



**Moqhaka Local Municipality
Annual Financial Statements
for the year ended 30 June 2024**

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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
Mofokeng, MM (Acting)

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

Moqhaka Local Municipality

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General Information

Members of Council

Majavu Incorporated

Baba, MN

Boeije, HME

Beneke, PC (Resigned)

Botha, AV

Chabalala, SM

Dalton, CM

Geldenhuis, J

Lebone, NS

Louwrens, L

Makoko, MP

Marapo, JS

Meko, J

Mnaba, NM (Res

Mofokeng, TG

Mokoena, PS

Motsoeneng, SM

Mpele, MPE

Muller, ND

Nolo, NM

Pittaway, SH

Nzunga, ND

Ramoolla, MJ

Jordaan, A

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 (Resigned)

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

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

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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

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Accounting Officer's Responsibilities and Approval

The accounting officers are required by the Municipal Finance Management Act, 2003 (Act no. 56 of 2003), to maintain adequate accounting records and are 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 officers 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 officers acknowledge that they are 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 officers 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 officers are 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 officers have reviewed the municipality's cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, they are 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 councillors as disclosed in note 34 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 80, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2024 and were signed by:

Mofokeng, MM (Acting)
Accounting Officer

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Report

The accounting officers submit their 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 171 741 230 (2023: deficit R 373 671 345).

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 54.

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 56.

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 officers of the municipality during the year and to the date of this report are as follows:

Name	Nationality
Tshabalala, PH	South African
Mokgatlhe, IS (Acting)	South African
Mofokeng, MM (Acting)	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 2024

Statement of Financial Position

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	44 882 922	19 968 046
Inventories	4	87 485 319	98 058 932
Investments	5	130 800	120 189
Receivables from exchange transactions	6	527 659 859	368 424 920
Receivables from non-exchange transactions	7	58 779 023	56 751 010
VAT receivable	8	170 788 848	144 850 801
		889 726 771	688 173 898
Non-Current Assets			
Investments	5	390 152	325 090
Receivables from exchange transactions	6	1 207 839	1 175 624
Receivables from non-exchange transactions	7	210 571	100 063
Heritage assets	9	7 754 166	7 754 166
Intangible assets	10	2 365 223	2 798 695
Investment property	11	122 441 967	105 102 271
Property, plant and equipment	12	1 867 742 273	1 901 359 276
		2 002 112 191	2 018 615 185
Total Assets		2 891 838 962	2 706 789 083
Liabilities			
Current Liabilities			
Consumer deposits	13	16 034 515	15 746 169
Finance lease obligation	14	1 177 728	1 238 510
Borrowings	15	8 957 021	10 564 266
Payables from exchange transactions	16	1 503 036 743	1 177 702 703
Provisions	17	41 000	76 815 853
Unspent conditional grants and receipts	18	27 031 977	2 353 851
Employee benefit obligation	19	17 605 796	7 986 232
		1 573 884 780	1 292 407 584
Non-Current Liabilities			
Finance lease obligation	14	-	1 177 728
Borrowings	15	6 067 472	9 382 617
Provisions	17	128 571 528	51 631 855
Employee benefit obligation	19	146 925 107	144 058 000
		281 564 107	206 250 200
Total Liabilities		1 855 448 887	1 498 657 784
Net Assets		1 036 390 075	1 208 131 299
Accumulated surplus		1 036 390 075	1 208 131 299
Total Net Assets		1 036 390 075	1 208 131 299

* See Note 50

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	680 044 970	593 248 978
Rental of facilities and equipment	21	6 529 905	5 723 509
Fees earned	22	355 458	148 187
Interest received	23	73 582 753	40 824 842
Other income	24	27 169 743	10 762 410
Fair value adjustment	25	26 183 489	1 623 365
Gains on employee benefit obligation	26	9 734 988	32 544 012
Total revenue from exchange transactions		823 601 306	684 875 303
Revenue from non-exchange transactions			
Taxation revenue			
Services charges (Availability charges)	27	838 805	720 383
Property rates	28	88 207 117	82 052 199
Interest received	23	7 761 059	4 394 287
Transfer revenue			
Government grants and subsidies	29	365 275 792	330 100 606
Public contributions and donations	30	6 500	7 319 275
Fines	31	3 694 055	4 222 791
Total revenue from non-exchange transactions		465 783 328	428 809 541
Total revenue	32	1 289 384 634	1 113 684 844
Expenditure			
Employee related costs	33	(399 176 465)	(358 522 472)
Remuneration of councillors	34	(22 251 162)	(20 795 484)
Repairs and maintenance	35	(97 281 247)	(99 520 899)
Depreciation and amortisation	36	(109 847 388)	(111 131 304)
Finance costs	37	(33 943 290)	(83 081 714)
Debt impairment	38	(176 661 429)	(257 884 270)
Bulk purchases	39	(418 566 853)	(345 543 776)
Contracted services	40	(80 381 391)	(72 129 949)
General expenses	41	(95 042 396)	(124 516 952)
Total expenditure		(1 433 151 621)	(1 473 126 820)
Operating deficit		(143 766 987)	(359 441 976)
Cost on disposal of assets	42	(15 329 539)	(5 421 450)
Losses on employee benefit obligation	26	(1 441 774)	-
Impairment loss on assets	43	(11 202 930)	(8 807 919)
		(27 974 243)	(14 229 369)
Deficit for the year		(171 741 230)	(373 671 345)

* See Note 50

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / (deficit)	Total net assets
Opening balance as previously reported	1 583 145 246	1 583 145 246
Adjustments		
Prior year adjustments (Note 50)	(1 342 602)	(1 342 602)
Balance at 01 July 2022 as restated*	1 581 802 644	1 581 802 644
Changes in net assets		
Deficit for the year	(373 671 345)	(373 671 345)
Total changes	(373 671 345)	(373 671 345)
Restated* Balance at 01 July 2023	1 208 131 305	1 208 131 305
Changes in net assets		
Deficit for the year	(171 741 230)	(171 741 230)
Total changes	(171 741 230)	(171 741 230)
Balance at 30 June 2024	1 036 390 075	1 036 390 075

* See Note 50

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		506 098 271	496 145 517
Government grants and subsidies		389 953 918	330 689 919
Interest income		8 941 194	2 091 824
Taxation and fines revenue		1 310 536	4 222 791
Other income		20 146 824	16 120 111
Dividends		33 758	27 949
		<u>926 484 501</u>	<u>849 298 111</u>
Payments			
Employee costs		(415 082 035)	(369 445 953)
Suppliers		(387 682 352)	(364 948 152)
Finance costs		(4 351 152)	(59 679 727)
		<u>(807 115 539)</u>	<u>(794 073 832)</u>
Net cash flows from operating activities	45	<u>119 368 962</u>	<u>55 224 279</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(86 595 485)	(68 802 841)
Purchase of other intangible assets	10	(9 487)	(441 400)
Additions to investments	5	(10 610)	(8 163)
Net cash flows from investing activities		<u>(86 615 582)</u>	<u>(69 252 404)</u>
Cash flows from financing activities			
Repayment of borrowings	15	(6 600 000)	(6 600 000)
Finance lease repayments		(1 238 510)	(942 971)
Net cash flows from financing activities		<u>(7 838 510)</u>	<u>(7 542 971)</u>
Net increase/(decrease) in cash and cash equivalents		24 914 870	(21 570 916)
Cash and cash equivalents at the beginning of the year		19 968 046	41 538 962
Cash and cash equivalents at the end of the year	3	<u>44 882 916</u>	<u>19 968 046</u>

