



**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2022**

METSIMAHOLO LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2022

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The reports and statements set out below comprise the Annual Financial Statements presented to the Council:

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METSIMAHOLO LOCAL MUNICIPALITY

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General Information

Legal form of Entity	FS 204 - Local Municipality
	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act No. 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act No. 108 of 1996)
Nature of Business and Principal Activities	<p>The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community:</p> <p>Waste Management Services (the collection, disposal and purifying of waste, refuse and sewerage);</p> <p>Electricity Services (electricity is bought in bulk from Eskom and distributed to the consumers by the municipality);</p> <p>Water Services (supplying water to the public); and</p> <p>Rates and general services (all types of services rendered by the municipality, excluding the supply of housing to the community, however including the rental of units owned by the municipality to public and staff).</p>

Mayoral Committee

Executive Mayor:

Cllr Zwane ZJ	Proportional	From 3 Dec 2021
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Speaker:

Cllr Fisher L	Ward 20	From 22 Nov 2021
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Chief Whip:

Cllr Mosokweni FD	Ward 13	From 1 July until 31 October 2021 and 22 November until 30 June 2022
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Mayoral Committee members:

Cllr van der Merwe FJ	Ward 14	From 12 Jan 2021
Cllr Barnard JJ	Ward 16	From 12 Jan 2021
Cllr Rankoe TK	Ward 17	From 12 Jan 2021
Cllr Meyer R	Ward 22	From 12 Jan 2021
Cllr Makhema JM	Proportional	From 12 Jan 2021
Cllr Mbana MT	Proportional	From 12 Jan 2021

Councillors:

Cllr Radebe MJ	Ward 1	From 9 Nov 2021	Cllr Tshongwe SL	Proportional	From 9 Nov 2021
Cllr Molawa JM	Ward 2		Cllr Zwane ZJ	Proportional	
Cllr Poho MS	Ward 3	From 9 Nov 2021	Cllr Makhema JM	Proportional	
Cllr Soetsang TL	Ward 4	From 9 Nov 2021	Cllr Mofokeng TH	Proportional	
Cllr Mofokeng SM	Ward 5	From 9 Nov 2021	Cllr Thulo TD	Proportional	From 9 Nov 2021

METSIMAHOLO LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

General Information

Cllr Nkheloane M	Ward 6		Cllr Chalala LJ	Proportional	From 9 Nov 2021
Cllr Mahlaela PM	Ward 7		Cllr Mbana MT	Proportional	
Cllr Nhlapo LL	Ward 8		Cllr Motaung TA	Proportional	
Cllr Mqwathi ME	Ward 9	From 9 Nov 2021	Cllr Masiteng JM	Proportional	From 9 Nov 2021
Cllr Mtshali NM	Ward 10	From 9 Nov 2021	Cllr Motjeane SM	Proportional	
Cllr Rani DV	Ward 11		Cllr Motsapi MS	Proportional	From 9 Nov 2021
Cllr Makhefu LA	Ward 12		Cllr Mokwai MS	Proportional	From 9 Nov 2021
Cllr Mosokweni FD	Ward 13		Cllr Tsotetsi JL	Proportional	
Cllr van der Merwe FJ	Ward 14		Cllr Mampana JT	Proportional	From 9 Nov 2021
Cllr van Heerden LJ	Ward 15		Cllr Mbikolo DK	Proportional	From 9 Nov 2021
Cllr Barnard JJ	Ward 16		Cllr Maseko ME	Proportional	
Cllr Rankoe TK	Ward 17		Cllr Mofokeng MV	Proportional	From 9 Nov 2021
Cllr Day L	Ward 18	From 9 Nov 2021	Cllr Mofokeng DA	Proportional	From 3 Dec 2021
Cllr Mthetho L	Ward 19	From 9 Nov 2021	Cllr Geysers EJ	Proportional	From 9 Nov 2021
Cllr Fisher L	Ward 20		Cllr Pienaar M	Proportional	From 9 Nov 2021
Cllr Sehaole TG	Ward 21	From 9 Nov 2021	Cllr du Toit T	Proportional	
Cllr Meyer R	Ward 22		Cllr Malindi MJ	Proportional	From 9 Nov 2021
Cllr Mozolo MB	Ward 23	From 9 Nov 2021	Cllr Kumalo AM	Proportional	From 9 Nov 2021

Non-Returning Councillors:

Executive Mayor:

Cllr Tshongwe SL Proportional Until 8 Nov 2021

Speaker:

Cllr Mabasa KT Ward 11 Until 8 Nov 2021

Chief Whip:

Cllr Mashia VL Proportional Until 8 Nov 2021

Mayoral Committee members:

Cllr Mokoena NP	Ward 21	Until 8 Nov 2021	Cllr Malindi MJ	Proportional	Until 8 Nov 2021
Cllr Mtshali NM	Ward 10	Until 8 Nov 2021	Cllr Poho MS	Proportional	Until 8 Nov 2021
Cllr Mofokeng KB	Ward 21	Until 8 Nov 2021	Cllr Semonyo LS	Proportional	Until 8 Nov 2021

Chairpersons of Section 79 Committees:

Cllr Kobo SS	Ward 5	Until 8 Nov 2021	(Chairperson Street naming)
Cllr Makhefu LA	Ward 12	Until 8 Nov 2021	(Chairperson Ethics)

Councillors:

Cllr Burger GS	Ward 17	Until 8 Nov 2021	Cllr Matwa SM	Proportional	Until 8 Nov 2021
Cllr Dywili NN	Ward 9	Until 8 Nov 2021	Cllr Motloutung TM	Proportional	Until 8 Nov 2021
Cllr Grobbelaar JJ	Ward 15	Until 8 Nov 2021	Cllr Taats TJ	Proportional	Until 8 Nov 2021
Cllr Telane MM	Ward 3	Until 8 Nov 2021	Cllr Leotlela MG	Proportional	Until 8 Nov 2021
Cllr Mare AK	Ward 19	Until 8 Nov 2021			
Cllr Mohapi P	Ward 11	Until 8 Nov 2021			
Cllr Mokoena MP	Ward 21	Until 8 Nov 2021			
Cllr Nnune GB	Ward 4	Until 8 Nov 2021			
Cllr Nteso SJ	Ward 8	Until 8 Nov 2021			

METSIMAHOLO LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

General Information (continued)

Capacity and Grading of Local Authority	Metsimaholo Local Municipality is a grade 9 local authority in terms of item IV of the Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998 High Capacity FS 204 - Local Municipality
Accounting Officer (MM)	SM Molala (Term ended July 2021) FM Mathe (Acting from August 2021 until 30 April 2022) TL Mkaza (Acting in May 2022) Advocate LMA Mofokeng (Appointed in June 2022)
Chief Financial Officer (CFO)	KB Lepesa (Acting from November 2021 until June 2022) A Vorster (Acting from July 2021 until October 2021)
Registered Office	Civic Centre Fichardt Street Sasolburg 1947
Business address	Civic Centre Fichardt Street Sasolburg 1947
Postal Address	PO Box 60 Sasolburg 1947
Bankers	The Standard Bank of South Africa Ltd ABSA Bank Ltd

METSIMAHOLO LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

General Information (continued)

Auditors	Auditor-General South Africa
Attorneys	Katake Attorneys Khumalo Masondo Attorneys Incorporated Lawrence Melato Incorporated Nchupetsang Incorporated Attorneys Ponoane Attorney, Notaries and Conveyancers Popela Maake Incorporated Raphela Inc. Attorneys Verveen Attorneys Lizel Venter Attorneys
Legislation governing the municipality's operations	Local Government: Municipal Finance Management Act (Act No. 56 of 2003) Local Government: Municipal Systems Act (Act No. 32 of 2000) Local Government: Municipal Structures Act (Act No. 117 of 1998) Constitution of the Republic of South Africa (Act No. 108 of 1996) Municipal Property Rates Act (Act No.6 of 2004) Division of Revenue Act (Act No.9 of 2021)
Jurisdiction	Metsimaholo Local Municipality is a local government institution and is located in the Free State Province of South Africa and is one of four municipalities under the jurisdiction of the Fezile Dabi District Municipality. Cities/Towns: Sasolburg, Oranjeville, Deneysville, Viljoensdrift, Zamdela, Refenggotso and Metsimaholo.

METSIMAHOLO LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003) to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

I, as the accounting officer acknowledges that I am 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 me to meet these responsibilities, I have set 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.

METSIMAHOLO LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Officer's Responsibilities and Approval

I am 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.

I have reviewed the municipality's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

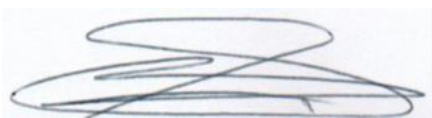
Although I am primarily responsible for the financial affairs of the municipality, I am supported by the municipality's internal auditors and Audit Committee.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 9.

I would like to bring the following matters to your attention:

I certify that the salaries, allowances and benefits of councillors, as disclosed in note 31 - Councillors remuneration to these annual financial statements, are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with the Act.

The annual financial statements set out from page 10, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022.



Advocate LMA Mofokeng
Municipal Manager

31 August 2022
Date

METSIMAHOLO LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Report of the Auditor-General South Africa

These Financial Statements have not yet been audited

METSIMAHOLO LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2022

		Actual	
	Note	2022 R	2021 Restated R
ASSETS			
Current Assets		542 172 219	478 479 348
Inventories	2.	1 732 407	1 346 873
Receivables from Exchange Transactions	3.	331 381 082	325 109 955
Receivables from Non-exchange Transactions	4.	94 030 263	103 889 757
Cash and Cash Equivalents	6.	115 028 467	48 132 763
Non-Current Assets		1 569 180 286	1 484 411 405
Property, Plant and Equipment	7.	1 319 635 770	1 231 528 168
Intangible Assets	8.	2 708 917	3 631 697
Investment Property	9.	242 260 298	240 181 961
Heritage Assets	10.	269 516	4 427 969
Non-current Investments	11.	2 450 593	2 842 520
Long-term Receivables	12.	1 855 192	1 799 090
Total Assets		<u>2 111 352 505</u>	<u>1 962 890 753</u>
LIABILITIES			
Current Liabilities		349 652 896	329 159 594
Consumer Deposits	13.	28 101 293	26 892 069
Current Portion of Employee Benefit Liabilities	14.	4 786 000	4 356 313
Payables from Exchange Transactions	15.	288 870 657	275 569 125
Unspent Conditional Grants and Receipts	16.	9 991 400	272 563
VAT Payable	17.	17 865 929	21 576 714
Current Portion of Long-term Liabilities	18.	37 617	492 810
Non-Current Liabilities		140 603 377	143 983 341
Long-term Liabilities	18.	-	37 618
Employee Benefit Liabilities	19.	50 208 000	57 882 411
Non-current Provisions	20.	90 395 377	86 063 312
Total Liabilities		<u>490 256 273</u>	<u>473 142 935</u>
Total Assets and Liabilities		<u>1 621 096 232</u>	<u>1 489 747 818</u>
NET ASSETS		1 621 096 232	1 489 747 818
Accumulated Surplus		1 621 096 232	1 489 747 818
Total Net Assets		<u>1 621 096 232</u>	<u>1 489 747 818</u>

METSIMAHOLO LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

	Note	Actual	
		2022 R	2021 Restated R
REVENUE			
Revenue from Non-exchange Transactions		638 944 851	525 476 428
Property Rates	21.	211 195 770	214 081 433
Service Charges	24.	2 245 297	3 278 457
Fines, Penalties and Forfeits	22.	4 284 718	4 307 207
Licences and Permits		14 650	9 970
Transfers and Subsidies	23.	411 535 184	296 093 076
Interest and Dividends received	27.	9 669 232	7 706 285
Revenue from Exchange Transactions		966 641 256	848 880 322
Service Charges	24.	880 215 926	794 143 768
Sales of Goods and Rendering of Services	25.	6 922 076	9 199 904
Rental from Fixed Assets	26.	6 691 298	5 915 982
Interest and Dividends received	27.	56 836 732	34 556 053
Operational Revenue	28.	239 151	146 206
Gains on Other Operations	40.	15 736 073	4 918 409
Total Revenue		<u>1 605 586 107</u>	<u>1 374 356 750</u>
EXPENDITURE			
		1 474 237 693	1 202 786 610
Employee Related Costs	29.	330 131 551	326 577 963
Remuneration of Councillors	30.	19 383 588	19 379 735
Depreciation and Amortisation	31.	72 788 932	82 683 055
Impairment Losses	32.	358 572 485	122 628 601
Interest Paid	33.	14 854 891	15 109 312
Bulk Purchases	34.	333 805 718	295 206 598
Contracted Services	35.	74 647 089	76 895 267
Inventory Consumed	36.	188 017 397	182 551 248
Repairs and maintenance	36.	30 242 206	12 246 577
Transfers and Subsidies Paid	37.	334 020	299 755
Operating Leases	38.	2 399 981	4 312 048
Operational Costs	39.	47 550 876	48 911 940
Losses on Other Operations	40.	465 777	14 220 934
Loss on Disposal of Property, Plant and Equipment	41.	1 043 182	1 763 577
Total Expenditure		<u>1 474 237 693</u>	<u>1 202 786 610</u>
SURPLUS FOR THE YEAR		<u>131 348 414</u>	<u>171 570 140</u>

Refer to Budget Statement for explanation of budget variances

METSIMAHOLO LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

	Accumulated Surplus/ (Deficit)	Total Net Assets
	R	R
2021		
Balance at 30 June 2020	1 307 555 804	1 307 555 804
Correction of Error (Note 41)	10 621 874	10 621 874
Restated Balance	1 318 177 678	1 318 177 678
Surplus for the year	171 570 140	171 570 140
Surplus as per prior 2020/21 AFS	115 074 479	115 074 479
Revenue & Expenditure Correction of Error (Note 41)	56 495 667	56 495 667
Balance at 30 June 2021	1 489 747 818	1 489 747 818
2022		
Surplus for the year	131 348 414	131 348 414
Balance at 30 June 2022	1 621 096 232	1 621 096 232

METSIMAHOLO LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2022

	Actual	
	2022	2021
	R	Restated R
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Property Rates	186 731 385	177 945 377
Transfers and Subsidies	398 653 587	259 687 137
Service Charges	607 743 941	562 144 028
Interest received from Investments	5 160 461	3 044 953
Interest received from Receivables - Property Rates	2 259 987	2 203 895
Interest received from Receivables - Service Charges	2 954 392	2 911 754
Dividends received	123 203	110 662
Other Receipts	19 510 487	23 382 192
VAT Received	-	13 550 298
Payments		
Employee Related Costs	(332 302 114)	(324 736 335)
Remuneration of Councillors	(19 383 588)	(19 379 735)
External Interest and Dividends Paid	-	(18 507)
Suppliers Paid	(680 094 673)	(649 718 817)
VAT Paid	(3 710 786)	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	43	51 126 902
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment	(120 386 747)	(45 467 187)
Proceeds on Disposal of Property, Plant and Equipment	-	247 012
Proceeds from transfers between PPE, HA and IP	141 317	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	(120 245 430)	(45 220 175)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in Long-term Loans (Loans Taken-on)	(505 147)	(3 512 233)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(505 147)	(3 512 233)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	66 895 704	2 394 494
Cash and Cash Equivalents at Beginning of Period	48 132 763	45 738 269
Cash and Cash Equivalents at End of Period	6	48 132 763

METSIMAHOLO LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

30 June 2022

Description	Original Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION									
Current Assets									
Inventories	1 220 134	126 742	1 346 876	-	1 346 876	1 732 407	385 531	128.62%	141.98%
Receivables from Exchange Transactions	948 422 903	185 434 742	1 133 857 645	-	1 133 857 645	331 381 082	(802 476 563)	29.23%	34.94%
Receivables from Non-exchange Transactions	-	-	-	-	-	94 030 263	94 030 263	0.00%	0.00%
Cash and Cash Equivalents	21 128 738	80 899 164	102 027 902	-	102 027 902	115 028 467	13 000 565	112.74%	544.42%
Non-Current Assets									
Property, Plant and Equipment	1 626 170 781	(224 427 098)	1 401 743 683	-	1 401 743 683	1 319 635 770	(82 107 913)	94.14%	81.15%
Intangible Assets	998 352	593 544	1 591 896	-	1 591 896	2 708 917	1 117 021	170.17%	271.34%
Investment Property	442 868 297	(203 691 836)	239 176 461	-	239 176 461	242 260 298	3 083 837	101.29%	54.70%
Heritage Assets	4 406 988	20 982	4 427 970	-	4 427 970	269 516	(4 158 454)	6.09%	6.12%
Non-current Investments	-	-	-	-	-	2 450 593	2 450 593	0.00%	0.00%
Long-term Receivables	45 120	-	45 120	-	45 120	1 855 192	1 810 072	4111.68%	4111.68%
Total Assets	3 045 261 313	(161 043 760)	2 884 217 553	-	2 884 217 553	2 111 352 505	(772 865 048)	73.20%	69.33%
Current Liabilities									
Consumer Deposits	26 677 270	827 815	27 505 085	-	27 505 085	28 101 293	(596 208)	102.17%	105.34%
Current Portion of Employee Benefit Liabilities	14 036 306	(9 679 993)	4 356 313	-	4 356 313	4 786 000	(429 687)	109.86%	34.10%
Payables from Exchange Transactions	953 148 582	15 801 883	968 950 465	-	968 950 465	288 870 657	680 079 808	29.81%	30.31%
Unspent Conditional Grants and Receipts	-	-	-	-	-	9 991 400	(9 991 400)	0.00%	0.00%
VAT Payable	-	-	-	-	-	17 865 929	(17 865 929)	0.00%	0.00%
Current Portion of Long-term Liabilities	22 438 822	(20 778 141)	1 660 681	-	1 660 681	37 617	1 623 064	2.27%	0.17%
Non-Current Liabilities									
Long-term Liabilities	98 869 831	(5 064 942)	93 804 889	-	93 804 889	-	93 804 889	0.00%	0.00%
Employee Benefit Liabilities	-	-	-	-	-	50 208 000	(50 208 000)	0.00%	0.00%
Non-current Provisions	161 822 310	(6 658 966)	155 163 344	-	155 163 344	90 395 377	64 767 967	58.26%	55.86%
Total Liabilities	1 276 993 121	(25 552 344)	1 251 440 777	-	1 251 440 777	490 256 273	761 184 504	39.18%	38.39%
Total Assets and Liabilities	1 768 268 192	(135 491 416)	1 632 776 776	-	1 632 776 776	1 621 096 232	(11 680 544)	99.28	91.68%
Net Assets (Equity)									
Accumulated Surplus / (Deficit)	1 768 268 192	(135 491 416)	1 632 776 776	-	1 632 776 776	1 621 096 232	(11 680 544)	99.28%	91.68%
Total Net Assets	1 768 268 192	(135 491 416)	1 632 776 776	-	1 632 776 776	1 621 096 232	(11 680 544)	99.28%	91.68%
						(0)	(0)		

METSIMAHOLO LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Inventories:

It has been under-budgeted for Inventories that flow through Stores. The water stock increase by 20% against the budget.

Receivables from Exchange Transactions:

The budget is underspent as the adjustment budget includes the VAT and actual VAT allocation on Statement of Position is are not split between assets and liabilities. The collection rate was lower than anticipated and the implementation of Operation Patala that was not successful

Receivables from Non-exchange Transactions:

The budget is underspent as the adjustment budget includes the VAT and actual VAT allocation on Statement of Position is are not split between assets and liabilities. The collection rate was lower than anticipated and the implementation of Operation Patala that was not successful. Also refer to mSCOA classification on Schedule A and B.

Cash and Cash Equivalents:

The variance is due to an improvement in cash flow which result from increased investments due to slow spending of grant funding and lower spending as a result of cost containment measures implemented.

Property, Plant and Equipment:

Capital expenditure budgeted for, not realised.

Non-current Investments:

Not budgeted for investment in Sanlam shares and investment ceded.

Long-term Receivables:

The impairment were less than budgeted.

Current Portion of Employee Benefit Liabilities

Post retirement benefits increase more that anticipated as per budgeted amount.

Payables from Exchange Transactions:

VAT is included in the budget. Accrual for creditors nearly double and was not anticipated in the budget.

Unspent Conditional Grants and Receipts:

Unspent grants was not anticipated. Grant spending on capital projects were slow.

VAT Payable:

The budget is overspent as the adjustment budget includes the VAT receivable as part of Receivables from Exchange Transactions

Current Portion of Long-term Liabilities:

There was budget to take up external loans for borrowing to finance capital projects but was no implemented.

Long-term Liabilities:

There was budget to take up external loans for borrowing to finance capital projects but was no implemented.

Retirement Benefit Liabilities:

Retirement benefits and provision for rehabilitation of landfill sites are reflected in terms of mSCOA under non current liabilities -provisions.

Non-current Provisions:

Retirement benefits and provision for rehabilitation of landfill sites are reflected in terms of mSCOA under non current liabilities -provisions.

