance costs that the municipality incurred. |

Moqhaka Local Municipality
Appendix E

Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2023

| | Current year 2022 Act. Bal. | Current year 2022 Bud. Amt | Variance | Explanation of Significant Variances greater than 10% versus Budget |
|-------------------------------------|--|---|----------------------|---|
| General Expenses | (138 746 322) | (137 730 000) | (1 016 322) | 0.7 |
| | (1 487 356 189) | (1 059 395 000) | (427 961 189) | 40.4 |
| Other revenue and costs | | | | |
| Transfers recognised - capital | 67 439 606 | 102 888 000 | (35 448 394) | (34.5) This expenditure relates to capital grants that the municipality received and spend accordingly, except as indicated in note 30 to the Annual Financial Statements. |
| Capital expenditure | - | (102 888 000) | 102 888 000 | (100.0) This expenditure relates to capital grants that the municipality received and spend accordingly, except as indicated in note 30 to the Annual Financial Statements. |
| | 67 439 606 | - | 67 439 606 | - |
| Net surplus/ (deficit) for the year | (372 523 214) | 75 763 000 | (448 286 214) | (591.7) |

Moghaka Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2023

| Name of Grants | Name of organ of state or municipal entity | Quarterly Receipts | | | | Quarterly Expenditure | | | | Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act | Reason for noncompliance |
|---------------------|--|--------------------|-------------------|-------------------|------------------|-----------------------|--------------------|-------------------|-------------------|--|--------------------------|
| | | Sep | Dec | Mar | Jun | Sep | Dec | Mar | Jun | Yes/ No | |
| FMG | National Treasury | 2 300 000 | - | - | - | 672 822 | 618 578 | 516 844 | 588 722 | Yes | |
| MIG | National Treasury | 22 772 000 | 8 801 000 | 14 021 000 | - | 10 182 273 | 12 002 353 | 8 107 047 | 15 520 092 | Yes | |
| EPWP | National Treasury | 357 000 | - | 1 071 000 | - | 205 549 | 419 640 | 430 990 | 371 821 | Yes | |
| WSIG | National Treasury | 4 631 000 | 3 293 000 | 2 368 000 | - | 1 843 717 | 4 611 251 | 1 731 176 | 2 105 857 | Yes | |
| LG Seta | Seta | - | 334 034 | 99 006 | 156 273 | - | - | - | - | No | |
| Housing Development | FS Provincial Treasury | - | - | - | 1 500 000 | 375 000 | 375 000 | 375 000 | 375 000 | Yes | |
| INEP | National Treasury | - | - | - | 1 923 000 | 89 697 | - | 1 851 585 | - | Yes | |
| RBIG | DWS | - | - | 5 636 587 | 3 994 019 | - | - | 5 636 587 | 3 994 019 | Yes | |
| Equitable Share | National Treasury | 100 399 000 | 84 953 000 | 72 081 000 | - | 100 399 000 | 84 953 000 | 72 081 000 | - | Yes | |
| | | 130 459 000 | 97 381 034 | 95 276 593 | 7 573 292 | 113 768 058 | 102 979 822 | 90 730 229 | 22 955 511 | | |