* See Note 50

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	750 231 640	41 384 620	791 616 260	680 883 775	(110 732 485)	20
Rental of facilities and equipment	8 003 004	133 166	8 136 170	6 529 905	(1 606 265)	21
Other income	21 033 303	2 141 916	23 175 219	62 001 904	38 826 685	22&24&25&26
Interest received	33 110 719	-	33 110 719	73 582 753	40 472 034	23
Total revenue from exchange transactions	812 378 666	43 659 702	856 038 368	822 998 337	(33 040 031)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	86 281 288	-	86 281 288	88 207 117	1 925 829	28
Interest received	2 843 100	-	2 843 100	7 761 059	4 917 959	23
Transfer revenue						
Government grants and subsidies	284 237 032	41 000 000	325 237 032	365 275 792	40 038 760	29
Public contributions and donations	-	-	-	6 500	6 500	30
Fines	4 973 664	280 000	5 253 664	3 694 055	(1 559 609)	31
Other income	564 890	81 562	646 452	-	(646 452)	
Total revenue from non-exchange transactions	378 899 974	41 361 562	420 261 536	464 944 523	44 682 987	
Total revenue	1 191 278 640	85 021 264	1 276 299 904	1 287 942 860	11 642 956	
Expenditure						
Employee costs	(396 116 531)	(1 638 685)	(397 755 216)	(399 176 465)	(1 421 249)	33
Remuneration of councillors	(25 032 003)	(3 163 947)	(28 195 950)	(22 251 162)	5 944 788	34
Depreciation and amortisation	(9 412 612)	3 118	(9 409 494)	(109 847 388)	(100 437 894)	36
Finance costs	(8 600 000)	-	(8 600 000)	(33 943 290)	(25 343 290)	37
Debt impairment	(58 748 643)	12 473 850	(46 274 793)	(176 661 429)	(130 386 636)	38
Bulk purchases	(318 545 093)	(76 829 094)	(395 374 187)	(418 566 853)	(23 192 666)	39
Contracted services	(159 893 523)	(6 476 564)	(166 370 087)	(177 662 638)	(11 292 551)	35&40
General expenses	(134 838 745)	(6 921 964)	(141 760 709)	(121 574 865)	20 185 844	41&42&43
Total expenditure	(1 111 187 150)	(82 553 286)	(1 193 740 436)	(1 459 684 090)	(265 943 654)	
Operating deficit	80 091 490	2 467 978	82 559 468	(171 741 230)	(254 300 698)	
Transfers recognised - capital	134 568 093	(2 762 502)	131 805 591	87 802 538	(44 003 053)	29
Capital expenditure	(134 568 093)	2 762 502	(131 805 591)	(87 802 538)	44 003 053	29
	-	-	-	-	-	
Deficit for the year	80 091 490	2 467 978	82 559 468	(171 741 230)	(254 300 698)	

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

Figures in Rand	Note(s)	2024	2023
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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.

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.

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

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.

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;

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

- 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
- 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.

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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 35).

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

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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

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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 35).

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 a 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 35).

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

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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

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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

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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
Finance lease obligation	Financial liability measured at amortised cost
Provisions	Financial liability measured at amortised cost
Consumer Deposit	Financial liability measured at amortised cost
Unspent conditional grant and receipts	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.

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Accounting Policies

1.9 Financial instruments (continued)

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 2024

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 recognises 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 recognises 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.

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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 interest rate implicit in the lease.

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 on the remaining balance of the liability.

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

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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

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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

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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 57.

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.

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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.

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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 2024

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 2024

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 50.

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.

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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.

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Accounting Policies

1.27 Budget information (continued)

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

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

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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.

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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.

Moghaka Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised): Employee Benefits	01 April 2023	The impact was not material.
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	The impact was not material.
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	The impact was not material.
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	The impact was not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• The Application of Materiality to Financial Statements	01 April 2024	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	01 April 2024	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2024	Unlikely there will be a material impact

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	4 087 750	14 602 200
Short-term deposits	40 795 172	5 365 846
	44 882 922	19 968 046

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 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
ABSA Bank - Cheque account - 405 327 4876	4 087 750	14 602 200	27 365 409	4 087 750	14 602 200	27 365 409
ABSA Bank - Call account - 91 3190 1443	40 795 172	5 365 846	14 173 553	40 795 172	5 365 846	14 173 553
Total	44 882 922	19 968 046	41 538 962	44 882 922	19 968 046	41 538 962

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
4. Inventories		
Consumables stores	20 214 014	24 949 411
Vacant Sites held for resale	66 015 622	71 747 749
Water	1 255 683	1 361 772
	87 485 319	98 058 932

Consumable Inventory held by the municipality decreased by R 4 735 397 in the current year (2023: increase R 243 994).

Vacant sites by the municipality decreased by R 5 732 127 in the current year (2023: decrease R 157 000).

Water Inventory held by the municipality decreased by R 106 089 in the current year (2023: increase R 1 096 987).

During the year inventory that were expensed through the Statement of Financial Performance amounted to R 18 166 128 (2023: R 12 940 787).

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

5. Investments

Designated at fair value

ABSA deposits	130 800	120 189
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At fair value

Senwes	226 982	177 330
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The fair value is based on quoted price from active markets for identical assets and is therefore a level 1 (11 822 shares at R19.20).

Senwesbel	163 170	147 760
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The fair value is based on quoted price from active markets for identical assets and is therefore a level 1 (18 130 shares at R9.00).

	390 152	325 090
Total other financial assets	520 952	445 279

Non-current assets

At fair value	390 152	325 090
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Current assets

At amortised cost	130 800	120 189
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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 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
6. Receivables from exchange transactions		
Gross balances		
Electricity	217 392 983	132 306 659
Water	765 422 932	608 383 909
Waste water	227 326 242	178 776 041
Waste	164 166 578	127 691 001
Other services	95 316 527	86 186 262
Prepayments	3 056 298	5 558 532
	1 472 681 560	1 138 902 404
Less: Allowance for impairment		
Electricity	(89 274 561)	(54 048 801)
Water	(544 179 132)	(450 986 980)
Waste water	(128 902 981)	(107 976 190)
Waste	(94 917 684)	(79 030 771)
Other services*	(87 747 343)	(78 434 742)
	(945 021 701)	(770 477 484)
Net balance		
Electricity	128 118 422	78 257 858
Water	221 243 800	157 396 929
Waste water	98 423 261	70 799 851
Waste	69 248 894	48 660 230
Other services	7 569 184	7 751 520
Prepayments	3 056 298	5 558 532
	527 659 859	368 424 920
Included in above is receivables from exchange transactions		
Rentals	911 649	761 518
Sundry services	94 404 878	85 424 744
	95 316 527	86 186 262

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)	7 097 088	2 057 328
31 - 60 days	3 510 670	1 638 289
61 - 90 days	3 440 448	2 033 403
> 90 days	114 070 216	72 528 838
	128 118 422	78 257 858

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
6. Receivables from exchange transactions (continued)		
Water		
Current (0 -30 days)	10 980 623	4 338 834
31 - 60 days	5 431 713	3 455 095
61 - 90 days	5 323 065	4 288 378
> 90 days	199 508 399	145 314 622
	221 243 800	157 396 929
Waste water		
Current (0 -30 days)	5 198 377	2 142 547
31 - 60 days	2 571 447	1 706 150
61 - 90 days	2 520 012	2 117 631
> 90 days	88 133 425	64 833 523
	98 423 261	70 799 851
Waste		
Current (0 -30 days)	3 673 618	1 476 405
31 - 60 days	1 817 205	1 175 689
61 - 90 days	1 780 856	1 459 236
> 90 days	61 977 215	44 548 900
	69 248 894	48 660 230
Other services		
Current (0 -30 days)	407 934	213 945
31 - 60 days	201 790	170 368
61 - 90 days	197 754	211 457
91 - 120 days	6 761 706	7 155 750
	7 569 184	7 751 520
Prepayments		
Current (0 -30 days)	3 056 298	5 558 532
Summary of debtors by customer classification		
Total		
Current (0 -30 days)	28 641 730	36 212 748
31 - 60 days	41 708 569	28 836 895
61 - 90 days	40 858 541	35 791 630
> 90 days	1 358 416 422	1 032 502 599
	1 469 625 262	1 133 343 872
Less: Allowance for impairment	(945 021 701)	(770 477 484)
	524 603 561	362 866 388
Non-current receivables from exchange transactions		
> 365 days	1 207 839	1 175 624
Reconciliation of allowance for impairment		
Balance at beginning of the year	(770 477 484)	(656 751 410)
Contributions to allowance	(945 021 701)	(770 477 484)
Debt written off against allowance	7 364 932	138 713 763
Reversal of allowance	763 112 552	518 037 647
	(945 021 701)	(770 477 484)

Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
6. Receivables from exchange transactions (continued)		
Non-current receivables from exchange transactions		
Arrangements included in the above receivables from exchange transactions amounting to R 1 207 839 (2023: R 1 175 624) 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	835 201	781 154
Fuel deposits	2 484 820	2 484 820
Long term debtors	210 571	100 063
Other receivables	270 384	269 391
Outstanding electricity collections	1 868 673	13 200 764
Statutory receivables: Assessment rates	52 653 669	39 230 417
Statutory receivables: Fines	666 276	784 464
	58 989 594	56 851 073
Non-current assets	210 571	100 063
Current assets	58 779 023	56 751 010
	58 989 594	56 851 073
Assessment rates		
Gross balances	106 271 872	83 778 587
Less: Allowance for impairment	(53 618 203)	(44 548 170)
	52 653 669	39 230 417
Total receivables from non-exchange transactions	58 989 594	56 851 073
Total		
Current (0 -30 days)	2 521 299	2 414 240
31 - 60 days	1 247 194	1 922 505
61 - 90 days	1 222 247	2 386 165
> 90 days	101 281 132	77 055 677
Less: Impairment	(53 618 203)	(44 548 170)
	52 653 669	39 230 417
Reconciliation of allowances for impairment: Assessment rates		
Balance at the beginning of the year	(44 548 170)	(33 016 327)
Contribution to allowance	(53 618 203)	(44 548 170)
Reversal of allowance	44 548 170	33 016 327
	(53 618 203)	(44 548 170)
Fines		
Gross balance	3 167 983	3 909 158
Less: Impairment	(2 501 707)	(3 124 694)
	666 276	784 464

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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7. Receivables from non-exchange transactions (continued)

Reconciliation of allowance for impairment: Fines

Balance at the beginning of the year	(3 124 694)	(2 175 164)
Contribution to allowance	(2 501 707)	(3 124 694)
Reversal of impairment	3 124 694	2 175 164
	(2 501 707)	(3 124 694)

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 22% (2023: 23%).