Accumulated Surplus / (Deficit):

Combination of reasons stated above

METSIMAHOLO LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

30 June 2022

Description	Original Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
FINANCIAL PERFORMANCE									
Revenue from Non-exchange Transactions									
Property Rates	210 005 160	1 977 440	211 982 600	-	211 982 600	211 195 770	(786 830)	99.63%	100.57%
Service Charges						2 245 297	2 245 297	0.00%	
Fines, Penalties and Forfeits	11 600 000	(1 000 000)	10 600 000	-	10 600 000	4 284 718	(6 315 282)	40.42%	36.94%
Licences and Permits	100 000	(50 000)	50 000	-	50 000	14 650	(35 350)	29.30%	14.65%
Transfers and Subsidies	353 155 000	46 000 000	399 155 000	-	399 155 000	411 535 184	12 380 184	103.10%	116.53%
Interest received - outstanding Property Rates	7 900 000	1 200 000	9 100 000	-	9 100 000	9 669 232	569 232	106.26%	122.40%
Dividends	100 000		100 000		100 000	123 203	23 203	123.20%	0.00
Revenue from Exchange Transactions									
Service Charges	983 943 710	27 416 425	1 011 360 135	-	1 011 360 135	880 215 926	(131 144 209)	87.03%	0.00
Sales of Goods and Rendering of Services	22 337 600	(980 600)	21 357 000	-	21 357 000	6 922 076	(14 434 924)	32.41%	30.99%
Rental from Fixed Assets	6 216 710	425 600	6 642 310	-	6 642 310	6 691 298	48 988	100.74%	107.63%
Interest earned Consumers	34 700 000	12 100 000	46 800 000	-	46 800 000	51 553 068	4 753 068	110.16%	148.57%
Interest earned Investments	2 500 000	500 000	3 000 000	-	3 000 000	5 160 461	2 160 461	172.02%	206.42%
Operational Revenue	230 000	20 000	250 000	-	250 000	239 151	(10 849)	95.66%	103.98%
Gains on Other Operations	-	-	-	-	-	15 736 073	15 736 073	0.00%	0.00
Total Revenue	1 632 788 180	87 608 865	1 720 397 045	-	1 720 397 045	1 605 586 107	(114 810 938)	93.33%	98.33%
Expenditure									
Employee Related Costs	404 393 230	6 251 700	410 644 930	84 994	410 559 936	330 131 551	80 428 385	80.41%	81.64%
Remuneration of Councillors	22 715 500	270	22 715 770	-	22 715 770	19 383 588	3 332 182	85.33%	85.33%
Depreciation and Amortisation	52 852 752	-	52 852 752	-	52 852 752	72 788 932	(19 936 180)	137.72%	137.72%
Impairment Losses	251 109 550	26 359 320	277 468 870	-	277 468 870	358 572 485	(81 103 615)	129.23%	142.80%
Interest, Dividends and Rent on Land	4 132 780	332 500	4 465 280	-	4 465 280	14 854 891	(10 389 611)	332.68%	359.44%
Bulk Purchases	335 012 120	-	335 012 120	-	335 012 120	333 805 718	1 206 402	99.64%	99.64%
Contracted Services	108 395 030	(5 722 270)	102 672 760	6 777 530	95 895 230	74 647 089	21 248 141	77.84%	68.87%
Inventory Consumed (including repairs and maintenance)	224 235 840	4 272 370	228 508 210	5 626 844	234 135 054	218 259 603	15 875 451	93.22%	97.33%
Transfers and Subsidies Paid	371 570	10 000	381 570	11 650	393 220	334 020	59 200	84.94%	89.89%
Operating Leases	7 839 500	(4 018 000)	3 821 500	-	3 821 500	2 399 981	1 421 519	62.80%	30.61%
Operational Costs	56 463 410	2 502 170	58 965 580	1 224 030	60 189 610	47 550 876	12 638 734	79.00%	84.22%
Losses on Other Operations		-		-		465 777	(465 777)	0.00%	0.00%
Loss on Disposal of Property, Plant and Equipment	31 673 160	-	31 673 160	-	31 673 160	1 043 182	30 629 978	3.29%	3.29%
Total Expenditure	1 499 194 442	29 988 060	1 529 182 502	-	1 529 182 502	1 474 237 693	54 944 809	96.41%	100.48
Surplus/(Deficit for the Year)	133 593 738	57 620 805	191 214 543	-	191 214 543	131 348 414	(59 866 129)	68.69%	98.32

METSIMAHOLO LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Service Charges:

Availability charges have been re-classified as Revenue from Non-exchange transactions

Fines, Penalties and Forfeits:

Fines revenue was significantly lower than the budget, as the municipality was unable to issue camera fines during the year. No system was implemented for the collection of fines. Court fines and penalties for tender withdrawals were lower than the budgeted amount.

Licences and Permits:

The money collected on licenses and street trading was less than the budgeted amount due to difficult economic challenges affecting most of traders for operations.

Transfers and Subsidies:

The municipality did not spend R9 million from MIG grant. Public contributions and donations - the budget did not anticipate the extent of the donations received as these are inherently difficult to predict.

Interest on outstanding property rates

Municipality did budget for interest charged on property and received slightly above the budget.

Service Charges:

Electricity sales were less than budgeted with a billing percentage of 79%. Connection of new fees, reconnection of electricity and electricity sales for water pumps were also affected as the collection amount is less than the budgeted amounts. The bypass of prepaid electricity meters contribute to lower sale of electricity. Water billing is 88% of the budgeted amount of water sales. This is result on lower consumption by industries.

Sales of Goods and Rendering of Services:

The municipality over estimated on land sales, as only 1.5% revenue against the budget amount was sold. Entrance fees as well as cemetery fees were below the budgeted amount.

Interest, Dividends and Rent on Land Earned:

Dividends received from SANLAM shares were higher than expected. Income from external investments was more than anticipated as more money was invested in call accounts during the financial year due to slow spending of grant funding. Interest charged on service charges was higher due to the non-payment of service charges and higher interest rates.

Gains on Other Operations:

The municipality did not budget for gains and other operations

Employee Related Costs:

Employee costs were lower than budgeted as many key management positions and general vacancies were not filled during the year. Directors were not appointed in the financial year. The Municipal Manager was appointed from 1 June 2022.

Remuneration of Councillors:

The councillors' remuneration actual expenditure was lower than the budgeted amount. The increase for councillors implemented was lower than budget. Less MAYCO members were appointed after the election

Depreciation and Amortisation:

A new FAR was loaded into the system and a number of significant assets were capitalised during the asset verification exercise. The life span of assets was also corrected.

Impairment Losses:

Non-payment by debtors lead to a higher impairment budget.

Finance cost

The actual was higher than the budgeted amount due to interest charged on late payment of service providers and other legal interests.

Bulk Purchases:

Budget on target

Contracted Services:

Due to cost containment measures, the spending on contracted services was lower than budgeted at 77.5%. The cash flow as well as the lockdown also contributed to lower expenditure.

METSIMAHOLO LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

Inventory Consumed:

Controls were implemented by the municipality which resulted in savings.

Transfers and Subsidies Paid:

No spending on bursaries for employees were implemented.

Operating Leases:

The actual amount was lower than the budgeted amount. Control over expenditure and more maintenance of own fleet, result in lower expenditure.

Operational Costs:

Controls over expenditure result in lower expenditure.

30 June 2022

Description	Original Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION									
Executive and Council	-	-	-	-	-	-	-	0.00	0.00
Finance and Administration	9 531 500	412 250	9 943 750	-	9 943 750	3 492 776	(6 450 974)	35.13	36.64
Internal Audit	-	-	-	-	-	-	-	0.00	0.00
Community and Social Services	10 764 170	(170 880)	10 593 290	-	10 593 290	5 950 286	(4 643 004)	56.17	55.28
Public Safety	9 575 300	(150 000)	9 425 300	-	9 425 300	714 974	(8 710 326)	7.59	7.47
Sport and Recreation	5 833 750	(755 000)	5 078 750	-	5 078 750	450 000	(4 628 750)	8.86	7.71
Housing	-	-	-	-	-	-	-	0.00	0.00
Health	-	-	-	-	-	-	-	0.00	0.00
Environmental Protection	-	-	-	-	-	-	-	0.00	0.00
Planning and Development	70 000	-	70 000	-	70 000	-	(70 000)	0.00	0.00
Road Transport	77 646 820	(330 840)	77 315 980	-	77 315 980	26 209 110	(51 106 870)	33.90	33.75
Trading Services	-	-	-	-	-	-	-	0.00	0.00
Energy Sources	53 560 000	(1 200 000)	52 360 000	-	52 360 000	28 530 795	(23 829 205)	54.49	53.27
Waste Management	14 260 000	(4 950 000)	9 310 000	-	9 310 000	-	(9 310 000)	0.00	0.00
Waste Water Management	58 650 000	42 711 097	101 361 097	-	101 361 097	85 639 611	(15 721 486)	84.49	146.02
Water Management	19 142 010	(4 059 377)	15 082 633	-	15 082 633	6 906 624	(8 176 009)	45.79	36.08
Other	-	100 000	100 000	-	100 000	-	(100 000)	0.00	0.00
Total Capital Expenditure	259 033 550	31 607 250	290 640 800	-	290 640 800	157 894 176	(132 746 624)	54.33	60.96

METSIMAHOLO LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

30 June 2022

Description	Original Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
CASH FLOW									
Cash Flows from/(used in) Operating Activities									
Property Rates	151 500 220	13 282 550	164 782 770	-	164 782 770	186 731 385	21 948 615	113.32%	123.25
Transfers and Subsidies	344 327 150	-	344 327 150	-	344 327 150	398 653 587	54 326 437	115.78%	115.78
Service charges	831 239 100	50 064 035	881 303 135	-	881 303 135	607 743 941	(273 559 195)	68.96%	73.11
External Interest and Dividends Received	2 700 000	-	2 700 000	-	2 700 000	5 160 461	2 460 461	191.13%	191.13
Interest received from Receivables - Property Rates	-	-	-	-	-	2 259 987	2 259 987	0.00%	0.00
Interest received from Receivables - Service Charges	-	-	-	-	-	2 954 392	2 954 392	0.00%	0.00
Dividends received	-	-	-	-	-	123 203	123 203	0.00%	0.00
Other Receipts	65 421 844	(112 397 231)	(46 975 387)	-	(46 975 387)	19 510 487	66 485 874	0.00	29.82
VAT Receivable / Payable	-	-	-	-	-	-	-	0.00	0.00
Employee Related Costs	-	-	-	-	-	(332 302 114)	(332 302 114)	0.00	0.00
Remuneration of Councillors	-	-	-	-	-	(19 383 588)	(19 383 588)	0.00	0.00
External Interest and Dividends Paid	(4 132 780)	-	(4 132 780)	-	(4 132 780)	-	4 132 780	0.00%	0.00
Suppliers and employees	(1 158 797 970)	(60 626 253)	(1 219 424 223)	-	(1 219 424 223)	(680 094 673)	539 329 550	55.77%	0.00
VAT Receivable / Payable	-	-	-	-	-	(3 710 786)	(3 710 786)	0.00	0.00
Cash Flows from/(used in) Investing Activities									
Purchase of Property, Plant and Equipment	(259 033 550)	13 392 750	(245 640 800)	-	(245 640 800)	(120 386 747)	125 254 053	49.01%	0.00
Proceeds from transfers between PPE, HA and IP	-	-	-	-	-	141 317	141 317	0.00	0.00
Cash Flows from/(used in) Financing Activities									
Proceeds from Borrowings	33 000 000	47 606 431	80 606 431	-	80 606 431	-	(80 606 431)	0.00	0.00
Repayment of Borrowings	(3 934 690)	-	(3 934 690)	-	(3 934 690)	(505 147)	3 429 543	12.84%	0.00
Increase / (Decrease) in Consumer deposits	227 813	(1 055 628)	(827 815)	-	(827 815)	-	827 815	0.00	0.00
NET INCREASE / (DECREASE) IN CASH HELD	2 517 137	(49 733 346)	(47 216 209)	-	(47 216 209)	66 895 704	114 111 913	0.00	2 657.61
Cash/cash equivalents at the year begin:	18 821 428	32 153 862	50 975 290	-	50 975 290	48 132 763	(2 842 527)		
Cash/cash equivalents at the year end:	21 338 565	(17 579 484)	3 759 081	-	3 759 081	115 028 467	111 269 386		

METSIMAHOLO LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures are rounded to the nearest Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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.

The municipality implemented the Municipal Standard Chart of Accounts (mSCOA) during the year ended 30 June 2018 as required in terms of the Municipal Regulations on Standard Chart of Accounts, announced by Government Gazette No 37577 of 22 April 2014, in section 168 of the Local Government: Municipal Finance Management Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

1.1 Going concern assumption

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

The recent COVID-19 pandemic and its effect on the Municipality's current and expected performance has been considered by management in the going concern assumption.

METSIMAHOLO LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1.2 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

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:

Loans and receivables

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

The impairment for loans and receivables is first for individually significant loans and receivables and then calculated on a portfolio basis for the remaining balance, including those individually significant loans and receivables for which no indicators of impairment were found. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and poor payment history/default of payments are all considered indicators of impairment.

For loans and receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the loan's or receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the loans and receivables.

METSIMAHOLO LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Allowance for slow moving, damaged and obsolete stock

An assessment is made of net realisable value of inventory at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided.

The write down is included in the operation surplus or deficit.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

Impairment testing

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

Value in use of cash-generating assets

The municipality reviews and tests the carrying value of cash -generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors together with economic factors such as exchange rates and inflation interest.

Value in use of non-cash-generating asset

The municipality reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Internally generated intangible assets and intangible assets with an indefinite useful life are tested for impairment on an annual basis.

METSIMAHOLO LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Provisions

Provisions were raised and management determined an estimate based on the information available. The provision is discounted when the time value of money is material. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment and other assets. This estimate involves a matter of judgement based on the experience of the municipality with similar assets. The municipality considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other factors. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than previously estimated useful lives.

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 post-retirement and long-term obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government 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 or other long-term liability. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 9.

Effective interest rate

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

METSIMAHOLO LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Allowance for doubtful debts

On trade receivables from exchange and non-exchange, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the trade receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

The provision for doubtful debt is determined by taking into account the payment rate by exchange receivable (consumer debtor), indigent status, whether the consumer debtor has a credit balance at financial year end as well as whether the consumer debtor is government related or not.

Non-exchange receivables (Traffic fine debtors) have been impaired taking into account historical payment rates by these non - exchange receivables.

Traffic fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Non exchange receivables arising from traffic fines are measured at the best estimate based on expected inflows of economic benefits to the municipality.

Pre-paid electricity

Pre-paid electricity is only recognised as electricity is consumed. The estimate is based on pre-paid electricity sold at year-end, but still unused.

Budget Information

A difference of 10% or more between budget and actual amounts is regarded as material. All material differences (between budget and actual amounts) are explained in the notes to the annual financial statements.

Water Inventory

The estimation of the Water Inventory in reservoirs is based on actual dip readings, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end.

METSIMAHOLO LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Subsequent to initial measurement Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset are depreciated separately.

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

METSIMAHOLO LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

<i>Item</i>	<i>Useful life</i>
Property - land	Indefinite
Property - buildings	50 years

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

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

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 9).

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;
- 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.

METSIMAHOLO LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

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

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

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

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

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

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

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

Property, plant and equipment is subsequently measured at cost less accumulated depreciation and accumulated impairment losses. The measurement and recognition of impairment loss is indicated in accounting policy 1.13 and 1.14.

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

METSIMAHOLO LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

Item	Depreciation method	Average useful
Land	Straight-line	Indefinite
Buildings	Straight-line	50 years
Plant and machinery	Straight-line	3-15 years
Furniture and office	Straight-line	3-30 years
Motor vehicles	Straight-line	3-20 years
IT equipment	Straight-line	3-10 years
Infrastructure	Straight-line	3-50 years
Community	Straight-line	50 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.

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 in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

The depreciation charge for each period is recognised in surplus or deficit.

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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

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The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual audited financial statements, which include: the cumulative expenditure recognised in the carrying value of an item of property, plant and equipment; the carrying value of an item of property, plant and equipment that is taking a significantly longer period of time to complete than expected; and the carrying value of an item of property, plant and equipment where construction or development has been halted.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

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.

1.7 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. Intangible assets are identifiable resources controlled by the municipality from which the municipality expects to derive future economic benefits or service potential. The municipality has classified computer software as intangible assets.

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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.

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

Amortisation is provided on a straight-line basis over the expected useful lives of the intangible assets.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Should the estimate change the municipality revises the expected useful life accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

Amortisation is provided to write down the intangible assets on a straight-line basis to their residual values, if any. The amortisation charge for each period is recognised in surplus or deficit.

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The municipality does not have internally generated Intangible Assets.

The useful lives of intangible assets have been assessed as follows:

Item	Depreciation method	Average useful
Computer software	Straight-line	5 years

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. The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset.

1.8 Heritage assets

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. The municipality has classified a site of historical significance and council regalia as heritage assets.

Recognition

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

When the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 6 - Heritage assets.

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

Subsequent to initial measurement, classes of heritage assets are carried at its cost less any accumulated impairment losses.

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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. The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset.

1.9 Financial instruments

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

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

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Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

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

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

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

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Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

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Financial instruments at fair value comprise financial assets or financial liabilities that are:

- (a) derivatives;
- (b) combined instruments that are designated at fair value;
- (c) instruments held for trading. A financial instrument is held for trading if:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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

Class	Category
Cash and cash	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Other financial assets - collateral	Financial asset measured at amortised cost
Other financial assets - shares	Financial asset measured at fair value

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

Class	Category
Consumer deposits	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Taxes and transfers	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Current portion of long-term liabilities	Financial liability measured at amortised cost

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Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, except for financial instruments subsequently measured at fair value, which are measured at its fair value.

Subsequent measurement of financial assets and financial liabilities

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

Financial instruments at fair value.

Financial instruments at amortised cost.

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 municipality 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 municipality 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, the 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.

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Discounting of short-term receivables and payables

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Reclassification

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

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

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 municipality 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 (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the financial assets. The carrying amount of the asset is reduced 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 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.

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Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

- derecognises the asset; and
- recognises separately any rights and obligations created or retained in the transfer.

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

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

Financial liabilities

The municipality 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).

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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.

1.10 Statutory receivables

Identification

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

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

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

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Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Impairment losses

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

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

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

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

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

Derecognition

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

(a) the rights to the cash flows from the receivable are settled, expire or are waived;
(b) the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
(c) the municipality, despite having retained some significant trial 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.

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 - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts trial 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.

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

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

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as revenue and the contractual receipts is recognised as an operating lease asset or liability.

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

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

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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

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

1.12 Inventories

Inventories are assets in the form of materials or supplies to be consumed or distributed in the rendering of services or held for distribution in the ordinary course of operations.

Inventories are recognised as an asset for distribution if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and the cost of the inventories can be measured reliably.

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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 or current replacement cost.

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.

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 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.

Water Inventory

Water is regarded as Inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at reporting date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

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Water and purified effluent are valued by using the FIFO Method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

1.13 Fruitless and Wasteful expenditure recoverable

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 and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the fruitless and wasteful expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on unauthorised expenditure, refer to note 44 - Fruitless and wasteful expenditure.

1.14 Impairment of cash-generating assets

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

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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

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

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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

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

Useful life is either:

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

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

- the current profitability of the unit, as well as management's assessment of the possibility of a unit becoming profitable.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Identification

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

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

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Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

(a) base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;

(b) base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and

(c) estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

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Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

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

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

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

Reversal of impairment loss

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

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

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

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

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.15 Impairment of non-cash-generating assets

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

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

- consideration is given to the nature of the asset, whether it is primarily to provide a service to the community, and whether there is any realistic possibility of the asset being used in a commercial and profitable manner.

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Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy.

Identification

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

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

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

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Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Reversal of an impairment loss

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

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

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

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.16 Consumer deposits

Consumer deposits are a partial security for a future payment of an account. All consumers are therefore required to pay a deposit equal to two months' consumption of electricity and water services. Deposits are considered a liability as the deposit is only refunded once the service is terminated. No interest is paid on deposits.

1.17 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Service (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the Value-added Tax Act (Act No. 89 of 1991).

The municipality accounts for VAT on the payment basis.

1.18 Employee benefits

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

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

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

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee. In terms of Section 7(3) of South African Local Bargaining Council (SALBC) agreement, leave accumulated subsequent to 1 January 2004 may only be accumulated to a maximum of forty-eight (48) days.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee

Post-employment benefits

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

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

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

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Post-employment benefits: Defined contribution plans

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

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

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

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

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability, the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability, the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

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Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts: - the present value of the defined benefit obligation at the reporting date;

- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly; - plus any liability that may arise as a result of a minimum funding requirement

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

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The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

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.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

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Other post retirement obligations

The municipality provides post-retirement health care benefits upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

The municipality has an obligation to provide other long-term service allowance benefits to all of its employees

The municipality's liability is based on an actuarial valuation. The projected Unit Credit Method is used to determine the present value of the obligation.

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

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

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

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

1.19 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

Provisions are recognised when:

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

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.

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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.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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 deficit.

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

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

A contingent liability is:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in notes 49 and 50.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.20 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments, which include future capital commitments relating to property, plant and equipment, investment property, intangible assets and heritage assets, as applicable, operational commitments, as well as future commitments relating to leases. Refer to notes on Finance lease obligation and Commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

The municipality discloses capital commitments (Property Plant and Equipment, Investment properties, Intangible assets and Heritage assets) in the financial statements, as well as future minimum lease payments for each of the following periods if applicable:

Within one year;

In second to fifth year inclusive; and

Later than five years

1.21 Revenue from exchange transactions

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

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

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

Measurement

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

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
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Rendering of services

Service charges are levied in terms of approved tariffs.

Service Charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage and are levied based on the extent of each property.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage and are levied based on the extent of each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Revenue arising from application of the approved tariff of charges is recognised when the relevant services is rendered by applying the relevant published tariff.

Prepaid Electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

Rentals Received

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

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:

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

- 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 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 and dividends

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

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

Interest is recognised, in surplus or deficit, using the effective interest rate methods

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

1.22 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.

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

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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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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.

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.

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

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.

Property Rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a Time-proportionate Basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

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

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

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.

Transfers

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.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines constitute both spot fines and summonses.

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. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

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

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

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.

Government Grants and Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

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.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in Surplus or Deficit in the period in which they become receivable.

Unspent conditional grants are financial liabilities that are separately reflected on the statement of financial position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this

- * Unspent conditional grants are recognised as a liability when the grant is received.
- * When grant conditions are met an amount equal to the conditions met are transferred to revenue in the statement of financial performance.
- * The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- * Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the statement of financial performance.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the statement of financial position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in Surplus or Deficit.

Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised as revenue when the recovery thereof from the responsible councillors or officials became virtually certain in a financial period subsequent to the period when the actual unauthorised, irregular, fruitless and wasteful expenditure was incurred.

1.23 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.24 Borrowing costs

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

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

1.25 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.26 Comparative figures

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

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason of classification is disclosed. Where material prior period errors have been identified in the current year, the correction is made retrospectively as far as it is practicable and the prior year comparatives are restated accordingly.

Refer to note 55 - Comparative figures.

1.27 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 and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the unauthorised expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on unauthorised expenditure, refer to note 44 - Unauthorised expenditure.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1.28 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.

For details on fruitless and wasteful expenditure, refer to note 44 - Fruitless and wasteful expenditure.

1.29 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

Irregular expenditure 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.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the irregular expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on irregular expenditure, refer to note 44 - Irregular expenditure.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1.30 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.

1.31 Budget information

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 an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 July 2021 to 30 June 2022.

METSIMAHOLO LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the annual financial statements in determining whether a difference between the budget and actual amount is material.

1.32 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

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

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

Related parties included key management personnel, close members of family of key management and councillors. Key management personnel included all heads of departments or members of the municipal council of the municipality.

The Council together with the Municipal Manager and Section 57 employees has authority and responsibility to plan and control activities of the municipality to manage the resources and the overall achievement of municipal objectives.

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

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

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

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

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

1.33 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date);
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality does not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date. Where the non-adjusting event is material and non-disclosure could influence the economic decisions of the users, additional disclosure will be provided.

The municipality has considered the impact of COVID -19 on its operations during the year and its future operations.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.34 Accumulated surplus/(deficit)

The accumulated surplus/(deficit) represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/(deficit). Prior year adjustments, relating to income and expenditure, are credited/debited against accumulated surplus/(deficit) when retrospective adjustments are made.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1.35 Grants in Aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase of sale transaction; expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the event giving rise to the transfer has occurred.

2. New standards and interpretations

2.1 Standards and interpretations not yet effective or relevant

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 1 July 2022 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
Guideline on Accounting for Landfill Sites	No effective date as yet	Unlikely there will be a material impact
GRAP 25 (as revised): Employee Benefits	No effective date as yet	Unlikely there will be a material impact
iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction.	No effective date as yet	Unlikely there will be a material impact
Guideline on the Application of Materiality to Financial Statements	No effective date as yet	Unlikely there will be a material impact
GRAP 104 (as revised): Financial Instruments	1 April 2025	Unlikely there will be a material impact
iGRAP 21: The effect of Past Decisions on Materiality	1 April 2023	Unlikely there will be a material impact
GRAP 2020: Improvements to the standards of GRAP 2020	1 April 2023	Unlikely there will be a material impact
GRAP 1 (amended): Presentation of Financial Statements	1 April 2023	Unlikely there will be a material impact

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

2022
R
2021
R

1. GENERAL INFORMATION

Metsimaholo Local Municipality is a local government institution in Sasolburg, Free-state, and is one of the 4 local municipalities under the jurisdiction of the Fezile Dabi District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

Water - at cost	681 293	564 550
Fuel (Diesel and Petrol)	104 590	311 159
Consumables: Stores and materials	946 524	471 164
Total Inventories	1 732 407	1 346 873

Obsolete and/or Lost Inventories to the amount of R66 292 (2021: R90 557) were written off and recognised in Profit and Loss during the period.

The cost of Consumables and Fuel recognised as an expense during the year was R6 013 327 (2021: R3 060 082).

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

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2022			
Service Debtors:	2 196 860 628	1 867 452 889	329 407 739
Electricity	151 558 548	72 294 553	79 263 995
Refuse	115 278 557	101 083 199	14 195 358
Sewerage	83 464 848	66 128 351	17 336 497
Other Service Charges	168 990 975	153 125 460	15 865 515
Water	1 677 567 700	1 474 821 326	202 746 374
Other Receivables RD Cheques	20 199	-	20 199
Merchandising, Jobbing and Contracts	467 648	-	467 648
Control, Clearing and Interface Accounts	1 485 496	-	1 485 496
Total Receivables from Exchange Transactions	2 198 833 971	1 867 452 889	331 381 082

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2021			
Service Debtors:	1 848 453 340	1 531 557 333	316 896 007
Electricity	137 015 650	51 240 686	85 774 964
Refuse	97 818 640	82 969 847	14 848 793
Sewerage	69 059 236	55 974 763	13 084 473
Other Service Charges	152 943 174	128 008 605	24 934 569
Water	1 391 616 640	1 213 363 432	178 253 208
Other Receivables - RD Cheques	20 199	-	20 199
Merchandise, job and control	467 648	-	467 648
Prepayments and Advances	6 344 928	-	6 344 928
Control, Clearing and Interface Accounts	1 381 173	-	1 381 173
Total Receivables from Exchange Transactions	1 856 667 288	1 531 557 333	325 109 955

The prior year amount for Receivables from Exchange transactions has been restated due to the reclassification of amounts in terms of MSCOA and correction of errors. Refer to Note 41 on "Correction of errors" for details of the restatement.

Included in Service Debtors is an amount of R 21,816,375 (2021: R 29,689,436) in respect of the consumption of metered services not billed as at 30 June.

The municipality receives applications for basic services that it processes. Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

The municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

The management of the municipality is of the opinion that the carrying value of Receivables approximates their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Receivables as well as the current payment ratios of the municipality's Receivables.

3.1 Ageing of Receivables from Exchange Transactions: Service Debtors

As at 30 June 2022

	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Electricity:					
Gross Balances	25 058 112	7 688 007	7 565 447	111 246 982	151 558 548
Less: Provision for Impairment	2 122 923	1 634 816	2 409 670	66 127 144	72 294 553
Net Balances	22 935 189	6 053 191	5 155 777	45 119 838	79 263 995
Refuse:					
Gross Balances	4 013 718	2 730 332	2 362 134	106 172 373	115 278 557
Less: Provision for Impairment	1 873 910	1 871 390	1 862 409	95 475 490	101 083 199
Net Balances	2 139 808	858 942	499 725	10 696 883	14 195 358

METSIMAHOLO LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Sewerage:

Gross Balances	5 170 875	3 352 753	2 351 592	72 589 628	83 464 848
Less: Provision for Impairment	1 169 144	1 247 958	1 267 545	62 443 704	66 128 351
Net Balances	4 001 731	2 104 795	1 084 047	10 145 924	17 336 497

Other Service Charges:

Gross Balances	3 474 046	1 595 821	1 997 447	161 923 661	168 990 975
Less: Provision for Impairment	2 679 100	992 203	1 269 906	148 184 251	153 125 460
Net Balances	794 946	603 618	727 541	13 739 410	15 865 515

Water:

Gross Balances	83 542 965	45 901 824	32 536 376	1 515 586 535	1 677 567 700
Less: Provision for Impairment	28 569 475	31 450 869	21 375 928	1 393 425 054	1 474 821 326
Net Balances	54 973 490	14 450 955	11 160 448	122 161 481	202 746 374

As at 30 June Receivables of R244 562 575 were past due but not impaired. The age analysis of these Receivables are as follows:

Current	Past Due			Total
0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	

All Receivables:

Gross Balances	121 259 716	61 268 737	46 812 996	1 967 519 179	2 196 860 628
Less: Provision for Impairment	36 414 552	37 197 236	28 185 458	1 765 655 643	1 867 452 889
Net Balances	84 845 164	24 071 501	18 627 538	201 863 536	329 407 739

As at 30 June 2021

Current	Past Due			Total
0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	

Electricity:

Gross Balances	23 437 294	7 379 145	4 734 589	101 464 622	137 015 650
Less: Provision for Impairment	1 165 717	942 869	919 804	48 212 296	51 240 686
Net Balances	22 271 577	6 436 276	3 814 785	53 252 326	85 774 964

Refuse:

Gross Balances	3 096 968	2 080 679	1 790 427	90 850 566	97 818 640
Less: Provision for Impairment	1 231 649	1 226 293	1 215 353	79 296 552	82 969 847
Net Balances	1 865 319	854 386	575 074	11 554 014	14 848 793

Sewerage:

Gross Balances	3 047 812	1 811 664	1 478 445	62 721 315	69 059 236
Less: Provision for Impairment	937 109	932 364	921 827	53 183 463	55 974 763
Net Balances	2 110 703	879 300	556 618	9 537 852	13 084 473

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Other Service Charges:

Gross Balances	3 595 198	1 595 420	1 612 291	146 140 265	152 943 174
Less: Provision for Impairment	2 192 846	945 466	800 301	124 069 992	128 008 605
Net Balances	1 402 352	649 954	811 990	22 070 273	24 934 569

Water:

Gross Balances	70 611 140	39 568 399	24 758 555	1 256 678 546	1 391 616 640
Less: Provision for Impairment	23 935 726	30 137 168	18 315 476	1 140 975 062	1 213 363 432
Net Balances	46 675 414	9 431 231	6 443 079	115 703 484	178 253 208

As at 30 June Receivables of R242 570 642 were past due but not impaired. The age analysis of these Receivables are as follows:

Current	Past Due			Total
0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	

All Consumer Debtors:

Gross Balances	103 788 412	52 435 307	34 374 307	1 657 855 314	1 848 453 340
Less: Provision for Impairment	29 463 047	34 184 160	22 172 761	1 445 737 365	1 531 557 333
Net Balances	74 325 365	18 251 147	12 201 546	212 117 949	316 896 007

3.2 Summary of Debtors by Customer Classification:

As at 30 June 2022

	Gross Balances R	Provision for Impairment R	Net Balances R
Service Debtors	2 205 819 446	1 871 678 558	334 140 888
Property Rates (Refer to note 4)	248 437 734	166 533 752	81 903 982
Sale of Land (Refer to note 10)	6 172 897	4 317 705	1 855 192
	2 460 430 077	2 042 530 015	417 900 062

	Consumers R	Industrial/ Commercial R	National and Provincial Government R	Less: Allowance for Impairment R	Total R
<u>Current:</u>					
0 - 30 days	96 192 277	32 909 532	8 122 152	(40 130 719)	97 093 242
<u>Past Due:</u>					
31 - 60 Days	54 631 612	13 395 207	2 062 294	(40 786 221)	29 302 892
61 - 90 Days	45 567 752	6 737 996	1 114 283	(31 757 555)	21 662 476
+ 90 Days	2 022 155 526	137 108 943	40 432 504	(1 929 855 521)	269 841 452
Total Trade Receivables by Customer Classification	2 218 547 167	190 151 678	51 731 233	(2 042 530 016)	417 900 062

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

As at 30 June 2021

	Gross Balances R	Provision for Impairment R	Net Balances R
Service Debtors	1 856 070 541	1 534 229 177	321 841 364
Property Rates (Refer to note 4)	223 053 656	128 860 165	94 193 491
Sale of Land (Refer to note 10)	6 156 855	4 357 765	1 799 090
	2 085 281 052	1 667 447 107	417 833 945

	Consumers R	Industrial/ Commercial R	National and Provincial Government R	Less: Allowance for Impairment R	Total R
<i>Current:</i>					
0 - 30 days	100 896 734	20 646 591	3 721 611	(35 969 471)	89 295 465
<i>Past Due:</i>					
31 - 60 Days	50 779 326	6 918 342	3 307 300	(36 804 709)	24 200 259
61 - 90 Days	33 018 037	4 960 942	2 934 510	(24 765 117)	16 148 372
+ 90 Days	1 694 502 970	113 595 746	49 998 943	(1 569 907 810)	288 189 849
Total Debtors by Customer Classification	1 879 197 067	146 121 621	59 962 364	(1 667 447 107)	417 833 945
				2022	2021
				R	R

3.3 Reconciliation of the Provision for Impairment: Service Debtors

Balance at beginning of year	1 534 229 177	1 397 051 059
Impairment Losses recognised	301 284 464	120 830 280
Movement in VAT due to impairment	36 164 917	16 347 838
Balance at end of year	1 871 678 558	1 534 229 177
Service Debtors disclosed under Receivables from Exchange Transactions	1 867 452 889	1 531 557 333
Service Debtors disclosed under Receivables from Non-Exchange Transactions	4 225 669	2 671 844
	1 871 678 558	1 534 229 177

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Trade and other receivables which are less than 2 months past due are not considered to be impaired. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

3.4 Ageing of impairment for Service debtors

<i>Current:</i>		
0 - 30 Days	36 525 091	29 535 654
<i>Past Due:</i>		
31 - 60 Days	37 300 743	34 256 683
61 - 90 Days	28 288 964	22 245 268
+ 90 Days	1 769 563 760	1 448 191 572
Total	1 871 678 558	1 534 229 177

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2022			
Property Rates	248 437 734	166 533 752	81 903 982
Service Debtors (Availability charges):	8 958 818	4 225 669	4 733 149
Electricity	5 084 982	2 361 980	2 723 002
Sewerage	400 087	185 739	214 348
Water	3 473 749	1 677 950	1 795 799
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	213 158	-	213 158
Fines	4 138 083	3 581 704	556 379
LGSETA Interns	755 080	-	755 080
Refer to Drawer (R/D) Cheques	738 344	-	738 344
Over Payment of Contractors	365 636	-	365 636
Deposits	4 764 535	-	4 764 535
Total Receivables from Non-exchange Transactions	268 371 388	174 341 125	94 030 263
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2021			
Property Rates	223 053 656	128 860 165	94 193 491
Service Debtors (Availability charges):	7 617 201	2 671 844	4 945 357
Electricity	4 218 726	1 455 114	2 763 612
Sewerage	408 933	139 048	269 885
Water	2 989 542	1 077 682	1 911 860
Fines	3 775 320	3 465 816	309 504
LGSETA Interns	755 080	-	755 080
Refer to Drawer (R/D) Cheques	738 344	-	738 344
Over Payment of Contractors	227 166	-	227 166
Other debtors - Computer equipment not delivered	47 280	-	47 280
Deposits	2 673 535	-	2 673 535
Total Receivables from Non-exchange Transactions	238 887 582	134 997 825	103 889 757

Rates, Traffic fines and Government grants and subsidies disclosed under Receivables from Non-exchange transactions are Statutory Receivables in context of GRAP 108. Statutory receivables arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. Refer to Note 5 for disclosure notes relating to Statutory receivables.

The prior year amount for Receivables from Non-exchange transactions has been restated due to the reclassification of amounts in terms of MSCOA. Refer to Note 41 on "Correction of errors" for details of the restatement.

Receivables from availability charges have been reclassified from Exchange to Non-exchange Transactions where consumers have not paid the connection fee and the municipality has not connected consumer to the municipality's infrastructure.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratios of Other Debtors were also taken into account for fair value determination.

Fruitless expenditure: The amount of R 213,158 (2021: R 0) relates payment for firearms that were not delivered by the supplier.

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2022

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Property Rates:					
Gross Balances	15 686 115	8 583 065	6 383 231	217 785 323	248 437 734
Less: Provision for Impairment	3 605 636	3 485 477	3 468 583	155 974 056	166 533 752
Net Balances	12 080 479	5 097 588	2 914 648	61 811 267	81 903 982
Fines:					
Gross Balances	3 825 899	-	-	312 184	4 138 083
Less: Provision for Impairment	3 581 704	-	-	-	3 581 704
Net Balances	244 195	-	-	312 184	556 379
Electricity (Availability charges):					
Gross Balances	168 916	144 235	135 478	4 636 353	5 084 982
Less: Provision for Impairment	61 545	61 647	61 647	2 177 141	2 361 980
Net Balances	107 371	82 588	73 831	2 459 212	2 723 002
Sewerage (Availability charges):					
Gross Balances	5 723	4 865	4 572	384 927	400 087
Less: Provision for Impairment	2 179	2 181	2 180	179 199	185 739
Net Balances	3 544	2 684	2 392	205 728	214 348
Water (Availability charges):					
Gross Balances	103 486	88 213	83 685	3 198 365	3 473 749
Less: Provision for Impairment	46 815	39 679	39 679	1 551 777	1 677 950
Net Balances	56 671	48 534	44 006	1 646 588	1 795 799

METSIMAHOLO LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

As at 30 June 2022 Receivables of R74 701 250 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	19 790 139	8 820 378	6 606 966	226 317 152	261 534 635
Less: Provision for Impairment	7 297 879	3 588 984	3 572 089	159 882 173	174 341 125
Net Balances	12 492 260	5 231 394	3 034 877	66 434 979	87 193 510

As at 30 June 2021

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Property Rates:					
Gross Balances	15 628 634	8 343 225	6 327 980	192 753 817	223 053 656
Less: Provision for Impairment	2 564 593	2 548 026	2 519 849	121 227 697	128 860 165
Net Balances	13 064 041	5 795 199	3 808 131	71 526 120	94 193 491

Fines:

Gross Balances	3 702 840	-	-	72 480	3 775 320
Less: Provision for Impairment	3 465 816	-	-	-	3 465 816
Net Balances	237 024	-	-	72 480	309 504

Electricity (Availability charges):

Gross Balances	162 049	137 291	125 228	3 794 158	4 218 726
Less: Provision for Impairment	41 717	41 675	41 666	1 330 056	1 455 114
Net Balances	120 332	95 616	83 562	2 464 102	2 763 612

Sewerage (Availability charges):

Gross Balances	10 287	3 998	4 449	390 199	408 933
Less: Provision for Impairment	1 318	1 317	1 317	135 096	139 048
Net Balances	8 969	2 681	3 132	255 103	269 885

Water (Availability charges):

Gross Balances	200 637	85 146	81 524	2 622 235	2 989 542
Less: Provision for Impairment	29 572	29 531	29 524	989 055	1 077 682
Net Balances	171 065	55 615	52 000	1 633 180	1 911 860

As at 30 June 2021 Receivables of R85 846 921 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	19 704 447	8 569 660	6 539 181	199 632 889	234 446 177
Less: Provision for Impairment	6 103 016	2 620 549	2 592 356	123 681 904	134 997 825
Net Balances	13 601 431	5 949 111	3 946 825	75 950 985	99 448 352

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	R
4.2 Reconciliation of Provision for Impairment (Excluding Service Debtors)		
Balance at beginning of year	132 325 981	143 428 973
Impairment Losses recognised	37 789 475	(11 102 992)
Balance at end of year	170 115 456	132 325 981

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Receivables relating to traffic fines are impaired according to a recoverability rate and therefore it is not possible to split the ageing between impaired and unimpaired.

Receivables from non-exchange transactions (Rates), where the debtor has nothing outstanding for more than 2 months past due are not considered to be impaired.

5. STATUTORY RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

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.