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 13% (2023: 25%).

Non-current receivables from non-exchange transactions

Long term debtors	210 571	100 063
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8. VAT receivable

VAT	170 788 848	144 850 801
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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

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	7 754 166	-	7 754 166	7 761 921	(7 755)	7 754 166

Reconciliation of heritage assets 2024

	Opening balance	Total
Heritage assets	7 754 166	7 754 166

Reconciliation of heritage assets 2023

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

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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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
Municipal jewellery	1 277 800
Areas of land of historic or specific significance	242 367
Culturally significant buildings	6 233 999
	7 754 166

10. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	6 646 908	(4 281 685)	2 365 223	6 637 421	(3 838 726)	2 798 695

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software	2 798 695	9 487	(442 959)	2 365 223

Reconciliation of intangible assets - 2023

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

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 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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11. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	122 441 967	-	122 441 967	105 102 271	-	105 102 271

Reconciliation of investment property - 2024

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	105 102 271	(8 778 730)	26 118 426	122 441 967

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

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 DDP Valuers 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	6 529 905	5 723 509
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Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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12. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Land	50 503 535	-	50 503 535	50 503 535	-	50 503 535
Buildings	71 288 622	(33 370 620)	37 918 002	71 261 622	(31 747 171)	39 514 451
Plant and machinery	11 426 282	(7 648 826)	3 777 456	10 127 535	(6 967 231)	3 160 304
Furniture and office equipment	12 743 326	(8 466 312)	4 277 014	11 799 541	(7 761 368)	4 038 173
Motor vehicles	64 765 038	(45 274 366)	19 490 672	58 199 662	(42 853 354)	15 346 308
IT equipment	19 336 448	(12 225 835)	7 110 613	18 250 261	(10 342 860)	7 907 401
Landfill sites	17 209 966	(13 963 092)	3 246 874	17 209 966	(13 770 154)	3 439 812
Infrastructure	4 211 090 012	(2 691 776 283)	1 519 313 729	4 153 571 178	(2 586 927 931)	1 566 643 247
Community	205 592 199	(129 908 927)	75 683 272	203 175 681	(125 161 186)	78 014 495
Capital work in progress	145 435 110	-	145 435 110	133 161 843	(2 536 570)	130 625 273
Finance leased assets	3 689 597	(2 703 601)	985 996	3 689 597	(1 523 320)	2 166 277
Total	4 813 080 135	(2 945 337 862)	1 867 742 273	4 730 950 421	(2 829 591 145)	1 901 359 276

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 - 2024

	Opening balance	Additions	Disposals	Transfers received	Public contributions and donations	Depreciation	Impairment loss	Total
Land	50 503 535	-	-	-	-	-	-	50 503 535
Buildings	39 514 451	27 000	-	-	-	(1 623 449)	-	37 918 002
Plant and machinery	3 160 304	1 339 305	(33 616)	-	-	(686 093)	(2 444)	3 777 456
Furniture and office equipment	4 038 173	947 598	(8 460)	-	6 500	(682 934)	(23 863)	4 277 014
Motor vehicles	15 346 308	6 565 373	-	-	-	(2 245 368)	(175 641)	19 490 672
IT equipment	7 907 401	1 225 472	(84 275)	-	-	(1 825 486)	(112 499)	7 110 613
Landfill sites	3 439 812	-	-	-	-	(192 938)	-	3 246 874
Infrastructure	1 566 643 247	4 354 914	(692 331)	56 116 522	-	(96 276 730)	(10 831 893)	1 519 313 729
Community	78 014 495	2 782	-	2 413 735	-	(4 691 150)	(56 590)	75 683 272
Capital work in progress	130 625 273	73 340 094	-	(58 530 257)	-	-	-	145 435 110
Finance leased assets	2 166 277	-	-	-	-	(1 180 281)	-	985 996
	1 901 359 276	87 802 538	(818 682)	-	6 500	(109 404 429)	(11 202 930)	1 867 742 273

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 and fixtures	41 197 311	53 749	-	-	-	-	(1 614 814)	(121 795)	39 514 451
Plant and machinery	3 541 530	581 943	(135 972)	-	-	-	(790 256)	(36 941)	3 160 304
Furniture and office equipment	4 075 447	848 610	(185 291)	-	-	7 800	(645 169)	(63 224)	4 038 173
Motor vehicles	14 539 902	2 849 392	(463 450)	-	-	1 119 843	(2 509 947)	(189 432)	15 346 308
IT equipment	9 566 144	571 241	(342 393)	-	-	-	(1 836 847)	(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	105 766 715	61 313 780	-	(33 918 652)	-	-	-	(2 536 570)	130 625 273
Finance leased assets	3 340 113	-	-	-	-	-	(1 173 836)	-	2 166 277
	1 946 910 945	68 802 841	(1 387 510)	-	223 929	6 281 275	(110 672 042)	(8 800 162)	1 901 359 276

Capital commitments

Approved and contracted for capital expenditure

Infrastructure	122 527 815	102 685 200
Motor vehicles	152 777 510	152 777 510
Community	7 225 049	2 774 800
Buildings	-	575 521
Landfill sites	6 098 653	5 558 937
	288 629 027	264 371 968

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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12. Property, plant and equipment (continued)

Capital Work In Progress - 2024

	Included within infrastructure and landfill sites	Included within community	Included within Building & Fixtures	Total
Opening balance	122 045 044	8 135 765	444 464	130 625 273
Additions/capital expenditure	14 730 554	79 283	-	14 809 837
	136 775 598	8 215 048	444 464	145 435 110

Capital Work In Progress - 2023

	Included within Infrastructure and landfill sites	Included within Community	Included within Building & Fixtures	Total
Opening balance	94 623 250	10 699 001	444 464	105 766 715
Additions/capital expenditure	27 421 793	(2 563 236)	-	24 858 557
	122 045 043	8 135 765	444 464	130 625 272

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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12. Property, plant and equipment (continued)

Reconciliation of infrastructure assets

Infrastructure

Roads and storm water	602 266 515	626 348 026
Electricity	288 048 512	317 962 010
Water	367 479 474	365 752 286
Sewerage	261 519 257	256 580 958
	1 519 313 758	1 566 643 280

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 2022-23 financial year. The latter are kept in the register for comparison purposes.

Capital work in progress refers to infrastructure, community ongoing projects and assets in a project which have been paid for and have not been delivered as at 30 June 2024.

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. Installation of 8 High Mast Lights in Maokeng.

Halted Capital Work in Progress include: Construction of 66kv overhead ring main feed line phase 1, Upgrading sewer treatment work phase 3 and Rammulotsi: Rehabilitation of Existing Landfill Site and Construction of Fencing. These are projects which have halted due to lack of funding to complete the outstanding work.

The Provincial Department of Human Settlement initiated a bulk services project to service 5300 stands that are to be allocated to the residents. These stands result from existing municipal land and plots. This will result in municipal properties and infrastructure being affected and the impact of which can reliably be known after the project completion.