In accordance with the principles of GRAP 108, statutory receivables of the municipality are classified as follows:

Statutory Receivables included in the Statement of Financial Position under Receivables from Non-exchange transactions

	Gross Balances	Provision for Impairment	Net Balances
	R	R	R
As at 30 June 2022			
Property Rates	248 437 734	166 533 752	81 903 982
Traffic Fines	4 138 083	3 581 704	556 379
Total Statutory Receivables from Non-Exchange Transactions	252 575 817	170 115 456	82 460 361
	Gross Balances	Provision for Impairment	Net Balances
	R	R	R
As at 30 June 2021			
Property Rates	223 053 656	128 860 165	94 193 491
Traffic Fines	3 775 320	3 465 816	309 504
Total Statutory Receivables from Non-Exchange Transactions	226 828 976	132 325 981	94 502 995

The prior year amount for Statutory Receivables from Non-exchange transactions has been restated due to the correction of a debtor raised for RBIG grant and an overstatement of grant revenue in the 2018/19 and 2019/20 financial years.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

		2022 R	2021 R
Statutory Receivables included in the Statement of Financial Performance			
Property Rates	Note 20	211 195 770	214 081 433
Interest received - outstanding property rates	Note 26	9 669 232	7 706 285
Traffic Fines	Note 21	4 234 000	4 231 910
		225 099 002	226 019 628

Ageing of Statutory Receivables from Non-Exchange Transactions

As at 30 June 2022

	Current <i>0 - 30 days</i>	Past Due			Total
		<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Property Rates					
Gross Balances	15 686 115	8 583 065	6 383 231	217 785 323	248 437 734
Less: Provision for Impairment	3 605 636	3 485 477	3 468 583	155 974 056	166 533 752
Net Balances	12 080 479	5 097 588	2 914 648	61 811 267	81 903 982
Traffic Fines					
Gross Balances	3 825 899	-	-	312 184	4 138 083
Less: Provision for Impairment	3 581 704	-	-	-	3 581 704
Net Balances	244 195	-	-	312 184	556 379

As at 30 June 2022 Receivables of R70 135 687 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current <i>0 - 30 days</i>	Past Due			Total
		<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:					
Gross Balances	19 512 014	8 583 065	6 383 231	218 097 507	252 575 817
Less: Provision for Impairment	7 187 340	3 485 477	3 468 583	155 974 056	170 115 456
Net Balances	12 324 674	5 097 588	2 914 648	62 123 451	82 460 361

Ageing of Statutory Receivables from Non-Exchange Transactions

As at 30 June 2021

	Current <i>0 - 30 days</i>	Past Due			Total
		<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Property Rates					
Gross Balances	15 628 634	8 343 225	6 327 980	192 753 817	223 053 656
Less: Provision for Impairment	2 564 593	2 548 026	2 519 849	121 227 697	128 860 165
Net Balances	13 064 041	5 795 199	3 808 131	71 526 120	94 193 491
Traffic Fines					
Gross Balances	3 702 840	-	-	72 480	3 775 320
Less: Provision for Impairment	3 465 816	-	-	-	3 465 816
Net Balances	237 024	-	-	72 480	309 504

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

As at 30 June 2022 Receivables of R81 201 930 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:					
Gross Balances	19 331 474	8 343 225	6 327 980	192 826 297	226 828 976
Less: Provision for Impairment	6 030 409	2 548 026	2 519 849	121 227 697	132 325 981
Net Balances	13 301 065	5 795 199	3 808 131	71 598 600	94 502 995

Statutory receivables general information

Transaction(s) arising from statute

Property rates related transactions arise in terms of the Municipal Property Rates Act, 6 of 2004, Municipal Finance Management Act, 56 of 2003, as well as the Property Rates Policy of the municipality approved by Council as part of the Budget Process.

Traffic fines arise from the National Road Traffic Act 93 of 1996, National Road Traffic Regulations 2000, National Land Transport Act 5 of 2009 and Criminal Procedure Act 51 of 1971. Prosecutor performs prosecutorial functions in terms of a general delegation awarded by the National Prosecuting Authority and is subject to the control of the Control Prosecutor at the Magistrate's Court in Sasolburg.

Government grants related transactions arise in terms of the applicable annual Division of Revenue Act Bill as well as the relevant Provincial Gazette.

Determination of transaction amount

Property rates transaction amounts are determined in line with the Annual Tariff List of the municipality approved by Council as part of the Budget Process in terms of the Municipal Finance Management Act, 56 of 2003.

Traffic fines transaction amounts are determined in line with the Traffic Offence Code Book as approved by Senior Magistrate and implemented in the district of the Metsimaholo Local Municipality.

Government grants related transaction amounts allocated to the municipality are stipulated in the applicable annual Division of Revenue Act as well as the relevant Provincial Gazette.

Interest or other charges levied/charged

Interest or other charges levied on Property rates balances are in line with the Annual Tariff List of the municipality approved by Council as part of the Budget Process in terms of the Municipal Finance Management Act, 56 of 2003. "Interest" means a charge levied, on all arrear accounts calculated at an interest rate which is one percent higher than the prime interest rate.

Traffic fines: Additional charges include contempt of court fees / warrant of arrest fee determined in terms of the Criminal Procedure Act. Currently at R200 effected after court date on non/default payment / non-appearance.

Basis used to assess and test whether a statutory receivable is impaired

The basis used to assess Property Rates receivables is to look at the extent to which debtors on an individual basis defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

The basis used to assess Traffic fine receivables is to look at the extent to which debtors per group of fines (Municipal fines) defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

Each individual Grant is assessed for collectability in line with the legislative prescripts or contract arrangements that relates to the specific grant.

Discount rate applied to the estimated future cash flows

The discount rate applied for all types of Statutory receivables mentioned above is based on the prime rate plus one percent.

	2022 R	2021 R
6. CASH AND CASH EQUIVALENTS		
Cash on Hand	5 150	5 150
Current Investments	90 110 712	38 612 979
Bank Accounts	24 912 605	9 514 634
Total Bank, Cash and Cash Equivalents	115 028 467	48 132 763

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

The prior year amount for Cash and Cash equivalents has been restated due to the reclassification of amounts in terms of MSCOA. Refer to Note 41 on "Correction of errors" for details of the restatement.

	2022 R	2021 R
6.1 Current Investment Deposits		
Call Deposits	90 110 712	38 612 979
Total Current Investment Deposits	90 110 712	38 612 979

The Municipality has the following investment accounts:

	Bank Statement Balances		Cash Book Balances	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
Absa Bank - Call Account	907 840 0708	73 391	73 391	73 391
Absa Bank Invest Tracker	935 502 8112	3 248 538	3 248 538	8 348 226
Standard Bank - Call Deposit account	228 505 348 005	18 656 853	18 790 856	1 045 403
Standard Bank - Call Deposit account	228 505 348 007	4 990 900	5 010 385	2 036 900
Standard Bank - Notice Deposit	39 853 1641 009	5 446 854	5 446 854	-
Nedbank - Call deposit Account	788 103 308 0000 60	19 111 692	19 111 692	1 111 692
Nedbank - Call deposit Account	788 103 308 0000 74	3 983 918	3 983 918	2 042 918
Investec Call Account	1100 523923 500	19 664 707	19 664 707	16 665 636
Investec Call Account	1100 523923 620	36 390	36 390	4 059 735
FNB Call Account	627 7287 8909	14 743 981	14 743 981	3 229 077
	89 957 224	38 612 978	90 110 712	38 612 978

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 3.25 % to 4.50 % (2021: 0.25 % to 3.60 %) per annum.

Short-term fixed and notice Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 4% to 5.05% per annum.

	2022	2021
	R	R
Funds reserved to support unspent grants:		
Integrated National Electrification	2 000	2 000
Expanded Public Works Program Grant	8 484	-
Municipal Infrastructure Grant	9 677 741	-
Sector Education Training Authority	303 175	270 563
	9 991 400	272 563

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for Guarantee: Eskom as electricity deposist	990 000	990 000
Total financial assets pledged as collateral for Guarantee: Post Office as postal deposits	80 000	80 000

6.2 Bank Accounts

Cash in Bank	24 912 605	9 514 634
Total Bank Accounts	24 912 605	9 514 634

The Municipality has the following operational Bank Accounts:

	Account number	Bank Statement Balances		Cash Book Balances	
		30 June 2022	30 June 2021	30 June 2022	30 June 2021
ABSA Bank - Primary Bank Account	520 0000 038	6 117 922	1 461 158	6 117 322	1 459 158
ABSA Bank - Primary Bank Account	520 0000 062	-	-	(1 046)	-
Standard Bank - Revenue Account	33 197 836 9	-	-	249 640	(1 050)
Standard Bank - Current account	24 034 786 2	18 869 960	8 553 453	18 546 689	8 056 526
		24 987 882	10 014 611	24 912 605	9 514 634

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

6.3 Cash on Hand

Cash Floats and Advances	5 150	5 150
Total Cash on hand in Cash Floats, Advances and Equivalents	5 150	5 150

Additional disclosures:

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

6.4 Cash and Cash equivalents - Cash Flow Statement

Cash and Cash Equivalents included in the Statement of Cash Flows, comprise the following Statement of Financial Position amounts:

Bank balances	24 912 605	9 514 634
Investments	90 110 712	38 612 979
Cash-on-hand	5 150	5 150
	<u>115 028 467</u>	<u>48 132 763</u>

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

7. PROPERTY, PLANT AND EQUIPMENT

	2022			2021		
	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
Land and Buildings	146 751 142	(27 789 692)	118 961 450	146 751 142	(26 209 001)	120 542 141
Leasehold property	11 017 344	(6 164 900)	4 852 443	11 017 344	(5 130 977)	5 886 366
Plant and machinery	58 479 461	(37 680 527)	20 798 934	57 466 253	(34 200 263)	23 265 990
Furniture and fixtures	4 158 070	(2 980 939)	1 177 131	3 556 302	(2 837 827)	718 474
Motor vehicles	22 687 291	(13 772 414)	8 914 877	22 237 291	(12 708 145)	9 529 146
IT equipment	36 055 517	(13 918 958)	22 136 559	23 851 842	(13 064 874)	10 786 968
Infrastructure	2 462 105 514	(1 430 695 047)	1 031 410 467	2 322 803 197	(1 372 146 640)	950 656 557
Community	188 516 625	(77 132 716)	111 383 909	182 144 365	(72 001 837)	110 142 528
	2 929 770 964	(1 610 135 194)	1 319 635 770	2 769 827 735	(1 538 299 565)	1 231 528 170

30 June 2022

Reconciliation of Carrying Value:

	Opening	Additions	Donations	Disposals	Transfers to	Transfers from	Depreciation	Total
Land and Buildings	120 542 141	-	-	-	-	-	(1 580 691)	118 961 450
Leasehold property	5 886 366	-	-	-	-	-	(1 033 923)	4 852 443
Plant and machinery	23 265 990	499 758	513 451	-	-	-	(3 480 264)	20 798 934
Furniture and fixtures	718 474	352 050	249 719	-	-	-	(143 112)	1 177 132
Motor vehicles	9 529 146	-	450 000	-	-	-	(1 064 269)	8 914 877
IT equipment	10 786 968	12 203 675	-	-	-	-	(854 084)	22 136 559
Infrastructure	950 656 555	126 273 181	11 120 859	-	1 908 277	-	(58 548 407)	1 031 410 465
Community	110 142 527	3 804 413	2 567 848	-	-	-	(5 130 879)	111 383 909
	1 231 528 168	143 133 077	14 901 877	-	1 908 277	-	(71 835 628)	1 319 635 770

30 June 2021

Reconciliation of Carrying Value:

	Opening balance	Take-on Assets & Transfers	Additions	Donations	Disposals	Transfers from IP	Depreciation	Total
Land and Buildings	25 311 282	85 333 556	-	-	-	11 556 013	(1 658 710)	120 542 141
Leasehold property	7 191 372	(3)	-	-	(204 278)	-	(1 100 725)	5 886 366
Plant and machinery	23 494 637	1 830 703	2 149 227	202 371	(204 650)	4	(4 206 302)	23 265 990
Furniture and fixtures	2 869 286	(1 249 593)	1 399	-	(153 617)	-	(749 001)	718 474
Motor vehicles	9 798 808	449 997	1 603 358	-	(600 560)	1	(1 722 458)	9 529 146
IT equipment	5 438 421	7 281 173	350 246	-	(321 998)	(1 285)	(1 959 589)	10 786 968
Infrastructure	970 726 319	8 387 526	37 960 225	-	(4 859 855)	-	(61 557 659)	950 656 555
Community	155 150 718	(44 538 207)	3 402 724	1 548 849	-	-	(5 421 557)	110 142 527
	1 199 980 843	57 495 152	45 467 179	1 751 220	(6 344 958)	11 554 733	(78 376 001)	1 231 528 168

The prior year amount for Property, Plant and Equipment has been restated due to the correction of errors. Refer to Note 41 on "Correction of errors" for details of the restatement.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	R
7. PROPERTY, PLANT AND EQUIPMENT (Continued)		
7.1 Assets pledged as security		
The municipality did not pledge any of its assets as security other than obligations under finance leases that are secured by lessor's charge over the leased assets - refer to note 17.		
Transport assets	596 470	5 443 435
Office equipment	-	442 932
Assets subject to finance leases (net carrying value)	-	5 886 366
	596 470	11 772 733

7.2 Work-in-Progress

The municipality has incurred expenditure on capital projects which were not completed at year-end. The details of the carrying amounts of expenditure included in each class of assets are listed below:

Reconciliation of Work-in-Progress 2022:

	Included within Infrastructure	Included within Community	Total
Opening balance	327 348 663	27 469 893	354 818 556
Additions/capital expenditure	24 690 985	3 430 388	28 121 373
	352 039 648	30 900 281	382 939 929

Reconciliation of Work-in-Progress 2021:

	Included within Infrastructure	Included within Community	Total
Opening balance	289 780 577	24 081 169	313 861 746
Additions/capital expenditure	37 568 086	3 388 724	40 956 810
	327 348 663	27 469 893	354 818 556

Included in Work-in-Progress within Community Assets is an amount of R 18,451,758 relating to the construction of a sport stadium in Refenggotso which is under investigation as the expenditure incurred does not reflect the physical work in progress on the ground.

7.3 Delayed Projects

The municipality has projects that are currently experiencing delays or were halted. For each project, the reason for the delay or halting of the project are noted. The carrying amount of those assets included in the balance of Property, Plant and Equipment are listed below:

Refenggotso Sports Complex

Reason: Project went under investigation due to high expenditure and low output. Delay also due to National Lockdown due to COVID 19 pandemic. Additional scope of work. The contractor experienced cash flow challenges. Contactor was advised to cede some portions of work to sub-contractor.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Zamdela Roads ward 08

Reason: Additional funding was applied to complete the project. Project was completed however not finalised contractually.

Oranjeville Water treatment work

Reason: Poor performance by contractor which led to site suspensions. Contractor terminated the project. A company was appointed through deviation to continue with some parts of the project.

Construction of 2.01km paved roads and stormwater drainage in Ward 3 (Phase 1)

Reason: Poor performance by contractor which led to site suspensions. Contractor was advised to cede some portions of work to sub-contractor. Projects has been completed.

Construction of a new cemetery

Reason: Poor performance by contractor, lack of resources from contractor and rain. The municipality is monitoring the performance of the contractor. Contractor has been requested to increase progress on site.

Upgrading of Oranjeville Waste Water Treatment Works

Reason: Poor performance by contractor, lack of resources from contractor and rain. The municipality has been in consultation with the contractor and targets were set for the contractor to achieve on a monthly basis.

Delayed projects:

	2022	2021
	R	R
Refengkgotso Sports Complex	-	9 220 057
Refengkgotso Waste Water treatment Plant	-	82 526 149
Oranjeville Water treatment work	10 363 852	11 918 430
Construction of 2.01km paved roads and stormwater drainage in Ward 3 (Phase 1)	13 645 811	-
Construction of a new cemetery	3 861 588	-
Upgrading of Oranjeville Waste Water Treatment Works	18 939 200	-
Total Carrying Amounts of Delayed or Halted Projects	46 810 450	103 666 657

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

7.4 Expenditure incurred to repair and maintain

	2022 R	2021 R	2022 R	2021 R
Electrical Infrastructure			11 235 147	4 072 350
- Contracted Services	334 600	203 169		
- Inventory Consumed	10 900 547	3 869 181		
Roads Infrastructure			12 962 793	3 304 167
- Contracted Services	6 167 724	-		
- Inventory Consumed	6 795 069	3 304 167		
Sanitation Infrastructure			10 591 291	3 271 574
- Contracted Services	6 667 435	2 932 957		
- Inventory Consumed	3 923 856	338 617		
Storm water Infrastructure			372 235	49 782
- Contracted Services	-	-		
- Inventory Consumed	372 235	49 782		
Water Supply Infrastructure			4 389 193	694 920
- Contracted Services	1 990 350	-		
- Inventory Consumed	2 398 843	694 920		
Community Assets			286 101	536 060
- Contracted Services	-	536 060		
- Inventory Consumed	286 101	-		
Furniture and Office Equipment			7 027 961	6 247 072
- Contracted Services	839 602	1 364 734		
- Inventory Consumed	488 930	419 511		
- Other Operational Costs	5 699 429	4 462 827		
Machinery and Equipment			8 776	56 784
- Contracted Services	5 970	24 354		
- Inventory Consumed	2 806	32 430		
Other Assets - Buildings			511 401	281 834
- Contracted Services	42 405	98 222		
- Inventory Consumed	468 996	183 612		
Transport Assets			5 048 164	3 539 195
- Contracted Services	443 341	184 838		
- Inventory Consumed	4 604 823	3 354 357		
Total Expenditure related to Repairs and Maintenance Projects			52 433 062	22 053 738

7.4 Compensation received for losses on Property, Plant and Equipment - included in operating surplus

Motor vehicles

Compensation was received from the municipality's insurers for the loss of Property, Plan and Equipment lost during the year.

Vehicles written off

Historical cost	-	415 479
Accumulated depreciation	-	(211 202)
Payment from Insurance	-	(49 145)
Net Loss		155 132

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	R
8. INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<u>2 708 917</u>	<u>3 631 697</u>
The movement in Intangible Assets is reconciled as follows:		
	Computer Software	Computer Software
Carrying values at 01 July 2021	3 631 697	5 859 803
Cost	21 898 746	21 899 468
Accumulated Amortisation	(18 267 049)	(16 039 665)
Amortisation:	(922 781)	(2 227 384)
Transfers:	-	(722)
At Cost	-	(722)
Carrying values at 30 June 2022	2 708 916	3 631 697
Cost	21 898 746	21 898 746
Accumulated Amortisation	(19 189 830)	(18 267 049)

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

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 30).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

8.1 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

8.2 Work-in-Progress

The municipality had no capital projects for Intangible Assets which were not completed at year-end.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

8.3 Delayed Projects

No projects that are currently in progress are experiencing significant delays. No projects for the period were halted.

8.4 Expenditure incurred to repair and maintain

The following specific costs included in the amount of repairs and maintenance were incurred by municipality during the reporting period:

	2022	2021
	R	R
Contracted Services	-	1 096 429
	-	1 096 429
	-	1 096 429

9. INVESTMENT PROPERTY

At Cost less Accumulated Depreciation

	242 260 298	240 181 961
	242 260 298	240 181 961

The movement in Investment Property is reconciled as follows:

Carrying values at 1 July

	240 181 961	254 341 124
Cost	268 711 327	280 790 827
Accumulated Depreciation	(28 529 366)	(26 449 703)

Transfers during the Year:

At Cost	2 108 859	(12 079 500)
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Depreciation during the Year

	(30 522)	(2 079 663)
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Carrying values at 30 June

	242 260 298	240 181 961
Cost	270 820 186	268 711 327
Accumulated Depreciation	(28 559 888)	(28 529 366)

The prior year amount for Investment Property has been restated due to the correction of errors. Refer to Note 41 on "Correction of errors" for details of the restatement.

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

During the year, rental income was generated from investment property (primarily hostels).

Rental Revenue earned from Investment Property	6 002 667	5 731 262
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All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no contractual obligations on Investment Property.

9.1 Expenditure incurred to repair and maintain

There were no maintenance costs incurred during the year under review on Investment Property. Maintenance is low due to cash constraints and necessary cost cutting.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

10. HERITAGE ASSETS

30 June 2022

Reconciliation of Carrying Value

Description	Recreational Parks	Mayoral Chain	Historical Buildings	Total
	R	R	R	R
01 July 2021	3 866 967	1	561 000	4 427 968
Cost	3 866 967	1	561 000	4 427 968
Accumulated Impairment Losses	-	-	-	-
Correction of Heritage Assets	(3 597 452)	-	(561 000)	-
Carrying values at 30 June 2022	269 515	1	-	269 516
Cost	269 515	1	-	269 516
Accumulated Impairment Losses	-	-	-	-

30 June 2021

Reconciliation of Carrying Value

Description	Recreational Parks	Mayoral Chain	Historical Buildings	Total
	R	R	R	R
Carrying values at 01 July 2020	3 866 967	1	561 000	4 427 968
Cost	3 866 967	1	561 000	4 427 968
Accumulated Impairment Losses	-	-	-	-
Acquisitions	-	-	-	-
Carrying values at 30 June 2021	3 866 967	1	561 000	4 427 968
Cost	3 866 967	1	561 000	4 427 968
Accumulated Impairment Losses	-	-	-	-

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

10.1 Impairment of Heritage Assets

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

10.2 Heritage Assets measured after recognition using the Revaluation Model

The municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

10.3 Work-in-Progress

The municipality had no capital projects for Heritage Assets which were not completed at year-end.

10.4 Delayed Projects

No projects that are currently in progress are experiencing significant delays. No projects for the period were halted.

10.5 Expenditure incurred to repair and maintain

There were no maintenance costs incurred during the year under review on Heritage Assets.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
11. NON-CURRENT INVESTMENTS		
Financial Asset at fair value		
Listed investments - Sanlam shares	<u>2 437 783</u>	<u>2 829 710</u>
Other Financial Assets at amortised cost		
Investment ceded	<u>12 810</u>	<u>12 810</u>
Total Non-current portion of Investments	<u>2 450 593</u>	<u>2 842 520</u>

Financial Asset at fair value

Listed Shares are investments in shares of public companies with no specific maturity dates or interest rates. Unit trusts are portfolios of stock exchange securities in which investors can buy units. Listed shares and unit trusts are measured at fair value using quoted market prices.

The fair value of Investments was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

Fair value hierarchy of financial assets at fair value

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets. The municipality received shares in Sanlam in a prior year.

Listed Shares are investments in shares of public companies with no specific maturity dates or interest rates. Listed shares are measured at fair value using quoted market prices.

The fair value of Investments was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

Level 1:

Sanlam Limited shares	<u>2 437 783</u>	<u>2 829 710</u>
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Other Financial Assets at amortised cost

This investment was ceded to FNB as collateral for housing loan of employee. The investment may be held in perpetuity and is invested in a financial institution with strong credit rating (First National Bank Pty Ltd), therefore this is not considered impaired.

12. LONG-TERM RECEIVABLES

Housing Land Sales	1 855 192	1 799 090
Non-Current Portion of Long Term Receivables	<u>1 855 192</u>	<u>1 799 090</u>

Gross Balance	6 172 897	6 156 855
Provision for Impairment	<u>(4 317 705)</u>	<u>(4 357 765)</u>
Net Balance	<u>1 855 192</u>	<u>1 799 090</u>

The prior year amount for Long-term Receivables has been restated due to the correction of errors. Refer to Note 41 on "Correction of errors" for details of the restatement.

HOUSING LAND SALES

Stands are sold on a cash/bank guarantee basis. The outstanding loans are repayable over more than 12 months.

The municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the municipality's financial liabilities.

Long-term Receivables are neither past due nor impaired as management have no concerns over the credit quality of these assets.

A provision for impairment of R 4,317,705 (2021: R 4,357,765) has been made as management have concerns over the recoverability of these assets.

The management of the municipality is of the opinion that the carrying value of Long-term Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	R
13. CONSUMER DEPOSITS		
Electricity	3 683 365	3 506 732
Water	22 915 928	21 883 337
Other Deposits	1 502 000	1 502 000
Total Consumer Deposits	28 101 293	26 892 069

The prior year amount for Consumer Deposits have been restated due to the correction of errors. Refer to Note 41 on "Correction of errors" for details of the restatement.

Consumer Deposits are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximates their fair values.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

14. CURRENT PORTION OF EMPLOYEE BENEFIT LIABILITIES

Current Portion of Employee Benefit Liabilities (See Note 18):	4 786 000	4 356 313
Post-retirement Medical Aid Benefits Liability	2 285 000	3 200 313
Long-term Service Liability	2 501 000	1 156 000
Total Provisions	4 786 000	4 356 313

15. PAYABLES FROM EXCHANGE TRANSACTIONS

Bonus	7 500 640	6 822 332
Leave Accrual	25 709 651	26 833 694
Other Payables	15 479 099	19 834 279
Control, Clearing and Interface Accounts	7 453 366	12 999 764
Unclaimed Refunds	8 025 733	6 834 515
Retentions	21 321 616	20 595 985
Trade Creditors	186 492 245	173 153 361
Auditor-General South Africa	-	2 336 862
Bulk Water	65 695 897	72 139 383
Electricity Bulk Purchase	47 338 615	56 977 956
Payables and Accruals	73 457 733	41 699 160
Advance Payments	26 001 282	21 682 985
Suspense accounts	6 366 114	6 646 477
Total Payables	288 870 647	275 569 113

The prior year amount for Payables from Exchange Transactions have been restated due to the correction of errors. Refer to Note 41 on "Correction of errors" for details of the restatement.

Staff Bonuses accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Staff Leave accrues to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Payments Received in Advance are due to payments received for service charges (water, sewerage, sanitation etc.). Payments received in advance are consumer debtors' accounts paid in advance.

The average credit period on purchases is 30 days from the receipt of the statement, as determined by the Municipal Finance Management Act. No interest is charged for the first 30 days from the date of receipt of the statement. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Sector Education Training Authority Grant	303 175	270 563
Integrated National Electrification Programme Grant	2 000	2 000
Municipal Infrastructure Grant	9 677 741	-
Expanded Public Works Program Grant	8 484	-
Total Conditional Grants and Receipts	9 991 400	272 563

Movement during the Year

Balance at the Beginning of the Year	272 563	31 116 049
Transfers and Subsidies received during the Year	184 255 585	56 780 136
Income Recognised during the Year (Conditions Met)	(174 536 748)	(56 787 622)
Withheld	-	(30 836 000)
Balance at the End of the Year	9 991 400	272 563

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

The nature and extent of government grants recognised in the annual financial statements is an indication of other forms of government assistance from which the municipality has directly benefited and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See Note 22 for the reconciliation of Grants from Government and other sources. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld during the 2021/22 financial year.

17. VAT PAYABLE

Vat Payable	17 865 929	21 576 714
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Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

18. LONG-TERM LIABILITIES	2022 R	2021 R
Long-Term Liabilities	37 617	530 428
Finance Lease Liability	37 617	530 428
Less: Current Portion transferred to Current Liabilities:-	(37 617)	(492 810)
Finance Lease Liability	(37 617)	(492 810)
Non-Current Portion of Long-term Liabilities	-	37 618

18.1 Obligations under Borrowings

The Municipality as Lessee:

It is municipal policy to lease certain motor vehicles and equipment under finance leases.

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 5 years (2021: 5 years). The effective interest rate on Finance Leases is 10% (2021: 10%) for motor vehicles. Finance lease liabilities are secured by the motor vehicles leased.

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2022 R	2021 R	2022 R	2021 R
Amounts payable under borrowings:				
Within one year	38 254	508 151	37 618	492 810
In the second to fifth years, inclusive	-	38 254	-	37 618
Over five years	-	-	-	-
	38 254	546 405	37 618	530 428
Less: Future Finance Obligations	(636)	(15 977)		-
Present Value of Minimum Lease Obligations	37 618	530 428	37 618	530 428
Less: Amounts due for settlement within 12 months (Current Portion)			(37 618)	(492 810)
Borrowings due for settlement after 12 months (Non-current Portion)			-	37 618

The municipality has finance lease agreements for the following significant classes of assets:

- Vehicles

Included in these classes are the following significant leases:

(ii) Vehicle Audi A6 (Deal 59)

- Instalments are payable monthly in arrears
- Average period outstanding
- Average effective interest rate, fixed
- Average monthly instalment

60 months	60 months
10.00%	10.00%
R 12 751.39	R 12 751.39

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	R
19. EMPLOYEE BENEFIT LIABILITIES		
Employee Benefit Liabilities	54 994 000	62 238 724
Post-retirement Health Care Benefits Liability	37 947 000	46 371 724
Long Service Awards Liability	17 047 000	15 867 000
Less: Current Portion of Employee Benefit Liabilities	4 786 000	4 356 313
Post-retirement Health Care Benefits Liability	2 285 000	3 200 313
Long Service Awards Liability	2 501 000	1 156 000
Non-Current Portion of Employee Benefit Liabilities	50 208 000	57 882 411
 19.1 Post-retirement Health Care Benefits Liability		
Opening Balance	46 371 724	42 321 460
Interest Cost	4 100 853	3 886 437
Current Service Cost	934 485	756 144
Actual Employer Benefit Payments	(3 200 313)	(2 303 164)
Actuarial Loss/ (Gain) Recognised during the Year	(10 259 749)	1 710 847
Balance at end of Year	37 947 000	46 371 724
Transfer to Current Provisions	2 285 000	3 200 313
Total Post-retirement Health Care Benefits Liability	35 662 000	43 171 411

Municipal employees contribute to accredited medical schemes.

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependents may continue membership of the medical scheme.

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependents. Some options also differentiate on the basis of income.

In-service members that were employed prior to 2001 are entitled to a post-employment medical aid subsidy of 60% of the contribution payable. All current continuation members receive a 60% subsidy.

Upon a member's death-in-service or death-in-retirement, the surviving dependents will continue to receive the same 60% subsidy.

The obligation in respect of medical care contributions for retirement benefits is valued every year by independent qualified actuaries.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible retirees and retired employees of the municipality. The provision is utilised when eligible employees receive the value of the vested benefits.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2022 by Mr Chanan Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

Eligible Employees	64	72
Continuation Members (Pensioners)	49	50
Total Members	113	122

The accrued liability in respect of past service has been estimated as follows:

	2022	2021
	R	R
In-service Members	14 341 000	24 119 789
Continuation Members	23 606 000	22 251 935
Total Liability	37 947 000	46 371 724

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Keyhealth
- LA Health
- Hosmed
- Samwumed

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	11.49%	9.77%
Health Care Cost Inflation Rate	8.15%	6.46%
Net Effective Discount Rate	3.09%	3.11%
Maximum subsidy inflation rate	5.74%	2.73%
Net of maximum subsidy inflation rate	5.44%	6.85%
Mortality during employment	SA 85-90	
Mortality post-retirement	PA (90) - 1 with a 1% mortality improvement p.a. from 2010	PA (90)
Average retirement age	62	63
Withdrawal rates	Updated per Table A4.2	
Proportion assumed married at retirement	Actual spouse dependants used	90%
Continuation of members at retirement	75%	100%
Portion of in-service non-members joining a scheme by retirement and continuing with the subsidy at retirement.	0%	0%

Movements in the Present Value of the Defined Benefit Obligation were as follows:

Opening Balance	46 371 724	42 321 460
Interest Cost	4 100 853	3 886 437
Current Service Cost	934 485	756 144
Actual Employer Benefit Payments	(3 200 313)	(2 303 164)
Actuarial Loss / (Gain) Recognised during the Year	(10 259 749)	1 710 847
Total Recognised Benefit Liability	37 947 000	46 371 724

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

The table below summarises the accrued liabilities and the plan assets for the current period and the previous period.

	2022	2021
	R	R
The amounts recognised in the Statement of Financial Position are as follows:		
Present Value of Fund Obligations	37 947 000	46 371 724
Fair Value of Plan Assets	-	-
Total Benefit Liability	37 947 000	46 371 724

The amounts recognised in the Statement of Financial Performance are as follows:

Interest Cost	4 100 853	3 886 437
Current Service Cost	934 485	756 144
Actuarial Losses / (Gains)	(10 259 749)	1 710 847
Total Post-retirement Benefit included in Employee Related Costs (Note 28)	(5 224 411)	6 353 428

Best estimate of benefits payments expected in next annual period 2022/2023 (comparatives are for 2021/2022).

	2023	2022
	R	R
Opening accrued liability	37 947 000	46 371 724
Current service cost	375 000	934 485
Interest cost	4 232 000	4 100 853
Actuarial (gains) losses	-	(10 259 749)
Benefits vesting	(2 285 000)	(3 200 313)
Closing accrued liability	40 269 000	37 947 000

The history of Experienced Adjustments is as follows:

	2022	2021	2020	2019	2018
	R	R	R	R	R
Present Value of Defined Benefit Obligation	37 947 000	46 371 724	42 321 460	39 122 000	33 994 000
Fair Value of Plan Assets	-	-	-	-	-
Accrued Liability	37 947 000	46 371 724	42 321 460	39 122 000	33 994 000

The effect of a 1% movement in the medical inflation rate is as follows:

	2022
	R
Increase:	
Effect on the aggregate of the current service cost and the interest cost	5 726 030
Effect on the defined benefit obligation	39 643 000
Decrease:	
Effect on the aggregate of the current service cost and the interest cost	4 460 537
Effect on the defined benefit obligation	35 705 000

The effect of a 20% movement in the mortality assumption

Increase:	
Effect on the aggregate of the current service cost and the interest cost	4 756 570
Effect on the defined benefit obligation	35 828 000

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Decrease:

Effect on the aggregate of the current service cost and the interest cost	5 374 834
Effect on the defined benefit obligation	40 510 000

19.2 Long Service Awards Liability	2022	2021
	R	R
Opening Balance	15 867 000	15 463 000
Interest cost	1 400 000	1 741 000
Current service cost	1 697 000	1 378 000
Actual employer benefit payments	(1 156 000)	(1 749 000)
Actuarial loss/ (gain) recognised in the year	(761 000)	(966 000)
Balance at end of Year	17 047 000	15 867 000
Transfer to Current Provisions	2 501 000	1 156 000
Total Long Service Awards Liability	14 546 000	14 711 000

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible employees of the municipality. The provision is utilised when eligible employees receive the value of the vested benefits.

At year end 752 (2021: 725) employees were eligible for Long-service Awards.

	Female	Male	Total
Number of eligible employees	243	509	752
Average Annual Salary	258 128	243 782	248 418
Average age	47.0	47.6	47.4
Average past service (years)	10.1	9.6	9.8

Metsimaholo Local Municipality offers employees long service awards for every 5 years of services completed. No other long-service benefits are provided to employees.

Completed service (years)	Long Service Bonus Awards (Working Days)	Long Service Bonus Awards (% of Annual Salary)	Determination of cash bonus (R)
5	5	4%	(5/250 + 2%) x annual salary
10	10	7%	(10/250 + 3%) x annual salary
15	15	10%	(15/250 + 4%) x annual salary
20	15	11%	(15/250 + 5%) x annual salary
25,30,35,40,45	15	12%	(15/250 + 6%) x annual salary

Special leave pay

28 of the employees receive an additional six days of annual leave once they reach their five years of service.

Retirement gifts

64 employees are entitled to receive a retirement gift of 2% of annual salary at retirement. Employees must have at least 20 years of service to be eligible for the benefit.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2021 by Mr Chanan Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

The Projected Unit Credit Method has been used to value the liabilities.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	Yield Curve	10.74%	8.98%
General earnings inflation rate (long-term)		7.32%	6.22%
Net discount rate		3.19%	2.60%
Average retirement age		62	63
Mortality during employment		SA 85-90	
Withdrawal rate		Updated per Table A2.2	

	2022	2021
	R	R
Movements in the present value of the Defined Benefit Obligation were as follows:		
Opening Balance	15 867 000	15 463 000
Interest Cost	1 400 000	1 741 000
Current Service Cost	1 697 000	1 378 000
Actual Employer Benefit Payments	(1 156 000)	(1 749 000)
Actuarial Loss / (Gain) Recognised during the Year	(761 000)	(966 000)
Total Recognised Benefit Liability	<u>17 047 000</u>	<u>15 867 000</u>

The table below summarises the accrued liabilities and the plan assets for the current period and the previous period.

The amounts recognised in the Statement of Financial Position are as follows:

Present Value of Fund obligations	17 047 000	15 867 000
Fair Value of Plan Assets	-	-
Total Benefit Liability	<u>17 047 000</u>	<u>15 867 000</u>

The amounts recognised in the Statement of Financial Performance are as follows:

Interest Cost	1 400 000	1 741 000
Current Service Cost	1 697 000	1 378 000
Actuarial Losses / (Gains)	(761 000)	(966 000)
Total Post-retirement Benefit included in Employee Related Costs (Note 28)	<u>2 336 000</u>	<u>2 153 000</u>

Best estimate of benefits payments expected in next annual period 2022/2023 (comparatives are for 2021/2022).

	2023	2022
	R	R
Opening accrued liability	17 047 000	15 867 000
Current service cost	1 943 000	1 697 000
Interest cost	1 700 000	1 400 000
Actuarial (gains) losses	-	(761 000)
Benefits vesting	(2 501 000)	(1 156 000)
Closing accrued liability	<u>18 189 000</u>	<u>17 047 000</u>

The history of experienced adjustments is as follows:

	2022	2021	2020	2019	2018
	R	R	R	R	R
Present Value of Defined Benefit Obligation	17 047 000	15 867 000	15 463 000	15 559 000	14 013 000
Deficit	<u>17 047 000</u>	<u>15 867 000</u>	<u>15 463 000</u>	<u>15 559 000</u>	<u>14 013 000</u>

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

2022
R

The effect of a 1% movement in the salary inflation rate is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	3 316 000
Effect on the defined benefit obligation	17 920 000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	2 912 000
Effect on the defined benefit obligation	16 243 000

	2022	2021
	R	R
Decommissioning, Restoration and Similar Liabilities: Landfill Sites	90 395 377	86 063 312
Total Non-current Provisions	90 395 377	86 063 312

Decommissioning of Landfill Sites:

Opening Balance	86 063 312	88 594 962
Utilised during the year	(4 222 628)	6 168 569
Change in discount factor	8 554 693	(8 700 219)
	90 395 377	86 063 312

Decommissioning, Restoration and Similar Liabilities: Landfill Sites

The landfill rehabilitation and closure are created for the rehabilitation and closure of the current operational sites which are evaluated at year-end to reflect the best estimate at reporting date. The sites under consideration are the Sasolburg, Oranjeville and Deneysville landfill sites. The valuation for the landfill sites were performed by Masimba Mapfurira (Engineering Consultant)(BSc Hons Civil Engineering) and Nkosinobubelo Ndebele (Environmental Consultant)(MSc Environmental Sciences) from One Pangaea Expertise and Solutions.

20.1 Key financial assumptions used in this calculation were as follows:

Average long term CPI	7.23%	6.03%
Net Discount rate	3.56%	3.69%
Average Long term Bond	11.05%	9.94%

The 2022 amount is a discounted amount based on the expected remaining life of the landfill site and based on the size of the area that had been used for waste disposal as at 30 June 2022. The size of the landfill sites used up until now and estimate remaining useful lives are as follows:

	Sasolburg landfill	Oranjeville landfill	Deneysville landfill
Approximate footprint at 30 June 2022	16.8 Ha	1.3 Ha	1.43 Ha
Remaining useful lives	Approximately 2 years	Approximately 11 years	Approximately 6 years

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
21. PROPERTY RATES	Actual Levies	
	July 2022 R000's	July 2021 R000's
Property Rates:		
Residential	137 975 229	133 074 938
Heavy Industries	38 605 704	39 846 325
State	209 821	201 750
Municipal	4 306 908	4 051 855
Farms (Agricultural)	3 625 399	3 257 164
Light Industries	56 975 826	67 625 486
Less: Income forgone	(30 503 117)	(33 976 085)
Total Property Rates	211 195 770	214 081 433

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The new general valuation was implemented on 01 July 2019.

Rebates up to R50 000 (2021: R50 000) are granted to residential and state property owners.

Rates are levied on a monthly basis, except farmland that is levied on an annual basis. Interest at prime plus 1% per annum is levied on rates outstanding after due date for payment.

The following properties are exempted from property rates:

- Properties owned by a religious body or organisation and residential property occupied by a minister of religion in full time service of the church.
- Road reserves
- Railway reserves.

Tariff structure (cents per Rand)

Business	0.0192178	0.0184786
Industries	0.0355882	0.0444853
Residential	0.0095988	0.0092296
Agricultural	0.0023997	0.0023148

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	R
22. FINES, PENALTIES AND FORFEITS		
Traffic Fines:	4 234 000	4 231 910
Tender withdrawal penalties	50 718	75 297
Total Fines, Penalties and Forfeits	4 284 718	4 307 207
23. TRANSFERS AND SUBSIDIES RECEIVED		
Departmental Agencies and Accounts		
Sector Education Training Authority Grant (SETA)	518 146	498 622
District Municipalities		
Fezile Dabi	914 800	-
National Revenue Fund		
Equitable Share	214 398 000	233 729 000
National Governments		
Municipal Infrastructure Grant (MIG)	37 407 259	31 622 000
MIG Capital	35 053 009	28 270 002
MIG Operating	2 354 250	3 351 998
Financial Management Grant (FMG)	2 650 000	2 500 000
Extended Public Works Program (EPWP)	1 613 516	1 327 000
Regional Bulk Infrastructure Grant (RBIG)	84 947 827	-
Integrated National Electrification Programme (INEP)	30 400 000	9 090 000
Water Services Infrastructure Grant (WSIG)	17 000 000	11 750 000
Capital	12 258 851	11 750 000
Operating	4 741 149	-
Public Corporations		
Capital	13 987 078	1 765 220
Operating	7 698 557	3 811 234
Total Receipts for Government Grants and Subsidies	411 535 184	296 093 076

The prior year amount for Transfers and Subsidies received has been restated due to the reclassification of Public Contributions in terms of MSCOA. Refer to Note 41 on "Correction of errors" for details of the restatement.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	R
23.1.1 Equitable Share		
Current Year Receipts	214 398 000	233 729 000
Transferred to Revenue	(214 398 000)	(233 729 000)

The Equitable Share Grant is an unconditional grant. In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and to fund operations. The grant was utilised as per the intended purpose.

A council resolution was taken to use some of the grant for free basic services to residents. Equitable share is also used to allocate basic water, basic electricity and basic sewer per month to all households. Indigent households are allocated 6kl of water, 50 kWh of electricity additional sewer, refuse, and R50 per month on Rates.

The allocation of equitable share has been reduced by R 30,800,000 during the 2020/21 financial year due to the non-spending of funds on the Integrated National Electrification Programme Grant, Municipal Infrastructure Grant and Water Service Infrastructure Grant by the municipality as at 30 June 2020, as indicated below.

23.1.2 Municipal Infrastructure Grant (MIG)

Unspent Balance at the Beginning of the Year	-	17 800 469
Current Year Receipts	47 085 000	31 622 000
Conditions Met - Transferred to Revenue	(37 407 259)	(31 622 000)
Funds withheld	-	(17 800 469)
Unspent Balance at the End of the Year	9 677 741	-

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. Funds have been withheld during the 2020/21 financial year due to the non-spending of funds.