Significantly Delayed Capital Work in Progress

Infrastructure	Amount
Buildings & Fixtures	4 506 892
Community	444 464
	7 023 916
	11 975 272

Halted Capital Work in Progress

Infrastructure	Amount
	58 086 997

13. Consumer deposits

Electricity	4 974 547	4 901 194
Water	6 802 691	6 615 599
Sundries	4 257 277	4 229 376
	16 034 515	15 746 169

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
14. Finance lease obligation		
Minimum lease payments due		
- within one year	1 317 240	1 756 320
- in second to fifth year inclusive	-	1 317 240
	1 317 240	3 073 560
less: future finance charges	(139 512)	(657 322)
Present value of minimum lease payments	1 177 728	2 416 238
Present value of minimum lease payments due		
- within one year	1 177 728	1 238 510
- in second to fifth year inclusive	-	1 177 728
	1 177 728	2 416 238
Non-current liabilities	-	1 177 728
Current liabilities	1 177 728	1 238 510
	1 177 728	2 416 238

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 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	15 024 493	19 946 883
Non-current liabilities		
At amortised cost	6 067 472	9 382 617
Current liabilities		
At amortised cost	8 957 021	10 564 266

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	5 537 422	8 035 189
Interest	107 433	152 852
	5 644 855	8 188 041

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
16. Payables from exchange transactions		
Trade payables	1 457 150 183	1 126 433 462
Payments received in advanced	33 196 609	29 021 882
Deposits received	184 046	61 401
Retention creditors	7 649 919	6 442 866
Third parties	4 855 986	15 743 092
	1 503 036 743	1 177 702 703
Bulk electricity		
Current (0 -30 days)	67 288 087	63 230 898
31 - 60 days	46 377 439	58 861 102
61 - 90 days	38 342 005	68 462 447
> 90 days	1 220 251 827	839 105 927
	1 372 259 358	1 029 660 374
Various trade creditors		
Current (0 -30 days)	20 352 256	22 602 917
31 - 60 days	15 923 788	34 956 297
61 - 90 days	7 015 323	1 903 688
> 90 days	37 203 398	37 105 743
	80 494 765	96 568 645
Auditor-General of South Africa		
Current (0 -30 days)	41 137	204 443
31 - 60 days	163 324	-
61 - 90 days	1 121 053	-
> 90 days	3 070 546	-
	4 396 060	204 443

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

17. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions	Reversed	Interest costs	Change in estimate	Total
Funeral death benefit	51 000	-	(10 000)	-	-	41 000
Rehabilitation of landfill sites	81 235 448	-	-	7 563 020	(12 071 945)	76 726 523
Rehabilitation cost of quarries	16 593 175	-	-	1 688 508	(1 243 470)	17 038 213
Leave pay	30 568 085	4 238 707	-	-	-	34 806 792
	128 447 708	4 238 707	(10 000)	9 251 528	(13 315 415)	128 612 528

Reconciliation of provisions - 2023

	Opening Balance	Additions	Reversed	Interest costs	Change in estimate	Total
Funeral death benefit	58 000	-	(7 000)	-	-	51 000
Rehabilitation cost 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

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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17. Provisions (continued)

Non-current liabilities	128 571 528	51 631 855
Current liabilities	41 000	76 815 853
	128 612 528	128 447 708

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)	38 998 785	43 028 862
Steynsrus (landfill site)	14 650 398	12 766 386
Viljoenskroon (landfill site)	23 077 340	25 440 201
Kroonstad (gravel quarry)	8 293 272	7 875 223
Steynsrus (gravel quarry)	8 744 941	8 717 952
	93 764 736	97 828 624

Key assumptions used:

Assumptions used at the reporting date:

Viljoenskroon - CPI	5.48 %
Viljoenskroon - discount rate used	9.31 %
Steynsrus - CPI	5.48 %
Steynsrus - discount rate used	9.31 %
Kroonstad - CPI	5.48 %
Kroonstad - discount rate used	9.31 %

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.

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	2 791 897	2 353 851
Municipal Disaster Response Grant	8 160 018	-
Water Services Infrastructure Grant (WSIG)	16 080 062	-
	27 031 977	2 353 851

Moqhaka Local Municipality

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18. Unspent conditional grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	2 353 851	2 197 578
Additions during the year	34 889 779	156 273
Income recognition during the year	(10 211 653)	-
	27 031 977	2 353 851

See note 29 for the reconciliation of grants from other spheres of government. The amounts are recognised as revenue when the qualifying expenditure is incurred.

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19. Employee benefit obligations

Employee benefit obligations

Reconciliation of Employee benefit obligation - 2024	Opening Balance	Additions	Interest cost	Benefits paid	Actuarial loss/(gain)	Total
Long service awards	20 032 000	1 950 000	2 599 000	(1 988 000)	1 479 774	24 072 774
Post-retirement Medical Plan	124 026 000	5 332 000	16 064 000	(4 621 000)	(9 734 988)	131 066 012
13th Cheque	7 986 232	1 405 885	-	-	-	9 392 117
	152 044 232	8 687 885	18 663 000	(6 609 000)	(8 255 214)	164 530 903

Reconciliation of Employee benefit obligation - 2023	Opening Balance	Additions	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

Carrying value

Long service awards	(24 072 774)	(20 032 000)
Post retirement medical aid	(131 066 012)	(124 026 000)
13th cheque	(9 392 117)	(7 986 232)
	(164 530 903)	(152 044 232)

Non-current liabilities	(146 925 107)	(144 058 000)
Current liabilities	(17 605 796)	(7 986 232)
	(164 530 903)	(152 044 232)

Long service awards

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 2024.

Key assumptions used

Discount rates used	9.9%
CPI (Consumer Price Inflation)	4.96%
Salary increase rate	5.96%
Net discount rate	3.72%

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	20 032 000	18 979 000
Net expense recognised in the statement of financial performance	(1 215 986)	1 053 000
	18 816 014	20 032 000

Moqhaka Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
19. Employee benefit obligations (continued)		
Net expense recognised in the statement of financial performance:		
Current service cost	1 950 000	1 938 000
Interest cost	2 599 000	2 213 000
Actuarial (gains) losses	(3 776 986)	(1 347 000)
Benefit payments	(1 988 000)	(1 751 000)
	(1 215 986)	1 053 000
Calculation of actuarial gains and losses		
Current Service Cost	1 950 000	1 938 000
Benefits paid	(1 988 000)	(1 751 000)
Actuarial gain / (loss)	(3 776 986)	(1 347 000)
	(3 814 986)	(1 160 000)
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.		
Changes in the present value of the defined benefit obligation are as follows:		
Present value of the defined benefit obligation-wholly unfunded	124 026 000	137 287 000
Current interest cost	16 064 000	16 329 000
Actuarial (gains) losses	(9 734 988)	(31 384 012)
Benefits payments	(4 621 000)	(4 043 988)
Current service cost	5 332 000	5 838 000
	131 066 012	124 026 000
Net expense recognised in the statement of financial performance:		
Current service cost	5 322 000	5 838 000
Interest cost	16 064 000	16 329 000
Actuarial (gains) losses	(9 734 988)	(31 384 012)
Benefits payments	(4 621 000)	(4 043 988)
	7 030 012	(13 261 000)
Calculation of actuarial gains and losses		
Actuarial (gains) losses	(9 374 988)	(31 384 012)
The post retirement medical plan is a defined benefit plan, of which the members are made up as follows:		
Continuation Members (Pensioners)	70	63
Current (In Service) Members	731	620

Moqhaka Local Municipality

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Figures in Rand	2024	2023
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19. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rate (D)	13.35%
CPI (Consumer Price Inflation)	7.26%
Health care cost inflation (H)	8.76
Net discount rate	4.21%

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

Balance at 30 June 2024	-	131 066 012
Current Service Cost	-	7 185 158
Interest cost	-	17 180 623
Medical contributions subsidies for continuation members	-	(4 655 717)
	-	150 776 076

20. Service charges

Sale of electricity	394 117 199	334 124 124
Sale of water	173 069 650	155 608 401
Solid waste	46 960 932	43 000 218
Waste water	65 897 189	60 516 235
	680 044 970	593 248 978

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.

21. Rental of facilities and equipment

Facilities and equipment

Rental of facilities	6 529 905	5 723 509
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22. Fees earned

Administrative and management fees	355 458	148 187
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23. Interest received

Interest revenue

Bank	3 636 604	2 091 824
Receivables from exchange transactions	69 946 149	38 733 018
Receivables from non-exchange transactions	7 761 059	4 394 287
	81 343 812	45 219 129

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

Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
24. Other income		
Administration income	379 158	679 059
Building plans and inspection fees	1 333 418	915 539
Burial income	1 700 945	1 784 405
Clearance certificates	263 536	286 495
Connection fees	612 645	1 075 302
Discount received	559 109	462 061
Dividends received	33 758	27 949
Erven sales	2 607 641	(118 135)
Escort fees	5 300	2 180
Fire brigade and rescue services	515	-
Hostel fees	41 255	41 255
Insurance claims	385 114	600 158
Proceed from auction	-	2 191 439
Provision for rehabilitation adjustment	13 315 415	-
Railway siding	62 725	12 482
Special services	9 010	-
Sundry income	2 985 470	1 372 646
Unclaimed deposits	2 874 729	332 588
Water valuation adjustments	-	1 096 987
	27 169 743	10 762 410
25. Fair value adjustments		
Investment property	26 118 426	1 579 815
Investment in shares	65 063	43 550
	26 183 489	1 623 365
26. Gains (losses) on employee benefit obligations		
Long service awards: Actuarial gains / (losses)	(1 441 774)	1 160 000
Post retirement medical benefit: Actuarial gains / (losses)	9 734 988	31 384 012
	8 293 214	32 544 012
27. Services charges (Availability charges)		
Water	417 256	359 644
Waste water	421 549	360 739
	838 805	720 383
28. Property rates		
Rates received		
Residential	22 915 234	21 512 684
Commercial	39 170 925	37 183 378
State	26 120 958	23 356 137
	88 207 117	82 052 199

Moqhaka Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
28. Property rates (continued)		
Valuations		
Commercial	6 224 087 309	6 226 023 313
Multi-purpose	191 784 003	187 414 003
Municipal	458 516 904	462 104 203
Non-ratable	238 283 806	239 807 806
Residential	4 720 437 998	4 717 590 698
State	1 155 262 017	1 154 342 017
	12 988 372 037	12 987 282 040

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 (2023: 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 (2023: 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.

29. Government grants and subsidies

Operating grants

Equitable share	278 006 000	257 433 000
LG SETA Grant	197 879	-
Financial Management Grant (FMG)	2 300 000	2 300 000
Housing Development Grant	-	1 500 000
Expanded Public Works Program (EPWP)	1 463 000	1 428 000
	281 966 879	262 661 000

Capital grants

Water Services Infrastructure Grant (WSIG)	4 819 939	10 292 000
Municipal Infrastructure Grant (MIG)	44 352 000	45 594 000
Integrated National Electrification Program (INEP)	2 050 000	1 923 000
Regional Bulk Infrastructure Grant (RBIG)	29 246 991	9 630 606
Municipal Disaster Response Grant (MDRG)	2 839 983	-
	83 308 913	67 439 606
	365 275 792	330 100 606

Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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29. Government grants and subsidies (continued)

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	87 269 792	72 667 606
Unconditional grants received	278 006 000	257 433 000
	365 275 792	330 100 606

Equitable share

Current year receipts	278 006 000	257 433 000
Conditions met - transferred to revenue	(278 006 000)	(257 433 000)
	-	-

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)

Current year receipts	44 352 000	45 594 000
Conditions met - transferred to revenue	(44 352 000)	(45 594 000)
	-	-

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	2 353 851	1 764 538
Current year receipts	635 925	589 313
Conditions met - transferred to revenue	(197 879)	-
	2 791 897	2 353 851

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.

Municipal Disaster Response grant (MDRG)

Current year receipts	11 000 000	-
Conditions met - transferred to revenue	(2 839 982)	-
	8 160 018	-

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

This grant is used in to restore water supply, repair damaged water supply pipeline and the sanitation supply pipeline.

Moghaka Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
29. Government grants and subsidies (continued)		
Finance Management Grant (FMG)		
Current year receipts	2 300 000	2 300 000
Conditions met - transferred to revenue	(2 300 000)	(2 300 000)
	-	-
This grant is to train and appoint intern staff members in the finance department of the municipality.		
Water Services Infrastructure Grant (WSIG)		
Current year receipts	20 900 000	10 292 000
Conditions met - transferred to revenue	(4 819 938)	(10 292 000)
	16 080 062	-
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
Conditions met - transferred to revenue	-	(1 500 000)
	-	-
The grant is used for the capacitation and support towards a level one accreditation of the housing section.		
Extended Public Works Program (EPWP)		
Current year receipts	1 463 000	1 428 000
Conditions met - transferred to revenue	(1 463 000)	(1 428 000)
	-	-
This grant is used for the rehabilitation of Kroonstad waste water treatment works.		
Integrated National Electrification Program (INEP)		
Current-year receipts	2 050 000	1 923 000
Conditions met - transferred to revenue	(2 050 000)	(1 923 000)
	-	-
This grant is used for the electrification of households.		
Regional Bulk Infrastructure Grant (RBIG)		
Current-year receipts	29 246 961	9 630 606
Conditions met - transferred to revenue	(29 246 961)	(9 630 606)
	-	-
The grant is used for the refurbishment of the wastewater treatment works In Kroonstad.		
30. Public contributions and donations		
Public contributions and donations	6 500	7 319 275

Moqhaka Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
30. Public contributions and donations (continued)		
Department of Rural Development	-	4 500 000
Department of Forestry, Fisheries and the Environment	-	1 119 843
Matliduna	-	7 800
Department of Water and Sanitation	-	653 632
Arabest 127 CC	6 500	-
Provincial Treasury	-	1 038 000
	6 500	7 319 275

For the financial year ending 30 June 2024

- A service provider, Arabest 127 CC donated a TV to the value of R 6 500.

For the financial year ending 30 June 2023

- Department of Rural Development donated Land to the value of R 4 500 000.
- Department forestry, fisheries and the environment donated Motor vehicles to the value of R 1 119 843.
- Matliduna donated furniture and office equipment to the value of R 7 800.

Department of Water and Sanitation donated Infrastructure assets to the value of R 653 632.

- The Provincial Treasury paid the audit fees for the municipality to the value of R 1 038 000.

31. Fines

Illegal connections	90 228	350 891
Law enforcement	909 567	21 330
Municipal traffic	2 694 260	3 850 570
	3 694 055	4 222 791

32. Revenue

Fair value adjustments	26 183 489	1 623 365
Service charges	680 044 970	593 248 978
Gains on employee benefit obligation	9 734 988	32 544 012
Rental of facilities and equipment	6 529 905	5 723 509
Fees earned	355 458	148 187
Other income	27 169 743	10 762 410
Interest received (Exchange transactions)	73 582 753	40 824 842
Service charges (Availability charges)	838 805	720 383
Property rates	88 207 117	82 052 199
Interest received (Non-exchange transactions)	7 761 059	4 394 287
Government grants & subsidies	365 275 792	330 100 606
Public contributions and donations	6 500	7 319 275
Fines	3 694 055	4 222 791
	1 289 384 634	1 113 684 844

Moqhaka Local Municipality

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32. Revenue (continued)

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

Service charges	680 044 970	593 248 978
Fair value adjustments	26 183 489	1 623 365
Gains on employee benefit obligation	9 734 988	32 544 012
Rental of facilities and equipment	6 529 905	5 723 509
Fees earned	355 458	148 187
Other income	27 169 743	10 762 410
Interest received (Exchange transactions)	73 582 753	40 824 842
	823 601 306	684 875 303

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

Taxation revenue

Service charges (Availability charges)	838 805	720 383
Property rates	88 207 117	82 052 199
Interest received (Non-exchange transactions)	7 761 059	4 394 287

Transfer revenue

Government grants & subsidies	365 275 792	330 100 606
Public contributions and donations	6 500	7 319 275
Fines	3 694 055	4 222 791
	465 783 328	428 809 541

33. Employee related costs

Basic salary	231 328 240	207 462 755
Bonus	18 298 107	16 865 575
Medical aid - company contributions	25 040 792	21 750 297
UIF	1 895 360	1 763 758
Industrial council levy	125 513	111 471
Leave pay provision charge	7 051 445	4 034 003
Group life insurance	1 007 134	1 011 573
Defined contribution plans	39 523 649	37 054 201
Overtime payments	40 337 574	35 565 483
Long service awards	924 042	811 055
Car allowance	22 235 435	21 359 314
Housing benefits and allowances	1 560 455	1 392 225
Other allowances	127 408	18 548
Telephone allowances	543 554	525 981
Standby allowances	3 845 757	2 958 233
Post-employment medical aid- current service cost	5 332 000	5 838 000
	399 176 465	358 522 472

Moqhaka Local Municipality

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33. Employee related costs (continued)

Remuneration of Municipal Manager: P.H Tshabalala

Annual remuneration	796 667	119 137
Housing allowance	95 339	7 945
Car allowance	234 093	39 799
Social contribution	120 216	24 414
Cellphone allowance	36 000	5 217
	1 282 315	196 512

2023-2024

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

Mr. J. Maswanganyi R 31 935.