The implementation of connection of households to the sewer network at Gortin was undertaken. Although the nature of the project is a capital project, the assets are not the property of the municipality. Therefore it is shown as transfer under operating grants.

23.1.3 Financial Management Grant (FMG)

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	2 650 000	2 500 000
Conditions Met - Transferred to Revenue	(2 650 000)	(2 500 000)
Unspent Balance at the End of the Year	-	-

The municipality received the Financial Management Grant from National Treasury. It is used for capacity building and assistance to financial services to improve service delivery. This grant is also used to assist in support and implementation of financial management reforms, attendance at accredited training and capacity building programmes on financial management.

23.1.4 Expanded Public Works Program (EPWP)

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	1 622 000	1 327 000
Conditions Met - Transferred to Revenue	(1 613 516)	(1 327 000)
Other Movements	-	-
Unspent Balance at the End of the Year	8 484	-

The Expanded Public Works Programme (EPWP) Grant is a conditional grant of which the purpose is the funding of the department's Extended Public Works Programme. The grant was utilised as per intended purpose. No moneys have been withheld.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	R
23.1.5 Sector Education Training Authority Grant (SETA)		
Unspent Balance at the Beginning of the Year	270 563	280 815
Current Year Receipts	550 758	489 136
Transferred to Revenue	(518 146)	(498 622)
Funds Withheld		(766)
Unspent Balance at the End of the Year	303 175	270 563

Conditions still to be met - remain liabilities (see note 17). The municipality received from Sector Education Training to promote excellence performance by the human resources division. The funds must be utilised towards training. The agreement for appointment of learners was carried over to 2021/2022 in the prior financial year due to COVID lockdown.

23.1.6 Integrated National Electrification Programme (INEP)

Unspent Balance at the Beginning of the Year	2 000	728
Current Year Receipts	30 400 000	9 092 000
Conditions Met - Transferred to Revenue	(30 400 000)	(9 090 000)
Funds withheld	-	(728)
Unspent Balance at the End of the Year	2 000	2 000

The Integrated Electrification Programme Grant is a conditional grant of which the purpose is to facilitate the development of the electrical infrastructure grid as part of the Integrated National Electrification Programme. The grant was utilised as per intended purpose. Moneys have been withheld in the prior financial year.

23.1.7 Water Services Infrastructure Grant (WSIG)

Unspent Balance at the Beginning of the Year	-	13 034 037
Current Year Receipts	17 000 000	11 750 000
Transferred to Revenue	(17 000 000)	(11 750 000)
Funds withheld		(13 034 037)
Unspent Balance at the End of the Year	-	-

This grant has been provided by Department of Water affairs and to try to get water to areas where it was recognised that full services would not become available.

23.1.8 Regional Bulk Infrastructure Grant (RBIG)

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	84 947 827	-
Transferred to Revenue	(84 947 827)	-
Balance due by RBIG at the end of the year	-	-
Unspent Balance at the End of the Year	-	-

The municipality received funds from National Government (Regional Bulk Infrastructure Grant) for water purification.

23.1.9 Contributions and donations received (Public entities and District municipality)

Contributions and Donations - Capital	14 901 879	1 765 220
Contributions and donations - Operating	7 698 557	3 811 234
Total Contributions and donations received	22 600 436	5 576 454

Refer to Note 51, for a breakdown of Public contributions and donations received.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	R
24. SERVICE CHARGES		
Exchange Revenue:		
Sale of Electricity	328 061 337	322 219 510
Sale of Water	441 926 059	400 822 800
Refuse Removal	41 959 749	35 300 221
Sewerage and Sanitation Charges	68 268 781	35 801 237
Total Service Charges from Exchange Revenue	<u>880 215 926</u>	<u>794 143 768</u>
Forgone income (free portion)		
Electricity	(7 852 304)	(7 790 173)
Sewerage and sanitation	(22 647 653)	(12 829 960)
Solid waste	(19 267 126)	(15 535 979)
Water	(9 860 871)	(16 854 152)
	<u>(59 627 954)</u>	<u>(53 010 265)</u>
Non-Exchange Revenue:		
Availability Charges:		
-Sale of Electricity	892 754	1 969 499
-Sale of Water	1 327 696	1 281 542
-Sewerage and Sanitation Charges	24 847	27 416
Total Service Charges from Exchange Revenue	<u>2 245 297</u>	<u>3 278 457</u>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to Council's approved tariffs. These service charges revenue are the net amounts after taking into account revenue forgone.

Availability charges have been reclassified from Exchange to Non-exchange Revenue where consumers have not paid the connection fee and the municipality has not connected consumer to the municipality's infrastructure.

25. SALES OF GOODS AND RENDERING OF SERVICES

Advertisements	422 888	424 803
Building Plan Approval	2 644	1 828
Building Plan Clause Levy	291 942	350 402
Cemetery and Burial	392 836	498 818
Clearance Certificates	472 878	456 224
Drainage Fees	8 196	6 504
Entrance Fees	150 556	129 193
Legal Fees	3 970 502	5 234 710
Parking Fees	51 940	55 844
Sale of Goods	225 041	1 092 214
Town Planning and Servitudes	91 415	135 815
Fire Services	840 575	812 114
Valuation Services	663	1 435
Total Sales of Goods and Rendering of Services	<u>6 922 076</u>	<u>9 199 904</u>

The prior year amount for Sales of Goods and Rendering of Services has been restated due to the reclassification of amounts in terms of MSCOA and correction of errors. Refer to Note 41 on "Correction of errors" for details of the restatement.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	R
26. RENTAL FROM FIXED ASSETS		
Premises	6 002 667	5 731 262
Facilities and equipment	688 631	184 720
Total Rental of Facilities and Equipment	<u>6 691 298</u>	<u>5 915 982</u>

Rental income generated is at market related premiums.

25.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to property leases for municipal houses. The lessee does not have an option to purchase the leased asset at the expiry of the lease period. These rentals are classified as contingent rentals due to some uncertain lease periods which are on a month to month basis. The operating lease payments are therefore not subject to straight-lining and it is impracticable to disclose the future minimum lease payments expected to be received for each of the following periods as required by GRAP13:

- no later than one year
- later than one year and not later than five years
- later than five years

The municipality has operating lease agreements for the following classes of assets:

- Buildings

27. INTEREST AND DIVIDENDS RECEIVED

Non-exchange Interest and Dividends

Interest received: Outstanding Billing Debtors - Property Rates	9 669 232	7 706 285
Total Non-exchange Interest and Dividends received	<u>9 669 232</u>	<u>7 706 285</u>

Exchange Interest and Dividends

External Investments:

Investments	5 160 461	3 044 953
	<u>5 160 461</u>	<u>3 044 953</u>

Dividends Received:

Sanlam Limited	123 203	110 662
	<u>123 203</u>	<u>110 662</u>

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	R
Outstanding Exchange Receivables:		
Interest received: Outstanding Billing Debtors - Service Debtors	51 553 068	31 400 438
Electricity	4 911 878	3 429 671
Service Charges	4 713 186	3 240 083
Waste Management	3 201 254	2 111 758
Waste Water Management	2 124 294	1 342 303
Water	36 602 456	21 276 623
	51 553 068	31 400 438
Total Exchange Interest and Dividends received	56 836 732	34 556 053
Total Interest and Dividends received	66 505 964	42 262 338

The prior year amount for Exchange Interest and Dividends received has been restated due to the reclassification of amounts in terms of MSCOA. Refer to Note 41 on "Correction of errors" for details of the restatement.

28. OPERATIONAL REVENUE

Administrative Handling Fees	2 002	10 937
Staff Recoveries	237 149	135 269
Total Operational Revenue	239 151	146 206

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 20 to 25, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

The prior year amount for Operational Revenue has been restated due to the reclassification of amounts in terms of MSCOA. Refer to Note 41 on "Correction of errors" for details of the restatement.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
29. EMPLOYEE RELATED COSTS		
Salaries and Wages:		
Basic	187 631 839	181 390 456
Senior Management	230 517	1 488 731
Municipal Staff	187 401 322	179 901 725
Long Service Awards	1 845 569	2 056 177
Municipal Staff	1 845 569	2 056 177
Leave Payments	4 648 883	4 084 245
Municipal Staff	4 648 883	4 084 245
Overtime	28 719 958	29 805 860
Municipal Staff	28 719 958	29 805 860
Allowances:		
Acting and Post Related Allowances	5 029 619	4 509 710
Senior Management	1 879 814	1 298 209
Municipal Staff	3 149 805	3 211 501
Bonus Allowance	15 482 399	14 507 312
Municipal Staff	15 482 399	14 507 312
Cellular and Telephone	1 663 405	2 575 449
Senior Management	3 000	36 000
Municipal Staff	1 660 405	2 539 449
Housing Benefits	1 724 703	2 671 408
Municipal Staff	1 724 703	2 671 408
Standby Allowance	5 362 778	5 763 510
Municipal Staff	5 362 778	5 763 510
Travel or Motor Vehicle	23 581 819	22 626 325
Senior Management	20 000	240 000
Municipal Staff	23 561 819	22 386 325
Social Contributions:		
Bargaining Council	89 394	85 031
Municipal Staff	89 394	85 031
Group Life Insurance	193 722	234 153
Municipal Staff	193 722	234 153
Medical	20 963 279	19 860 769
Municipal Staff	20 963 279	19 860 769
Pension	31 636 908	31 004 351
Municipal Staff	31 636 908	31 004 351
Unemployment Insurance	1 531 460	1 354 105
Senior Management	483	1 785
Municipal Staff	1 530 977	1 352 320

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
Post-retirement Benefits:		
Current Service Cost	934 485	756 144
Municipal Staff	934 485	756 144
Past Service Cost	2 196 379	2 207 475
Municipal Staff	2 196 379	2 207 475
Curtailment and Settlement	(3 200 313)	(2 303 164)
Municipal Staff	(3 200 313)	(2 303 164)
Leave Gratuity	(445 735)	3 759 647
Municipal Staff	(445 735)	3 759 647
Long Term Service Awards	541 000	(371 000)
Municipal Staff	541 000	(371 000)
Total Employee Related Costs	330 131 551	326 577 963

The prior year amount for Employee Related Costs has been restated due to the reclassification of amounts in terms of MSCOA and correction of errors. Refer to Note 41 on "Correction of errors" for details of the restatement.

29.1 Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager:-

Annual Remuneration	230 517	1 488 731
Car Allowance	20 000	240 000
Cell Phone Allowance	3 000	36 000
Company Contributions to UIF, Medical and Pension Funds	483	1 785
Acting allowances by Managers	316 752	-
Total	570 752	1 766 516

Mr SM Molala resigned in July 2021. The post was vacant for the period 01 August 2021 to 31 May 2022. An acting allowances was paid to Mr FM Mathe from August 2021 to April 2022. Mr TL Mkaza acted as Municipal Manager in May 2022. Advocate LMA Mofokeng was appointed as the Municipal Manager from June 2022.

The municipality was placed under administration in terms of Section 139(1) (b) of the Constitution of the Republic of South Africa, 1996 from 20 February 2020 until the end of the reporting period. Mr FM Mathe and Mr TL Mkaza acted as Municipal Managers during the periods stated above and their salaries were paid by CoGTA.

Remuneration of the Chief Financial Officer

Acting allowances by Managers	150 171	25 898
Total	150 171	25 898

The post was vacant for the period 01 July 2021 to 30 June 2022. An acting allowances was paid to Ms A Vorster from July 2021 to October 2021.

The municipality was placed under administration in terms of Section 139(1) (b) of the Constitution of the Republic of South Africa, 1996 from 20 February 2020 until the end of the reporting period. Ms KB Lepesa acted as Chief Financial Officer from November 2021 to June 2022 and her salary was paid by CoGTA.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	R

Remuneration of the Director Technical Service and Infrastructure Services

Acting allowance by Managers	331 131	129 491
Total	331 131	129 491

The post was vacant for the period 01 July 2021 to 30 June 2022. Acting Allowances were paid to Ms MM Ramovha from August 2021 to December 2021 and to Mr KM Mvulane from February 2022 to June 2022.

Remuneration of the Director Organisational Development and Corporate Services

Acting allowance by Managers	377 030	391 926
Total	377 030	391 926

The post was vacant for the period 01 July 2021 to 30 June 2022. Acting Allowances were paid to Mr M Sediane from July 2021 to October 2021 and to Mrs MM Rapuleng from November 2021 to June 2022.

Remuneration of the Director Social Services

Acting allowance by Managers	334 256	403 859
Total	334 256	403 859

The post was vacant for the period 01 July 2021 to 30 June 2022. Acting Allowances were paid to Mr G Alberts from July 2021 to October 2021 and to Mr GP Nhlapo from November 2021 to January 2022 and March to April 2022 and to Mr LP Thile from May 2022 to June 2022.

Remuneration of the Director Economic Development

Acting allowance by Managers	370 473	347 035
Total	370 473	347 035

The post was vacant for the period 01 July 2021 to 30 June 2022. Acting Allowances were paid to Mr M Theko for July 2021 and to Ms JM Mkhafa from August 2021 to June 2022.

Summary of Remuneration of Section 57 Employees:

All Managers	2 133 814	3 064 725
Total Remuneration of Section 57 Employees	2 133 814	3 064 725

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	R
30. REMUNERATION OF COUNCILLORS		
Executive Mayor	915 461	938 250
Speaker	778 880	759 478
Chief Whip	710 669	714 787
Mayoral committee members	4 130 371	5 718 296
Chairpersons Section 79 committees	1 579 592	2 085 363
All other Councillors	11 268 615	9 163 561
Total Councillors' Remuneration	19 383 588	19 379 735
<i>In-kind Benefits</i>		
The Executive Mayor, Speaker, Council Whip, Section 79 Chairpersons and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in Section 219 of the Constitution.		
The Mayor and Speaker have use of a Council - owned vehicle for official duties. The Mayor and Speaker each has a full-time driver.		
The Executive Mayor has two full-time bodyguards.		
29.2 Remuneration of Councillors:		
<i>Remuneration of the Executive Mayor</i>		
<i>ZJ Zwane</i> (From 3 December 2021)		
Annual Remuneration	416 147	-
Cell Phone Allowance	23 800	-
Travel Allowance	111 720	-
	551 667	-
<i>SL Tshongwe</i> (Until 8 November 2021)		
Annual Remuneration	250 133	673 987
Cell Phone Allowance	13 600	40 800
Travel Allowance	74 488	223 463
Total	338 220	938 250
<i>SM Motjeane</i> (From 22 to 30 November 2021)		
Annual Remuneration	25 574	-
Total	25 574	-
<i>Total Executive Mayor</i>		
	915 461	938 250
<i>Remuneration of the Speaker</i>		
<i>L Fisher</i> (From 22 November 2021)		
Annual Remuneration	357 967	-
Cell Phone Allowance	27 200	-
Travel Allowance	119 180	-
	504 347	-
<i>KT Mabasa</i> (Until 8 November 2021)		
Annual Remuneration	198 746	539 909
Cell Phone Allowance	14 410	40 800
Travel Allowance	61 378	178 770
Total	274 533	759 479
<i>Total Speaker</i>		
	778 880	759 479

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

2022
R

2021
R

Remuneration of the Council Whip

FD Mosokweni

Annual Remuneration	(From 1 July to 31 October 2021 & 22 November to 30 June 2022)	324 584	-
Cell Phone Allowance		27 200	
Travel Allowance		100 500	-
		452 284	-

VL Mashia

(Until 8 November 2021)

Annual Remuneration		243 976	673 987
Cell Phone Allowance		14 410	40 800
Total		258 385	714 787

Total Council Whip

710 669

714 787

Remuneration of Chairpersons of Section 79 Committees

M Molawa (MPAC chairperson)		685 476	695 121
SS Kobo (Chairperson Street naming)	(Until 8 November 2021)	251 122	695 121
NM Mtshali (Chairperson Ethics)	(From 22 November 2021)	411 287	-
LA Makhefu (Chairperson Ethics)	(Until 8 November 2021)	231 707	695 121
Total		1 579 592	2 085 363

Remuneration of the Mayoral Committee Members

FJ van der Merwe	(From 12 January 2021)	345 149	-
JJ Barnard	(From 12 January 2021)	345 149	-
TK Rankoe	(From 12 January 2021)	345 149	-
SR Meyer	(From 12 January 2021)	345 149	-
JM Makhema	(From 12 January 2021)	345 149	-
MT Mbana	(From 12 January 2021)	345 149	-
LS Semonyo	(Until 8 November 2021)	258 385	714 787
NM Mtshali	(Until 8 November 2021)	284 548	714 787
KB Mofokeng	(Until 8 November 2021)	258 385	714 787
FD Mosokweni	(Until 8 November 2021)	257 576	714 787
L Fisher	(Until 8 November 2021)	227 857	714 787
NP Mokoena	(Until 8 November 2021)	258 385	714 787
MJ Malindi	(Until 8 November 2021)	257 171	714 787
MS Poho	(Until 8 November 2021)	257 171	714 787
Total		4 130 371	5 718 296

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

2022
R

2021
R

Remuneration of all other councillors

MJ Radebe	(From 9 November 2021)	214 847	-
MS Poho	(From 9 November 2021)	215 354	-
TL Soetsang	(From 9 November 2021)	214 847	-
SM Mofokeng	(From 9 November 2021)	214 847	-
ME Mqwathi	(From 9 November 2021)	214 847	-
DV Rani	(From 9 November 2021)	214 847	-
LA Makhefu	(From 9 November 2021)	233 555	-
TK Rankoe	(From 9 November 2021 until 11 January 2022)	56 626	-
L Day	(From 9 November 2021)	214 847	-
L Mthetho	(From 9 November 2021)	214 847	-
TG Sehaole	(From 9 November 2021)	214 847	-
MB Mozolo	(From 9 November 2021)	215 076	-
SL Tshongwe	(From 9 November 2021)	219 951	-
JM Makhema	(From 9 November 2021 until 11 January 2022)	56 626	-
TD Thulo	(From 9 November 2021)	214 847	-
LJ Chalala	(From 9 November 2021)	214 847	-
JM Masiteng	(From 9 November 2021)	214 847	-
MS Motsapi	(From 9 November 2021)	214 847	-
MS Mokwai	(From 9 November 2021)	214 847	-
JT Mampana	(From 9 November 2021)	214 847	-
DK Mbikolo	(From 9 November 2021)	214 847	-
MV Mofokeng	(From 9 November 2021)	214 847	-
DA Mofokeng	(From 3 December 2021)	191 160	-
EJ Geysers	(From 9 November 2021)	214 847	-
M Pienaar	(From 9 November 2021)	214 847	-
MJ Malindi	(From 9 November 2021)	215 354	-
AM Kumalo	(From 9 November 2021)	214 847	-
L Fisher	(From 9 - 19 November 2021)	10 406	
NM Mtshali	(From 9 - 19 November 2021)	10 406	
M Molawa	(From 9 - 19 November 2021)	10 406	
FD Mosokweni	(From 9 - 19 November 2021)	10 406	
MJ Makume	(From 9 November to December 2021)	48 052	
LL Nhlapo		332 156	327 270
T Du Toit		332 156	327 270
PM Mahlaela		343 715	327 270
ME Maseko		332 156	327 270
TA Motaung		332 156	327 270
M Nkheloene		332 156	327 270
LJ Van Heerden		332 156	327 270
JL Tsotetsi		332 156	327 270
SM Motjeane		332 156	327 270
TH Mofokeng		331 485	327 270
JJ Barnard	(Until 11 January 2022)	173 936	327 270
GS Burger	(Until 8 November 2021)	117 309	327 270
NN Dywili	(Until 8 November 2021)	117 309	327 270
JJ Grobbelaar	(Until 8 November 2021)	117 309	327 270
MG Leotlela	(Until 8 November 2021)	117 309	327 270
MT Mbana	(Until 11 January 2022)	173 936	327 270
AK Mare	(Until 8 November 2021)	117 309	327 270
SM Matwa	(Until 8 November 2021)	117 309	327 270
SR Meyer	(Until 11 January 2022)	173 936	327 270
P Mohapi	(Until 8 November 2021)	117 309	327 270
MP Mokoena	(Until 8 November 2021)	117 309	327 270
TM Motloung	(Until 8 November 2021)	117 309	327 270
GB Nnune	(Until 8 November 2021)	117 309	327 270

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

		2022	2021
		R	R
SJ Nteso	(Until 8 November 2021)	117 309	327 270
TJ Taats	(Until 8 November 2021)	117 309	327 270
MM Telane	(Until 8 November 2021)	117 309	327 270
FJ van der Merwe	(Until 11 January 2022)	173 936	327 270
ZJ Zwane	(Until 2 December 2021)	139 936	327 270
		11 268 614	9 163 560
Summary of Remuneration of Councillors:			
All Councillors		19 383 588	19 379 735

31. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment		71 835 630	78 376 008
Depreciation: Investment Property		30 522	2 079 663
Amortisation: Intangible Assets		922 780	2 227 384
Total Depreciation and Amortisation		72 788 932	82 683 055

31.1 Depreciation: Property, Plant and Equipment

Community Assets		5 131 123	5 421 557
Computer Equipment		960 422	2 091 184
Electrical Infrastructure		11 804 707	11 814 493
Furniture and Office Equipment		455 490	773 216
Machinery and Equipment		3 192 061	4 206 303
Other Assets		1 580 447	1 657 391
Roads Infrastructure		11 440 552	23 815 482
Sanitation Infrastructure		7 214 802	8 873 767
Solid Waste Infrastructure		65 873	1 537 378
Transport Assets		1 967 679	2 667 416
Water Supply Infrastructure		24 457 685	13 035 341
		71 835 630	78 376 008

The prior year amount for Depreciation and Amortization has been restated due to the correction of errors. Refer to Note 41 on "Correction of errors" for details of the restatement.

32. IMPAIRMENT LOSSES

Impairment Losses on Financial Assets		358 572 485	122 628 601
Total Impairment Losses		358 572 485	122 628 601

32.1 Impairment Losses on Financial Assets

Impairment Losses		339 033 878	108 711 828
Receivables from Exchange Transactions	Note 3.3	301 284 464	120 830 280
Receivables from Non-Exchange Transactions	Note 4.2	37 789 475	(11 102 990)
Long-term Receivables	Note 11	(40 060)	(1 015 461)
Bad Debts written off		19 538 607	13 916 773
		358 572 485	122 628 601

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	R
33. INTEREST PAID		
Bank Overdraft	-	18 507
Interest costs Employee Benefit Liabilities: Post Employment Medical Aid	4 100 853	3 886 437
Interest costs Employee Benefit Liabilities: Long Service Awards	1 400 000	1 741 000
Finance Leases	12 336	214 629
Interest costs non-current Provisions	8 554 693	6 168 569
Overdue Accounts	787 009	3 080 170
Total Interest paid	<u>14 854 891</u>	<u>15 109 312</u>

The prior year amount for Interest Paid has been restated due to the correction of errors. Refer to Note 41 on "Correction of errors" for details of the restatement.

34. BULK PURCHASES

Electricity	333 805 718	295 206 598
Total Bulk Purchases	<u>333 805 718</u>	<u>295 206 598</u>

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom.

The prior year amount for Bulk Purchases has been restated due to the reclassification of amounts in terms of MSCOA. Refer to Note 41 on "Correction of errors" for details of the restatement.

35. CONTRACTED SERVICES

Outsourced Services	3 330 707	1 930 538
Consultants and Professional Services	15 839 145	27 051 877
Contractors	55 477 237	47 912 852
Total Contracted Services	<u>74 647 089</u>	<u>76 895 267</u>

The prior year amount for Contracted Services has been restated due to the correction of errors. Refer to Note 41 on "Correction of errors" for details of the restatement.

35.1 Outsourced Services

Cleaning Services	-	503 882
Connection/Dis-connection	1 126 700	1 045 197
Printing Services	62 592	247 780
Transport Services	163 235	133 679
	<u>3 330 707</u>	<u>1 930 538</u>

35.2 Consultants and Professional Services

Business and Advisory	4 699 305	10 330 510
Infrastructure and Planning	785 050	636 669
Legal Cost	10 354 790	16 084 698
	<u>15 839 145</u>	<u>27 051 877</u>

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	R
35.3 Contractors		
Catering Services	233 752	140 768
Gardening Services	1 876 000	640 550
Maintenance of Buildings and Facilities	7 827 395	634 282
Maintenance of Equipment	5 511 530	1 711 639
Maintenance of Computer Software	234 720	3 155 241
Safeguard and Security	20 134 955	19 659 336
Sewerage Services	19 395 936	21 758 141
Stage and Sound Crew	262 949	212 895
	55 477 237	47 912 852

36. INVENTORY CONSUMED

Consumables	8 018 361	5 602 970
Materials and Supplies	31 910 441	13 226 002
Water	178 330 801	175 968 853
- Water	177 019 885	174 769 625
- Water, other consumables	1 310 916	1 199 228
	218 259 603	194 797 825
Less: Repairs & Maintenance (Note 7.4)	(30 242 206)	(12 246 577)
	188 017 397	182 551 248

Water is purchased from Rand Water and the Department of Water and Sanitation.

The prior year amount for Inventory Consumed has been restated due to the reclassification of amounts in terms of MSCOA and correction of errors. Refer to Note 41 on "Correction of errors" for details of the restatement.

Water wastage up to and including 30% of the value of the kilolitres of water purchased or purified has been deemed by the municipality as normal wastage and included as part of the cost of inventory consumed. Any percentage loss above 30% of the value of the kilolitres of water purchased or purified has been deemed abnormal wastage and thus not included in the cost of inventory consumed, but instead has been expensed under Losses on Other Operations.

37. TRANSFERS AND SUBSIDIES PAID

	334 020	299 755
Allocations In-kind: Bursaries	259 020	224 505
Monetary Allocations: Burial	75 000	75 250
Total Transfers and Subsidies Paid	334 020	299 755

The prior year amount for Transfers and Subsidies Paid has been restated due to the correction of errors. Refer to Note 41 on "Correction of errors" for details of the restatement.

38. OPERATING LEASES

Machinery and Equipment	2 399 981	4 312 048
Total for Operating Leases	2 399 981	4 312 048

The prior year amount for Operating Leases has been restated due to the correction of errors. Refer to Note 41 on "Correction of errors" for details of the restatement.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

2022 **2021**
R **R**

35.1 Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to the rental of machinery, vehicles and plant and equipment for construction and waste collection purposes, on an ad hoc basis from a panel of contractors on instances where the municipal-owned plant and machinery have breakdowns or any other reasons where the municipal plant and machinery are not available. The tender is awarded on a rotational basis. The Municipality does not have an option to purchase the leased asset at the expiry of the lease period. These rentals are classified as contingent rentals due to uncertain lease periods. The operating lease payments are therefore not subject to straight-lining and it is impracticable to disclose the future minimum lease payments expected to be paid for each of the following periods as required by GRAP 13:

- no later than one year
- later than one year and not later than five years
- later than five years

The municipality has operating lease agreements for the following classes of assets:

- construction and waste collection vehicles
- machinery and equipment

39. OPERATIONAL COSTS

Included in Operational Costs are the following:

Advertising, Publicity and Marketing	509 894	603 476
Bank Charges, Facility and Card Fees	893 899	734 609
Bursaries (Employees)	31 690	102 509
Commission	7 358 212	6 926 659
Communication	3 801 706	4 147 869
Entertainment	131 365	23 054
External Audit Fees	7 196 711	10 498 204
External Computer Service	8 645 232	7 077 615
Hire Charges	53 540	1 900
Insurance Underwriting	4 650 040	4 584 893
Licences	768 478	616 442
Other Operational costs	247 624	-
Professional Bodies, Membership and Subscription	3 943 296	4 130 450
Registration Fees	23 000	2 000
Remuneration to Ward Committees	1 416 000	1 170 000
Road worthy test	15 990	48 394
Skills Development Fund Levy	2 754 835	2 416 840
Toll Gate Fees	8 659	4 903
Travel and Subsistence	629 344	484 903
Uniform and Protective Clothing	2 725 850	3 416 435
Vehicle Tracking	425 581	481 034
Workmen's Compensation Fund	1 319 930	1 439 750
Total Operational Costs	47 550 876	48 911 940

No other extra-ordinary expenses were incurred.

The prior year amount for Operational Costs has been restated due to the reclassification of amounts in terms of MSCOA and correction of errors. Refer to Note 41 on "Correction of errors" for details of the restatement.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	R
40. GAINS AND LOSSES ON OTHER OPERATIONS		
Gains on Other Operations		
Fair Value Gains on Investments	-	112 045
Landfill site Provision: Change in liability exceeding Carrying Value of Landfill assets	4 222 628	3 840 364
Inventory gains	492 696	-
Actuarial Assessments	11 020 749	966 000
Total Gains on Other Operations	<u>15 736 073</u>	<u>4 918 409</u>
Losses on Other Operations		
Fair Value Losses on Investments	391 926	-
Inventory losses/write-downs	73 851	44 687
Water Losses	-	12 465 400
Actuarial Assessments	-	1 710 847
Total Losses on Other Operations	<u>465 777</u>	<u>14 220 934</u>
Net Gains and Losses on Other Operations	<u>15 270 296</u>	<u>(9 302 525)</u>
<p>The prior year amount for Gains and Losses on Other Operations has been restated due to the reclassification of amounts in terms of MSCOA and correction of errors. Refer to Note 41 on "Correction of errors" for details of the restatement.</p>		
<p>Water wastage up to and including 30% of the value of the kilolitres of water purchased or purified has been deemed by the municipality as normal wastage and included as part of the cost of inventory consumed. Any percentage loss above 30% of the value of the kilolitres of water purchased or purified has been deemed abnormal wastage and thus not included in the cost of inventory consumed, but instead has been expensed in Losses on Other Operations.</p>		
41. GAINS / LOSSES ON DISPOSAL OF CAPITAL ASSETS		
Heritage Assets	(540)	-
Investment Property	-	(524 805)
Property, Plant and Equipment	(1 042 642)	(1 238 050)
Total Losses on Disposal of Capital Assets	<u>1 043 182</u>	<u>1 763 577</u>

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
42. CORRECTION OF ERROR		
42.1 Reclassification of Accumulated Surplus		
The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.		
The effect of the changes is as follows:		Accumulated Surplus
Balance published as at 30 June 2020		1 307 555 804
Correction of Error:-		
Correction of Consumer deposit account as at 30 June 2020	4 911	
Correction of creditors not recorded as at 30 June 2020	(555 176)	
Correction of trade receivables as at 30 June 2020 due to billing integration	(88 558)	
Correction of accumulated of depreciation as at 30 June 2020 due to unbundling of asset road WIP Ward	(287 592)	
Correction of building, posters and hall deposits as at 30 June 2020	8 103	
Correction of debtor raised for RBIG grant and reversal of an overstatement of grant revenue in the 2018/19 and 2019/20 financial years.	(10 328 550)	
Correction Property, Plant and Equipment - Take-on Assets as at 30 June 2020	57 495 150	
Accruals Raised as at 30 June 2020	6 624 640	
Accruals Reversals as at 30 June 2020	(613 683)	
Correction of Accumulated Depreciation as at 30 June 2020 according to new Asset Register	(42 941 253)	
Correction of Accumulated Amortization as at 30 June 2020 according to new Asset Register implemented.	1 303 882	
Adjustment for Rounding Errors		10 621 874
Restated Balance as at 30 June 2020		1 318 177 678
Transactions incurred for the Year 2020/21		115 074 479
Correction of Error:-		
Correction of creditors not recorded as at 30 June 2021	20 339 767	
Prior year correction of cemetery fees	1 639	
Recoupment of employee cost due to financial misconduct	121 984	
Correction of prior year land sales due to billing integration	(46 656)	
Write-back of depreciation for the year ended 30 June 2021	(181 636)	
Accruals raised as at 30 June 2021	(516 945)	
Correction of 2021 Depreciation according to new Asset Register implemented for Property Plant and Equipment and Investment Property	42 941 253	
Correction of 2021 Amortization according to new Asset Register implemented.	(1 303 882)	
Correction of Interest paid and Gains on other Operations due to change in Landfill site Provision credited against Carrying Value of Landfill assets	(4 859 855)	
Adjustment for Rounding Errors	(2)	56 495 667
Restated Balances as at 30 June 2021		1 489 747 824

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

42.2 Reclassification of Revenue

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2020/21 Audited	Reclassification	Reclassified amount	Correction of Error	Restated Amount 2020/21
Non-exchange Transactions					
Property Rates	214 081 432	1	214 081 433	-	214 081 433
Service Charges	-	3 278 457	3 278 457	-	3 278 457
Fines, Penalties and Forfeits	4 307 207	-	4 307 207	-	4 307 207
Licences and Permits	9 970	-	9 970	-	9 970
Transfers and Subsidies	290 516 621	5 576 455	296 093 076	-	296 093 076
Public contributions and donations	5 576 454	(5 576 454)	-	-	-
Interest and Dividends received	7 706 285	-	7 706 285	-	7 706 285
Exchange Transactions					
Service Charges	797 422 226	(3 278 458)	794 143 768	-	794 143 768
Sales of Goods and Rendering of Services	-	9 244 922	9 244 922	(45 018)	9 199 904
Income Legal cost	5 234 710	(5 234 710)	-	-	-
Operational Revenue	3 044 401	(2 898 195)	146 206	-	146 206
Sale of Stands	1 112 017	(1 112 017)	-	-	-
Rental from Fixed Assets	5 915 983	-	5 915 983	(1)	5 915 982
Interest and Dividends received	-	34 556 053	34 556 053	-	34 556 053
Interest received - investment	3 044 953	(3 044 953)	-	-	-
Interest received - consumers	31 400 438	(31 400 438)	-	-	-
Dividends received	110 662	(110 662)	-	-	-
Gains on investment share price	112 045	(112 045)	-	-	-
Gains on Other Operations	-	1 078 045	1 078 045	3 840 364	4 918 409
	1 369 595 404	966 001	1 370 561 405	3 795 345	1 374 356 750

Prior year amounts of items in **Revenue** included in the Statement of Financial Performance have been restated as indicated below:

	Service Charges (Non-exchange)	Property Rates	Fines, Penalties and Forfeits	Licences and Permits
Balance previously reported	-	214 081 432	4 307 207	9 970
Reclassification of Availability charges from exchange to non-exchange where consumers have not paid the connection fee and the municipality has not connected consumer to the municipality's infrastructure.	3 278 457	-	-	-
Restated Balance now reported	3 278 457	214 081 433	4 307 207	9 970
		Transfers and Subsidies	Public contributions and donations	Interest and Dividends received
Balance previously reported		290 516 621	5 576 454	7 706 285
Reclassification of Public contributions and donations in terms of mSCOA to Transfers and Subsidies received.		5 576 455	(5 576 454)	-
Restated Balance now reported		296 093 076	-	7 706 285

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	Service Charges	Sales of Goods and Rendering of Services	Income Legal cost
Balance previously reported	797 422 226	-	5 234 710
Reclassification in terms of MSCOA from Income Legal Cost	-	5 234 710	(5 234 710)
Reclassification in terms of MSCOA from of Operational Revenue	-	2 898 195	-
Reclassification in terms of MSCOA from of Sale of Stands	-	1 112 017	-
Reclassification of Availability charges form exchange to non-exchange where consumers have not paid the connection fee and the municipality has not connected consumer to the municipality's infrastructure.	(3 278 458)	-	-
Prior year correction Cemetery fees	-	1 639	-
Correction of prior year land sales due to billing integration	-	(46 656)	-
Rounding Errors	-	(1)	-
Restated Balance now reported	794 143 768	9 199 904	-
	Operational Revenue	Sale of Stands	Rental from Fixed Assets
Balance previously reported	3 044 401	1 112 017	5 915 982
Reclassification in terms of MSCOA to Sale of goods and rendering of services	(2 898 195)	(1 112 017)	-
Restated Balance now reported	146 206	-	5 915 982
	Interest and Dividends received	Interest received - investment	Interest received - consumers
Balance previously reported	-	3 044 953	31 400 438
Reclassification in terms of MSCOA from dividends received	110 662	-	-
Reclassification in terms of MSCOA from Interest received - investments	3 044 953	(3 044 953)	-
Reclassification in terms of MSCOA from Interest received - consumers	31 400 438	-	(31 400 438)
Restated Balance now reported	34 556 053	-	-
	Dividends received	Gains on investment share price	Gains on Other Operations
Balance previously reported	110 662	112 045	-
Reclassification in terms of MSCOA to Interest, Dividends and Rent on Land Earned	(110 662)	-	-
Reclassification in terms of MSCOA from Gain on investment share price to Gains on Other Operations.	-	(112 045)	112 045
Reclassification of actuarial gains for Long Service Awards in terms of mSCOA	-	-	966 000
Change in Landfill site Provision exceeding Carrying Value of Landfill assets	-	-	3 840 364
Restated Balance now reported	-	-	4 918 409

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

42.3 Reclassification of Expenditure

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2020/21 Audited	Reclassification	Reclassified amount	Correction of Error	Restated Amount 2020/21
Employee Related Costs	331 981 726	(6 372 284)	325 609 442	968 521	326 577 963
Remuneration of Councillors	19 379 735	-	19 379 735	-	19 379 735
Depreciation and Amortisation	124 138 783	-	124 138 783	(41 455 728)	82 683 055
Impairment Losses	122 628 601	-	122 628 601	-	122 628 601
Interest Paid	758 647	5 627 437	6 386 084	8 723 228	15 109 312
Bulk Purchases	507 585 940	(195 596 828)	311 989 112	(16 782 514)	295 206 598
Contracted Services	73 801 653	77 798	73 879 451	3 015 816	76 895 267
Inventory Consumed	-	190 204 932	190 204 932	(7 653 684)	182 551 248
Transfers and Subsidies Paid	97 715	-	97 715	202 040	299 755
Operating Leases	4 225 404	-	4 225 404	86 644	4 312 048
Operational Costs	68 114 454	(19 397 878)	48 716 576	195 364	48 911 940
Losses on Other Operations	-	14 220 934	14 220 934	-	14 220 934
Inventories losses/write downs	44 687	(44 687)	-	-	-
Loss on Disposal of PPE	1 763 580	-	1 763 580	(3)	1 763 577
Repairs and Maintenance	-	12 246 577	12 246 577	-	12 246 577
	1 254 520 925	966 001	1 255 486 926	(52 700 316)	1 202 786 610

Prior year amounts of items in **Expenditure** included in the Statement of Financial Performance have been restated as indicated below:

	Employee Related Costs	Remuneration of Councillors	Depreciation and Amortisation
Balance previously reported	331 981 726	19 379 735	124 138 783
Reclassification of actuarial losses in terms of mSCOA to losses on other operations	(744 847)	-	-
Correction of creditors not recorded as at 30 June 2021 (Cell phone & travel allowance)	1 090 399	-	-
Recoupment of employee cost due to financial misconduct	(121 884)	-	-
Write-back of depreciation for the year ended 30 June 2021	-	-	181 637
Correction of 2021 depreciation for PPE according to new Asset Register implemented.	-	-	(43 997 069)
Correction of 2021 depreciation for IP according to new Asset Register implemented.	-	-	1 055 816
Correction of 2021 amortization for IA according to new Asset Register implemented.	-	-	1 303 882
Reclassification of interest cost on Employee Benefits (PEMA) to Interest Paid	(3 886 437)	-	-
Reclassification of interest cost on Employee Benefits (LSA) to Interest Paid	(1 741 000)	-	-
Rounding Errors	5	-	6
Restated Balance now reported	326 577 963	19 379 735	82 683 055

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	Impairment Losses	Interest Paid	Contracted Services
Balance previously reported	122 628 601	758 647	73 801 653
Correction of creditors not recorded as at 30 June 2021	-	23 011	3 018 817
Accruals raised as at 30 June 2021	-	-	(3 000)
Reclassification of training expenses in terms of mSCOA from Operational Cost to Contracted Services.	-	-	77 798
Reclassification of interest cost on Employee Benefits (PEMA) from Employee Costs		3 886 437	
Reclassification of interest cost on Employee Benefits (LSA) from Employee Costs		1 741 000	
Correction of Interest on Landfill Provision		8 700 219	
Rounding Errors	-	(2)	(1)
Restated Balance now reported	122 628 601	15 109 312	76 895 267
	Inventory Consumed	Transfers and Subsidies Paid	Operating Leases
Balance previously reported	-	97 715	4 225 404
Reclassification of amounts in terms of mSCOA from Operating expenditure.	19 320 080	-	-
Reclassification of Water under Bulk purchases to Inventory Consumed in terms of mSCOA.	195 596 829	-	-
Reclassification of abnormal water wastage (above 30%) from Inventory consumed to Losses on Other Operations.	(12 465 400)	-	-
Correction of creditors not recorded as at 30 June 2021	374 074	202 040	86 645
Correction of DWAF for water inventory consumed	8 023 147	-	-
Reversal of provision for water account	(16 384 952)	-	-
Accruals raised as at 30 June 2021	334 045	-	-
Rounding Errors	2	-	(1)
Reclassification of amounts to Repairs and maintenance	(12 246 577)		
Restated Balance now reported	182 551 248	299 755	4 312 048
	Operational Costs	Losses on Other Operations	Loss on Disposal of PPE
Balance previously reported	68 114 454	-	1 763 580
Reclassification of amounts in terms of mSCOA to Inventory consumed.	(19 320 080)	-	-
Reclassification of amounts in terms of mSCOA from Inventories losses/write downs.		44 687	-
Reclassification of abnormal water wastage (above 30%) from Inventory consumed to Losses on Other Operations.	-	12 465 400	-
Reclassification of actuarial losses for Post-Employment Medical Aid in terms of mSCOA.	-	1 710 847	-
Correction of creditors not recorded as at 30 June 2021	9 464	-	-
Accruals raised as at 30 June 2021	185 900	-	(3)
Reclassification of training expenses in terms of mSCOA from Operational Cost to Contracted Services	(77 798)	-	-
Restated Balance now reported	48 911 940	14 220 934	1 763 577
	Inventories losses/write downs	Bulk Purchases	Repairs and Maintenance
Balance previously reported	44 687	507 585 940	-
Reclassification of amounts from Inventory Consumed			12 246 577
Reclassification of amounts in terms of mSCOA to Losses on other Operations.	(44 687)	-	
Reclassification of Bulk purchases Water as Inventory Consumed & Water losses	-	(195 596 828)	
Correction of creditors not recorded as at 30 June 2021 & other corrections	-	(33 167 465)	
Reversal of liability raised for water account	-	16 384 952	
Restated Balance now reported	-	295 206 598	12 246 577