Mr. I. Mokgatle R 91 347.

2022-2023

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

Mr. J. Maswanganyi R 47 916.

Mr. I. Mokgatle R 19 297.

Remuneration of Chief Financial Officer:

2023-2024

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

Mr. J. Maswanganyi R 19 166.

Mr. R. Buys R 172 201.

Mr. R. Visagie R 14 905 .

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.

Remuneration of Director: Technical Services: I.S Mokgatle

Annual remuneration	828 619	787 942
Car allowance	522 624	505 435
Social contribution	28 922	1 456
Cellphone allowance	17 524	13 565
	1 397 689	1 308 398

Moqhaka Local Municipality

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33. Employee related costs (continued)

Remuneration of Director: Corporate Services:

2023-2024

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

Ms. E. Lungu R 7 596.
Mr. K. Moroke R 3 738.

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.

Remuneration of Director: Community Services:

2023-2024

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

Mr. T. Qhena R 28 445.
Mr. M. Rakgase R 222 846.

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.

Remuneration of Director: LED and Planning:

2023-2024

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

Mr. T. Leie R 39 448.
Ms. L. Mapane R 71 358.

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.

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34. Remuneration of councillors

Executive Mayor	1 056 238	978 717
Speaker	867 141	802 382
Council Whip	816 101	748 358
Councillors	19 511 682	18 266 027
	22 251 162	20 795 484

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 60 for detailed disclosure.

35. Repairs and maintenance

Repairs and maintenance	97 281 247	99 520 899
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Repairs and maintenance consists of:

Buildings	48 770 708	62 691 144
Electrical network	14 880 462	7 995 484
Water and sewer network	4 228 159	3 601 213
Fleet	8 741 679	3 319 428
Roads	6 225 376	4 511 690
Other repairs and maintenance	14 434 863	17 401 940
	97 281 247	99 520 899

36. Depreciation and amortisation

Property, plant and equipment	109 404 429	110 672 042
Intangible assets	442 959	459 262
	109 847 388	111 131 304

37. Finance costs

Annuity loans and finance leases	1 677 609	2 135 249
Employee benefits	18 663 000	18 542 000
Landfill sites and quarries	9 251 528	2 724 739
Late payment on creditors	4 351 153	59 679 726
	33 943 290	83 081 714

38. Debt impairment

Receivables from exchange transactions	165 089 689	243 227 733
Receivables from non-exchange transactions	11 571 740	14 656 537
	176 661 429	257 884 270

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Figures in Rand	2024	2023
39. Bulk purchases		
Electricity - Eskom	418 560 011	345 540 258
Water	6 842	3 518
	418 566 853	345 543 776
40. Contracted services		
Specialist services	58 537 837	52 394 621
Other contractors	21 843 554	19 735 328
Specialist services consists of:		
Security services	56 951 157	50 721 160
Maintenance services	1 586 680	1 673 461
	58 537 837	52 394 621
Other contractors consists of:		
Professional services	176 170	904 796
Electricity vending services	7 452 179	8 078 684
Water chemicals	7 561 855	7 644 003
Other contracted services	4 207 057	2 879 845
Valuation services	2 446 293	228 000
	21 843 554	19 735 328
41. General expenses		
Advertising	1 294 972	1 316 365
Auditors remuneration	8 059 630	8 650 640
Bank charges	1 023 883	1 119 375
Cleaning	179 402	171 491
Commission paid	13 934 108	15 970 659
Community expenses	110 868	127 104
Consumables stores	14 879 348	28 568 124
Entertainment	116 966	162 611
Fuel and oil	7 664 404	6 712 854
Funeral costs	110 976	49 714
Water valuation adjustments	106 089	-
Insurance	4 631 778	5 075 176
Lease rentals on operating lease	12 621 410	13 158 380
Legal services	4 042 885	3 926 579
Licences - other	5 742 160	3 655 568
Licences - vehicles	682 785	678 575
Medical expenses	804 000	753 525
Other expenses	3 845 042	5 317 641
Postage and courier	400 837	1 257 459
Printing and stationery	71 985	82 293
Protective clothing	4 498 724	2 754 582
Provision for rehabilitation adjustment	-	12 263 002
Skills development levy	3 375 711	3 031 170
Subscriptions and membership fees	3 578 896	3 588 751
Telephone and fax	1 668 193	1 655 296
Travel and subsistence	1 149 974	3 025 905
Workmens compensation	447 370	1 444 113
	95 042 396	124 516 952

Moqhaka Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
42. Cost on disposal of assets		
Investment property	8 778 730	3 876 940
Property, plant and equipment	818 682	1 387 510
Vacant sites	5 732 127	157 000
	15 329 539	5 421 450
43. Impairment loss		
Impairments		
Property, plant and equipment	11 202 930	8 807 919
44. Auditors' remuneration		
Fees	8 059 630	8 650 640
45. Cash generated from operations		
Deficit	(171 741 230)	(373 671 345)
Adjustments for:		
Depreciation and amortisation	109 847 388	111 131 304
Cost on disposal of assets	15 329 539	5 421 450
Public contribution and donations	(6 500)	(7 319 275)
Discount received	(559 109)	(462 061)
Fair value adjustments	(26 183 489)	(1 623 365)
Gains on employee benefit obligation	(8 293 214)	(32 544 012)
Property, plant and equipment (Transfers)	-	(223 929)
Interest bank	(3 636 604)	-
Investment property (Transfers)	-	223 929
Finance costs	33 943 290	23 401 987
Impairment loss on assets	11 202 930	8 807 917
Debt impairment	176 661 429	257 884 270
Finance cost paid	(4 351 152)	-
Interest-Receivables from exchange transactions	(69 946 149)	(38 733 018)
Interest-Receivables from non exchange transactions	(7 761 059)	(4 394 287)
Provisions raised	(10 000)	(2 144 007)
Prior period adjustments	-	1 148 131
Water valuation adjustments	106 089	(23 985)
Provision for rehabilitation adjustment	(13 315 415)	12 263 002
Leave pay provision charge	4 238 707	4 034 003
Post-employment medical aid- current service cost	5 332 000	5 838 000
Post-employment medical aid- current service cost paid	(4 621 000)	-
Interest received from trade receivables	8 941 194	-
Employee benefit obligation - 13th check	1 405 885	-
Changes in working capital:		
Inventories	4 735 397	(243 995)
Receivables from exchange transactions	(259 715 284)	(177 185 250)
Receivables from non-exchange transactions	(5 949 202)	(4 023 305)
Unspent conditional grants and receipts	24 678 126	589 313
Payables from exchange transactions	324 686 096	295 561 295
Consumer deposits	288 346	1 332 512
Employee benefit obligation	-	(3 302 246)
VAT receivables	(25 938 047)	(26 518 754)
	119 368 962	55 224 279

Moqhaka Local Municipality

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Figures in Rand	2024	2023
46. Irregular expenditure		
Opening balance as previously reported	142 238 972	891 837 807
Add: Irregular expenditure - current	83 899 225	97 477 869
Less: Amount written off - prior period	-	(847 076 704)
Closing balance	226 138 197	142 238 972

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.

Incorrect awarding of B-BBEEE points (25% subcontracting)	-	11 369 590
Local content instruction notes were not followed	9 498 241	9 047 570
Non-compliance with the PPPFA Act and Section 112 of the MFMA for the use of panels	9 846 495	9 286 741
Tax clearance not obtained	681 584	978 571
Tender documents did not include the requirements for mandatory subcontracting	57 780 993	54 885 026
Three written quotations not invited	5 050 224	7 133 053
Objective test not stipulated in the bid documentation	1 041 688	4 777 318
	83 899 225	97 477 869

47. Fruitless and wasteful expenditure

Opening balance as previously reported	61 001 447	58 630 736
Add: Fruitless and wasteful expenditure identified - current	5 510 951	61 001 447
Less: Amount written off - prior period	-	(58 630 736)
Closing balance	66 512 398	61 001 447

Expenditure identified in the current year include those listed below:

Interest and penalties	5 510 951	61 001 447
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48. Unauthorised expenditure

Opening balance as previously reported	339 494 818	451 772 675
Add: Unauthorised expenditure - current	122 592 687	338 494 818
Less: Amount written off - prior period	-	(450 772 675)
Closing balance	462 087 505	339 494 818

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

Non-cash	122 592 687	338 494 818
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Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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48. Unauthorised expenditure (continued)

Unauthorised expenditure: Budget overspending – per municipal department:

Financial Services	7 337 812	72 789 680
Corporate Services	4 906 868	2 508 954
Technical Services	110 348 007	259 402 635
Council	-	3 793 549
	122 592 687	338 494 818

Analysed as follows: Non-cash

Depreciation and amortisation	10 805 841	39 561 236
Finance charges (e.g. interest charge on the Eskom account)	-	57 583 726
Impairment loss on assets	-	3 793 549
Bad debt written off	106 879 978	235 047 353
Current service cost (Post Employee Medical Aid)	4 906 868	2 508 954
	122 592 687	338 494 818

49. 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	2024
Emergency	1	987 850
Sole supplier	24	734 191
Urgent	33	8 891 312
	58	10 613 353

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

50. 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

Moqhaka Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand		2024	2023			
50. Prior-year adjustments (continued)						
2023						
	Note	As previously reported	Correction of error	Statement of financial performance	Re-classification	Restated
Inventories	4	96 985 931	1 073 001	-	-	98 058 932
Receivables from exchange transactions	6	371 821 677	-	-	(2 221 133)	369 600 544
Property, Plant and Equipment	12	1 901 464 084	(104 808)	-	-	1 901 359 276
Payables from exchange transactions	16	(1 176 336 118)	(1 366 585)	-	-	(1 177 702 703)
Receivables from non-exchange transactions	7	56 722 281	128 792	-	-	56 851 073
Accumulated surplus		(1 210 622 032)	1 342 602	1 148 131	-	(1 208 131 299)
		40 035 823	1 073 002	1 148 131	(2 221 133)	40 035 823

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Other income		(11 910 541)	(1 073 002)	2 221 133	(10 762 410)

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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50. Prior-year adjustments (continued)

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.

Payables from exchange transactions, Accumulated surplus

Payables from exchange transactions were understated. A correction was done accordingly resulting in the increase of Payables from exchange transactions to the amount of (R 1 533 238) and the increase of Accumulated surplus to the amount of (R 1 533 238).

Payables from exchange transactions, Accumulated surplus, Property, plant and equipment

Payables from exchange transactions were understated. A correction was done accordingly resulting in the increase of Payables from exchange transactions to the amount of (R 175 338), the decrease of Property, plant and equipment to the amount of (R 180 063) and the increase of Accumulated surplus to the amount of (R 355 401).

Accumulated surplus, Property, plant and equipment

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 70 528 and the increase of Accumulated surplus to the amount of (R 70 528).

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 88 897 and the increase of Accumulated surplus to the amount of (R 88 897).

Inventories , Other income

Inventories were understated. A correction was done accordingly resulting in the increase of Inventories to the amount of R 1 073 002, and the increase of Other income to the amount of (R 1 073 002).

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 242 323 and the increase of Accumulated surplus to the amount of (R 242 323).

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 15 492 and the increase of Accumulated surplus to the amount of (R 15 492).

Receivables from non-exchange transactions, Accumulated surplus

Receivables from non-exchange transactions understated. A correction was done accordingly resulting in the increase of Receivables from non-exchange transactions to the amount of R 128 792 and the increase of Accumulated surplus to the amount of (R 128 792).

Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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50. Prior-year adjustments (continued)

Reclassifications

The following reclassifications adjustment occurred:

Receivables from exchange transactions, Other income

Receivables from exchange transactions was overstated in the prior year. A correction was done accordingly resulting in the decrease of Receivables from exchange transactions to the amount of (R 2 221 133) and the increase of Other income to the amount of (R 2 221 133).

51. Commitments

Authorised capital expenditure

Approved and contracted for

• Infrastructure	270 759 408	264 371 968
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Approved and not contracted for:

• Infrastructure	17 869 619	65 514 772
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Total capital commitments

Approved and contracted for	270 759 408	264 371 968
Approved and not contracted for	17 869 619	65 514 772
	288 629 027	329 886 740

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

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	7 705	32 305
Current year fee	4 147 760	3 712 130
Amount paid - current year	(4 149 178)	(3 736 730)
	6 287	7 705

Audit fees

Opening balance	204 443	(1 553 932)
Current year fee	9 225 946	12 772 088
Interest charged	123 719	130 654
Amount paid - current year	(4 953 606)	(9 874 447)
Amount paid - previous years	(204 442)	(1 269 920)
	4 396 060	204 443

PAYE and UIF

Opening balance	4 548 214	3 595 583
Current year subscription / fee	60 603 233	54 084 396
Amount paid - current year	(59 859 312)	(53 131 765)
	5 292 135	4 548 214

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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52. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and medical aid deductions

Opening balance	7 929 852	7 030 542
Current year subscription / fee	101 721 996	92 198 445
Amount paid - current year	(109 651 848)	(91 299 135)
	-	7 929 852

Skills development levy

Opening balance	260 046	237 547
Current payroll deductions	3 376 019	3 031 273
Amount paid - current year	(3 636 065)	(3 008 774)
	-	260 046

Distribution losses

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

Technical losses 4% (2023: 4%).

Non-Technical losses 25.40% (2023: 13.18%).

Estimated line losses	23 229 524	18 914 858
Losses due to faulty meters, tampering or theft	147 505 020	65 244 964
	170 734 544	84 159 822

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

Water losses 24% (2023: 21%).

Estimated water losses	81 097 138	77 845 160
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Details of amounts written off

2024

Debt written off against allowance	-	138 713 763
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Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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52. 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 2024	30 June 2023
Mosolodi (Nzunga ND) SL	30 004	20 501
Botha RA	11 957	5 334
Khiba MJ	10 778	15 578
Khotle MI	6 922	15 322
Klaas TL	45 700	34 317
Lebone B	25 212	15 522
Maleeme ML	29 057	38 726
Marapo BB&MM	-	1 281
Mbona NK	17 343	11 210
Meko MJ	146 732	125 506
Mnqonyama E	97 289	64 838
Mofokeng MC	46 972	47 135
Mokatsane ELM	128 063	105 824
Mokoena NM	87 068	73 986
Morake ME	103 571	101 299
Mosiua TD&S	44 804	32 032
Nolo MM	36 322	23 574
Ntsala SN	34 817	45 993
Papashane TJ	9 319	8 674
Phamotse MI	115 628	107 506
Ramajoe MS	11 850	6 459
Ramoolia MW	-	352
Rankokosane BN	9 581	3 820
Saaiman CJ	67 781	56 639
Sekheja L	40 491	45 980
Sello T	3 923	1 229
Serapela MS&ML	133 822	117 024
Thebe EM	26 839	19 789
Tshabalala S	68 363	64 072
Tsobo NE	-	5 227
Visagie AJ	42 215	23 146
Motsoeneng DM&NL	14 262	13 121
Van Heerden L	744	-
Geldenhuis J	7 147	-
Motaung & Mofokeng V&DS	8 877	-
Muller DM & DH	2 420	-
	1 465 873	1 251 016

53. 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).

Moqhaka Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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53. Non-compliance with the Municipal Finance Management Act (continued)

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

Municipal Finance Management Act section 52(d).

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

54. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus (deficit) of R 1 036 390 075 and that the municipality's total assets exceed its total liabilities by R 1 036 390 075.

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 171 741 230 and R 373 671 345 in the previous financial year.

The current liabilities amounting to R 1 573 884 780 exceeds current assets of R 889 726 771 by R 684 158 009.

The receivables from exchange transactions increased from R 369 600 544 to R 528 867 698, which resulted in a 30% increase as at 30 June 2024.

The payables from exchange transactions increased from R 1 177 702 703 to R 1 503 036 743 which results in a 21% increase. The creditors' payment period also increased from 563 days to 683 days as at 30 June 2024. The payables from exchange transactions outstanding for a period longer than 30 days amounted to R 1 369 468 704 (94%). Eskom is the biggest contributor in terms of payables. The Municipality was accepted into the Debt Relief Programme rolled out by National Treasury to give relief in terms of writing off the debt owed to Eskom if the municipality keeps up with paying the current account. 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 44 882 922 as 30 June 2024 (2023: R 19 968 046).

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 2024, as there are no current indications that government funding will be withheld from the municipality for any reason.

55. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	528 867 698	-	528 867 698
Receivables from non-exchange transactions	-	58 989 594	-	58 989 594
Cash and cash equivalents	-	-	44 882 922	44 882 922
Investments	520 952	-	-	520 952
	520 952	587 857 292	44 882 922	633 261 166

Moghaka Local Municipality

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Figures in Rand	2024	2023
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55. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	At cost	Total
Consumer deposits	16 034 515	-	16 034 515
Finance lease obligation	1 177 728	-	1 177 728
Provisions	128 612 528	-	128 612 528
Borrowings	-	15 024 493	15 024 493
Payables form exchange transactions	-	1 503 036 743	1 503 036 743
Unspent conditional grants and receipts	27 031 977	-	27 031 977
	172 856 748	1 518 061 236	1 690 917 984

2023

Financial assets

	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	369 600 544	-	369 600 544
Receivables from non-exchange transactions	-	56 851 073	-	56 851 073
Cash and cash equivalents	-	-	19 968 046	19 968 046
Investments	445 279	-	-	445 279
	445 279	426 451 617	19 968 046	446 864 942

Financial liabilities

	At amortised cost	At cost	Total
Consumer deposit	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	-	1 177 702 703	1 177 702 703
Unspent conditional grants and receipts	2 353 851	-	2 353 851
	148 963 966	1 197 649 586	1 346 613 552

56. Subsequent events

Council appointed Advocate Motsoahae Matthews Mofokeng to act as the Municipal Manager with effect from 09 July 2024.

57. 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	22 918 755	25 828 756
Claims from suppliers - contractual disputes	20 600 518	28 032 060

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57. 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	43 569 234	36 053 580
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58. 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.

59. 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.

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59. Risk management (continued)		
Financial Liabilities	2024	2023
Payables from exchange transactions	1 503 036 743	1 177 702 703
Finance lease	1 177 728	2 416 238
DBSA Loans	15 024 493	19 946 883

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	2024	2023
Cash and cash equivalents	44 882 922	19 968 046
Investments	520 952	445 279
Receivables from exchange transactions	528 867 698	369 600 544
Receivables from non-exchange transactions	58 989 594	56 851 073

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60. Related parties

Key management information

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

Remuneration of management

Councillors

2024

Name	Basic salary	Car allowance	Social contribution	Cellphone allowance	Total
Executive Mayor: Cllr M.E Mokatsane	645 030	277 164	91 244	42 800	1 056 238
Speaker: Cllr S.V Khiba	516 630	218 275	85 667	46 570	867 142
Council Whip: Cllr M.M Semakale	484 564	203 569	81 398	46 570	816 101
MMC: Community and Social Services: Cllr M.A Khotle	484 564	203 569	89 965	46 570	824 668
MMC: Public Safety and Transport: Cllr E.P Phamotse	484 564	203 569	81 398	46 570	816 101
MMC: Policy Development and Monitoring: Cllr .S Ramovha	438 531	203 569	81 398	46 570	770 068
MMC: Integrated Development Plan: Cllr M.R Lulama	484 564	203 569	81 398	46 570	816 101
MMC: Municipal Infrastructure and Technical Services: Cllr B.S Ramathibe	484 564	203 569	81 398	46 570	816 101
MMC: Local Economic Development: Cllr R.D Tau	484 564	203 569	89 965	46 570	824 668
MMC: Spatial Development and Human Settlement: Cllr M.P Tshabalala	484 564	203 569	89 965	46 570	824 668
MMC: Finance, Audit and Risk Management: Cllr T.M Ntsala	484 564	203 569	89 965	46 570	824 668
MMC: Corporate Support Services: Cllr L.E Ramajoe	443 133	182 163	85 545	46 570	757 411
MPAC Chairperson: A.V Botha	470 408	197 075	79 512	46 570	793 565
Part time Councillors	6 390 629	2 342 904	1 382 216	1 327 913	11 443 662
	12 780 873	5 049 702	2 491 034	1 929 553	22 251 162

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Notes to the Annual Financial Statements

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60. Related parties (continued)

2023

Name	Basic salary	Car allowance	Social contribution	Cellphone allowance	Total
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: Corporate Support Services: Cllr L.E Ramajoe	428 996	195 815	81 629	44 400	750 840
MMC: Finance, Audit and Risk Management: Cllr T.M Ntsala	432 018	195 815	110 233	44 400	782 466
MPAC Chairperson: Cllr 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

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61. 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)

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61. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	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	11 296 185	634 206 123	70 691 672	32 382 798	748 576 778
External revenue from non-exchange transactions	727 000	83 050 029	2 694 260	371 550 978	458 022 267
Interest revenue - exchange	-	54 128 238	9 652 286	9 802 228	73 582 752
Interest revenue - non exchange	-	-	-	7 761 059	7 761 059
Revenue from transactions with other segments	-	19 395 364	613 119	-	20 008 483
Total segment revenue	12 023 185	790 779 754	83 651 337	421 497 063	1 307 951 339
Entity's revenue					1 307 951 339
Expenditure					
Bulk Purchases	64 825	417 538 208	963 821	-	418 566 854
Contracted Services	144 026	17 513 812	57 309 756	5 413 796	80 381 390
Debt impairment	-	140 193 606	26 152 773	10 315 049	176 661 428
Depreciation and amortisation	319 119	97 591 987	6 671 721	5 264 559	109 847 386
Employee related costs	28 539 904	119 517 136	116 679 631	134 439 781	399 176 452
Expenditure from transactions with other segments	6 447 165	11 620 377	1 935 418	5 523	20 008 483
Interest expense	-	-	27 914 528	6 028 762	33 943 290
General expenses	1 128 876	31 819 086	18 897 207	43 197 230	95 042 399
Remuneration of Councillors	-	-	-	22 251 162	22 251 162
Impairment loss on assets	-	-	-	11 202 930	11 202 930
Loss on disposal of assets	-	692 331	-	14 637 208	15 329 539
Repairs and maintenance	1 732 073	77 273 745	11 230 184	7 045 254	97 281 256
Total segment expenditure	38 375 988	913 760 288	267 755 039	259 801 254	1 479 692 569
Total segmental surplus/(deficit)	(26 352 803)	(122 980 534)	(184 103 702)	161 695 809	(171 741 230)

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61. Segment information (continued)

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	552 065 724	76 865 401	7 338 932	643 346 497
External revenue from non-exchange transactions	2 538 000	75 121 643	4 970 413	341 785 197	424 415 253
Interest received - exchange	-	29 026 353	5 544 969	6 253 520	40 824 842
Interest received - non exchange	-	-	-	4 394 287	4 394 287
Revenue from transactions with segments	-	15 169 564	412 215	-	15 581 779
Total segment revenue	9 614 440	671 383 284	87 792 998	359 771 936	1 128 562 658
Entity's revenue					1 128 562 658
Expenditure					
Bulk purchases	57 002	345 002 160	484 614	-	345 543 776
Contracted services	104 512	17 396 149	51 827 674	2 801 613	72 129 948
Debt impairment	-	212 893 240	25 800 106	19 190 923	257 884 269
Depreciation and amortisation	285 347	98 436 977	6 929 110	5 479 874	111 131 308
Employee related cost	26 689 713	105 724 352	106 611 626	119 496 780	358 522 471
Expenditure from transactions with other segments	4 462 294	9 599 438	1 515 238	4 809	15 581 779
General expenses	2 360 894	49 146 457	29 159 889	43 145 746	123 812 986
Impairment loss on assets	-	-	-	8 807 919	8 807 919
Interest expense	-	-	21 266 739	61 814 974	83 081 713
Loss on disposal of assets	-	260 404	-	5 161 046	5 421 450
Remuneration of councilors	-	-	-	20 795 484	20 795 484
Repairs and maintenance	2 572 900	84 687 590	9 548 423	2 711 987	99 520 900
Total segment expenditure	36 532 662	923 146 767	253 143 419	289 411 155	1 502 234 003
Total segmental surplus/(deficit)	(26 918 222)	(251 763 483)	(165 350 421)	70 360 781	(373 671 345)

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

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62. Change in estimate

Provisions

In accordance with GRAP 19, a provision should be reviewed at each reporting date and adjusted to reflect the current estimate. The change in the estimated future cash flows or service potential required to settle the rehabilitation provision, or a change in the discount rate as a result in the time value for money, or risk specific to the rehabilitation provision.

The key assumptions used:

Viljoenskroon - CPI	5.48%
Viljoenskroon - discount rate used	9.31%
Steynsrus - CPI	5.48%
Steynsrus - discount rate used	9.31%
Kroonstad - CPI	5.48%
Kroonstad - discount rate used	9.31%

The future effect in the future periods are not disclosed as it is impracticable, as the reviewed on a yearly basis.

Reconciliation of Provisions

	Opening Balance	Interest cost	Change in estimate	Closing balance
Provision for Landfil sites	81 235 448	7 563 020	(12 071 945)	76 726 523
Provision for Quarries	16 593 175	1 688 508	(1 243 470)	17 038 213
	97 828 623	9 251 528	(13 315 415)	93 764 736