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

42.4 Reclassification of Statement of Financial Position

The prior year figures of Classes in the Statement of Financial Position have been restated to correctly classify the nature of Assets, Liabilities and Net Assets of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2020/21 Audited	Reclassification	Prior Year 2020/21 Audited	Correction of Error	Restated Amount 2020/21
Current Assets					
Inventories	1 346 874	-	1 346 874	(1)	1 346 873
Other financial assets	2 842 520	(2 842 520)	-	-	-
Receivables from Exchange Transactions	330 067 526	(4 992 637)	325 074 889	35 066	325 109 955
Receivables from Non-exchange Transactions	109 225 670	23 444 395	132 670 065	(28 780 308)	103 889 757
Cash and Cash Equivalents	48 132 763	-	48 132 763	-	48 132 763
Fruitless and wasteful expenditure	18 451 758	(18 451 758)	-	-	-
Non-Current Assets					
Property, Plant and Equipment	1 160 910 342	-	1 160 910 342	70 617 826	1 231 528 168
Intangible Assets	3 631 696	-	3 631 696	1	3 631 697
Investment Property	240 181 962	-	240 181 962	(1)	240 181 961
Heritage Assets	4 427 968	-	4 427 968	1	4 427 969
Non-current Investments		2 842 520	2 842 520	-	2 842 520
Long-term Receivables	1 845 746	-	1 845 746	(46 656)	1 799 090
Current Liabilities					
Consumer Deposits	(26 905 083)	-	(26 905 083)	13 014	(26 892 069)
Provisions	(4 356 313)	-	(4 356 313)	-	(4 356 313)
Payables from Exchange Transactions	(300 847 717)	-	(300 847 717)	25 278 592	(275 569 125)
Unspent Conditional Grants and Receipts	(272 563)	-	(272 563)	-	(272 563)
VAT Payable	(21 576 715)	-	(21 576 715)	1	(21 576 714)
Current Portion of Long-term Liabilities	(492 810)	-	(492 810)	-	(492 810)
Non-Current Liabilities					
Long-term Liabilities	(37 618)	-	(37 618)	-	(37 618)
Employee Benefit Liabilities	(57 882 411)	-	(57 882 411)	-	(57 882 411)
Non-current Provisions	(86 063 312)	-	(86 063 312)	-	(86 063 312)
Net Assets					
Accumulated (Surplus) / Deficit	(1 422 630 283)	-	(1 422 630 283)	(67 117 535)	(1 489 747 818)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>0</u>	<u>0</u>

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Opening balances and prior year amounts of items in the Statement of Financial Position have been restated as indicated below:

	Inventories	Receivables from Exchange Transactions	Receivables from Non-exchange Transactions
Balances previously published per AFS as at 30 June 2020	1 205 253	199 951 055	60 818 119
Reclassification of fruitless and wasteful expenditure recoverable to receivables from non-exchange transactions.	-	-	18 451 758
Correction of trade receivables as at 30 June 2020 due to billing integration	-	(88 558)	-
Correction of debtor raised for RBIG grant and reversal of an overstatement of grant revenue in the 2018/19 and 2019/20 financial years.	-	-	(10 328 550)
Reinstate WIP community assets. Debtor raised in prior years for expenditure incurred on Sport stadium in Refenggotso.	-	-	(18 451 758)
Balances now published per AFS as at 30 June 2020	1 205 253	199 862 497	50 489 569
Transactions incurred for the Year 2020/21	141 621	130 116 471	48 407 551
Reclassification of Over Payment of Contractors in terms of mSCOA from Receivable from Exchange transactions to Receivables from Non-Exchange transactions	-	(47 280)	47 280
Reclassification of Service debtors for availability charges from Receivable from	-	(4 945 357)	4 945 357
Prior year correction Cemetery fees	-	1 639	-
Recoupment of employee cost due to financial misconduct	-	121 984	-
Rounding Errors	(1)	1	(0)
Balances now published per AFS as at 30 June 2021	1 346 873	325 109 955	103 889 757
	Cash and Cash Equivalents	Fruitless and wasteful expenditure	Other financial assets
Balances previously published per AFS as at 30 June 2020	45 738 269	18 451 758	2 730 475
Reclassification of other financial assets to non-current investments	-	-	(2 730 475)
Reclassification of fruitless and wasteful expenditure recoverables to receivables from non-exchange transactions.	-	(18 451 758)	-
Balances now published per AFS as at 30 June 2020	45 738 269	-	-
Transactions incurred for the Year 2020/21	2 394 494	-	112 045
Reclassification of the 2021 movement on other financial assets to non-current investments	-	-	(112 045)
Balances now published per AFS as at 30 June 2021	48 132 763	-	-

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	Property, Plant and Equipment	Intangible Assets	Investment Property
Balances previously published per AFS as at 30 June 2020	1 225 813 747	4 555 920	253 285 309
Correction of accumulated depreciation as at 30 June 2020 due to unbundling of asset road WIP Ward 11	(287 592)	-	-
Correction Property, Plant and Equipment - Take-on Assets as at 30 June 2020	57 495 150	-	-
Adjustment of Accumulated Depreciation as at 30 June 2020 (see 2021 Depreciation correction below)	(43 997 069)	-	1 055 816
Adjustment of Accumulated Amortization as at 30 June 2020 (see 2021 Depreciation correction below)	-	1 303 882	-
Reinstate WIP community assets. Debtor raised in prior years for expenditure incurred on Sport stadium in Refenggotso.	18 451 758	-	-
Balances now published per AFS as at 30 June 2020	1 257 475 994	5 859 802	254 341 125
Transactions incurred for the Year 2020/21	(64 903 405)	(924 224)	(13 103 347)
Write-back of depreciation for the year ended 30 June 2021	(181 636)	-	-
Correction of 2021 depreciation according to new Asset Register implemented.	43 997 069	-	(1 055 816)
Correction of 2021 amortization according to new Asset Register implemented.	-	(1 303 882)	-
Change in Landfill site Provision credited against Carrying Value of Landfill assets	(4 859 855)	-	-
Rounding Errors	1	1	(1)
Balances now published per AFS as at 30 June 2021	1 231 528 168	3 631 697	240 181 961
	Heritage Assets	Long-term Receivables	Non-Current Investments
Balances previously published per AFS as at 30 June 2020	4 427 968	45 118	-
Reclassification of other financial assets in terms of MSCOA from Cash & Cash equivalents	-	-	2 730 475
Balances now published per AFS as at 30 June 2020	4 427 968	45 118	2 730 475
Transactions incurred for the Year 2020/21	-	1 800 628	-
Correction of prior year receivables from land sales due to billing integration	-	(46 656)	-
Reclassification of the 2021 movement on other financial assets to non-current investments	-	-	112 045
Rounding Errors	1	-	-
Balances now published per AFS as at 30 June 2021	4 427 969	1 799 090	2 842 520

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	Consumer Deposits	Provisions	Payables from Exchange Transactions
Balances previously published per AFS as at 30 June 2020	(25 477 270)	(3 700 083)	(294 639 997)
Correction of Consumer deposit as at 30 June 2020	4 911	-	-
Correction of Creditors not recorded as at 30 June 2020	-	-	(555 176)
Correction of Building, posters and hall deposits as at 30 June 2020	8 103	-	-
Accruals Raised as at 30 June 2020	-	-	6 624 640
Accruals Reversals as at 30 June 2020	-	-	(613 683)
Balances now published per AFS as at 30 June 2020	(25 464 256)	(3 700 083)	(289 184 216)
Transactions incurred for the Year 2020/21	(1 427 813)	(656 230)	(6 207 720)
Correction of Creditors not recorded as at 30 June 2021 & creditor reversals	-	-	20 339 767
Accruals raised as at 30 June 2021	-	-	(516 945)
Rounding Errors	(0)	-	(14)
Balances now published per AFS as at 30 June 2021	(26 892 069)	(4 356 313)	(275 569 127)
	Finance lease obligation (current)	Unspent Conditional Grants and Receipts	VAT Payable
Balances previously published per AFS as at 30 June 2020	(3 287 522)	(31 116 049)	(8 026 417)
Reclassification of amounts in terms of mSCOA	-	-	-
Balances now published per AFS as at 30 June 2020	(3 287 522)	(31 116 049)	(8 026 417)
Transactions incurred for the Year 2020/21	2 794 712	30 843 486	(13 550 298)
Rounding Errors	-	-	1
Balances now published per AFS as at 30 June 2021	(492 810)	(272 563)	(21 576 714)
	Employee Benefit Liabilities	Non-current Provisions	Long-term Liabilities
Balances previously published per AFS as at 30 June 2020	(54 084 377)	(88 594 962)	(540 509)
Balances now published per AFS as at 30 June 2020	(54 084 377)	(88 594 962)	(540 509)
Transactions incurred for the Year 2020/21	(3 798 034)	2 531 650	502 891
Balances now published per AFS as at 30 June 2021	(57 882 411)	(86 063 312)	(37 618)

Reclassification of Amounts in terms of mSCOA:

The **prior year amounts** for *Assets and Liabilities* have been restated as indicated in the tables above to correctly disclose the amounts for the various categories in terms of mSCOA Classifications, previously incorrectly allocated.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

43. CHANGE IN ACCOUNTING ESTIMATES

The opening balances of certain classes of Property, Plant and Equipment have been restated to correctly disclose the opening balances previously incorrectly recognised. The municipality did not receive any new information or notice of new developments during the financial year that need to be disclosed in terms of GRAP 3.

44. CASH GENERATED BY OPERATIONS	2022	2021
	R	R
Surplus / (Deficit) for the Year	131 348 414	171 570 140
Adjustments for:		
Depreciation and amortization	72 788 932	82 683 055
Contribution to Employee Benefit Liabilities - Non-current	3 346 338	3 053 187
Contribution to Employee Benefit Liabilities - Current	429 687	656 230
Provision for staff bonus	678 308	486 105
Provision for staff leave	(1 124 043)	3 273 543
Debt Impairment - Provision for doubtful debts (Exchange Service charges)	309 462 610	126 796 284
Debt Impairment - Provision for doubtful debts (Long-term Receivables)	(40 060)	(1 015 461)
Debt Impairment losses - Provision for doubtful debts (Non-exchange - Rates)	44 163 139	(6 715 013)
Debt Impairment losses - Provision for doubtful debts (Non-exchange - Service charges)	1 553 825	-
Debt Impairment losses - Provision for doubtful debts (Non-exchange - Fines)	3 432 971	3 562 789
Inventory losses/write downs on inventory count	73 851	44 687
Inventory Gains	(492 696)	-
Finance cost - Discounting of provision for rehabilitation of landfill site	8 554 693	6 168 569
Gains on Other Operations: Landfill Provision	(4 222 628)	(3 840 364)
Fair value adjustment - financial assets	391 926	(112 045)
(Profit)/Loss on disposal of assets	-	1 763 580
Employee cost - actuarial gains	(11 020 749)	744 847
Finance costs - finance leases	12 336	214 630
Finance costs - Trade and other payables	787 009	3 080 170
Donations received - Capital	(14 901 877)	(1 751 220)
Increase in Long-term receivables	(16 042)	(1 753 972)
Operating surplus before working capital changes	545 205 944	388 909 741
Decrease/(Increase) in Inventories	33 312	(186 308)
(Increase)/Decrease in Trade receivables from non-exchange transactions (Rates)	(31 873 630)	(41 638 445)
(Increase)/Decrease in Trade receivables from non-exchange transactions (Fines, Services & Other)	(7 416 811)	(3 664 162)
(Increase)/Decrease in Trade receivables from exchange transactions (Service)	(321 974 342)	(263 766 881)
(Increase)/Decrease in Trade receivables from exchange transactions (Other)	6 240 605	7 793 243
Increase/(Decrease) in Consumer Deposits	1 209 224	1 427 813
Increase/(Decrease) in Payables from Exchange Transactions	(9 786 074)	(20 454 911)
Increase/(Decrease) in Conditional Grants and Receipts	9 718 837	(30 843 486)
Increase/(Decrease) in VAT Payable	(3 710 785)	13 550 298
Cash Generated by / (Utilised in) Operations	187 646 281	51 126 902
	0	-

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

45. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

2022
R

2021
R

45.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening Balance:	115 996 716	96 945 336
- As previously stated	115 996 716	96 945 336
- Correction of error	-	-
Unauthorised Expenditure Current Year:	25 418 564	19 051 380
- Current Year	25 418 564	19 051 380
- Prior Year	-	-
Unauthorised Expenditure awaiting investigation by MPAC	141 415 280	115 996 716

The overspending of R 25,418,564 under the Technical Services vote for the 2021/2022 financial year was due to an overspending on Impairment losses.

The overspending of R 16,372,664 under the Local Economic Development vote for the 2020/2021 financial year was due to depreciation of R 27,888,298 compare to the budget of R 2,060,730.

Overspending of R 2,678,715 under Financial Services vote for 2020/21 financial year was due to overspending with regards to bad debts.

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

Analysed as follows:

Non-cash:-

Depreciation and Amortisation	-	15 837 338
Impairment Losses	25 418 564	-
Loss on Disposal of Property, Plant and Equipment	-	535 325
Bad debts	-	2 678 716
	25 418 564	19 051 379

45.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful Expenditure:

Opening Balance	38 983 967	35 389 451
- As previously stated	38 983 967	35 389 451
- Correction of error	-	-
Fruitless and Wasteful Expenditure Current Year	1 050 514	3 594 516
- Current Year	1 021 887	3 594 516
- Prior Year	28 627	-
Fruitless and Wasteful Expenditure awaiting investigation by MPAC	40 034 481	38 983 967

METSIMAHOLO LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Expenditure identified in the current year include those listed below:

	2022	2021
	R	R
Analysis of expenditure		
Expenditure in current year relating to current year:		
Sheriff Sasolburg - payment of interest	11 568	147 766
ESKOM - interest paid on the late payments of electricity accounts	7 572	22 113
Free State Provincial Government - late payment of licence fees	-	51 798
Department of Water - interest on late payment	429 597	2 649 796
Lizelle trust Interest 20/21	-	219 361
Sheriff Pretoria - payment of interest	9 422	174 657
Sheriff Bloemfontein - payment of interest	2 042	54 107
Payment of acting allowance	-	5 690
Auditor General - payment of interest	45 621	63 187
Kramer Wiehmann - payment of cost	133 891	155 411
MI Greyer - Cost and interest paid to lawyers	-	50 630
Compensation Commissioner - interest	103 499	-
Post Office - payment of interest	80	-
SABC - interest on licence fee	742	-
Dumelang - payment of interest	61 591	-
TJ Tsonyane - vehicle damage	3 104	-
Ensemble Trading 2053 CC - no delivery of fire arms	213 158	-
	1 021 887	3 594 516

Expenditure in current year relating to prior year:

Sheriff Sasolburg - payment of interest	1 354	-
Sheriff Sasolburg - illegal eviction	1 563	-
Kramer Wiehmans - payment of cost	25 147	-
Sheriff Sasolburg - payment of interest	563	-
	28 627	-

The sport stadium, Metsimaholo, R 21,647,458.92 is disclosed under Fruitless and Wasteful expenditure recoverable. The matter is under investigation and a report was submitted to Council.

45.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

	2022	2021
	R	R
Opening Balance:	561 436 961	409 999 134
- As previously stated	480 723 536	409 999 134
- VAT Correction of register	88 363	-
- As identified by the Auditor- General	80 625 062	-
Irregular Expenditure Current Year:	87 798 014	70 724 402
- Current Year	85 797 006	60 940 397
- Prior Year	2 001 008	9 784 005
Irregular Expenditure awaiting investigation by MPAC	649 234 975	480 723 536

Analysis of expenditure awaiting investigation:

Not submitting the minimum quotations for acquiring goods and services	878 914	758 264
Other (lower quotation not selected, not on CSD, etc.)	1 973 625	5 684 805
Contract / SLA expired i.e. exceeds three years, no valid approval for extension	5 534 335	18 280 969
Work performed without authorised order being issued/procedures followed	-	1 117 970
Not regarded/complied as deviations	37 816 604	31 539 681
Identified as per 2019 audit	2 001 018	9 784 005
Non-compliance of SCM regulations	39 593 518	1 826 350
Member served on Bid Evaluation Committee as well as Bid Adjudication Committee	-	1 732 358
	87 798 014	70 724 402

Irregular expenditure identified by the Auditor-General: 2020/2021

Njilo Construction: Finding (CoAF 54)	1 843 863	-
Mantelane Construction: Finding (CoAF 54)	13 718 753	-
TAC Group; Finding (CoAF 54) & (CoAF 61)	7 708 927	-
Khosihadi Mzansi Water: Finding (CoAF 60), (CoAF 57) & (CoAF 58)	56 488 519	-
DRC Labour Hire Electrical and Maintenance(CoAF 88)	865 000	-
	80 625 062	-

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

46. ADDITIONAL DISCLOSURES IN TERMS OF APPLICABLE LEGISLATION

2022
R

2021
R

46.1 MUNICIPAL FINANCE MANAGEMENT ACT

46.1.1 Contributions to Organised Local Government - SALGA

Opening Balance	-	-
Council Subscriptions	3 916 563	4 108 741
Amount Paid - current year	(3 916 563)	(4 108 741)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

46.1.2 Pension and Medical Aid Deductions

Opening Balance	87 512	3 409 934
Current Year Contributions	84 608 185	86 130 257
Amount Paid - current year	(84 537 627)	(86 042 745)
Amount Paid - previous years	(87 512)	(3 409 934)
Balance Unpaid (included in Creditors)	70 558	87 512

46.1.3 Audit Fees

Opening Balance	3 936 682	31 159
Current year Audit Fees	7 149 712	11 997 935
Interest charged	45 620	63 187
Amount Paid - current year	(7 195 332)	(8 155 599)
Amount Paid - previous years	(3 936 682)	-
Balance Unpaid (included in Creditors)	-	3 936 682

46.1.4 PAYE, Skills Development Levy and UIF

Opening Balance	4 812 055	4 325 178
Current year Payroll Deductions	61 150 749	57 176 750
Amount Paid - current year	(56 186 173)	(52 364 695)
Amount Paid - previous years	(4 812 055)	(4 325 178)
Balance Unpaid (included in Creditors)	4 964 576	4 812 055

The balance represents PAYE, SDL and UIF deducted from the June 2022 payroll. These amounts were paid during July 2022.

46.1.5 VAT

VAT payable	17 865 929	21 576 714
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The net of VAT input receivables and VAT output payables are shown in Note 5. All VAT returns have been submitted by the due date throughout the year.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

46.1.6 Councillor's arrear Consumer Accounts

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2019:

30 June 2022	Outstanding more than 90 days	Total
Mahlaela PM (Acc no 108353)	21 850	21 850
Mosokweni F (Acc no 108066 and 830353)	53 619	53 619
Motaung TA (Acc no 574795)	7 024	7 024
Motjeane S (Acc no 106180)	165 028	165 028
Mtshali NM (Acc no 103466)	28 059	28 059
Nkheloane M (Acc no 108037 and 592910)	73 520	73 520
Tsotetsi LJ (Acc no 511192)	87 140	87 140
Tshongwe SL (Acc no 575987)	4 931	4 931
Thamae NJ (Acc no 585743)	1 814	1 814
	Outstanding more than 90 days	Total
Newly appointed from November 2021		
Chalala LJ (Acc no 537603)	159 730	159 730
Fourie CK (Acc no 830095)	3 509	3 509
Makhema JM & MH (Acc no 571483)	9 314	9 314
Mashinini JC (Acc no 572032)	21 876	21 876
Masiteng PI (Acc no 584040)	7 093	7 093
Mathe MA (Acc no 510225)	33 442	33 442
Moeletsi SM (Acc no 601437)	18 993	18 993
Mofokeng TT (Acc no 104271)	69 348	69 348
Mofokeng MS (Acc no 576057)	42 689	42 689
Mofokeng AE (Acc no 526499)	47 091	47 091
Mofokeng ML (Acc no 594922, 601422 and 871915)	179 231	179 231
Mokoena DE (Acc no 109049 and 590648)	61 309	61 309
Motloung MJ (Acc no 100248)	18	18
Motsapi MS (Acc no 571120)	825	825
Mqwathi MM (Acc no 565040)	16 016	16 016
Nthako MJ (Acc no 21708)	19 251	19 251
Rani VM (Acc no 103659)	7 787	7 787
Rankoe TK & F (Acc no 603723)	962	962
Soetsang JT & TL (Acc no 831263)	7 805	7 805
Total Councillor Arrear Consumer Accounts	1 149 272	1 149 272

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

30 June 2021	Outstanding more than 90 days	Total
Dywilli NN (Acc no 562734)	9 152	9 152
Kobo SS (Acc no 526816, 830352 and 872353)	21 203	21 203
Leotlele PR (Acc no 536637 and 592959)	25 717	25 717
Mahlaela PM (Acc no 108353)	12 095	12 095
Malindi MJ (Acc no 536489)	1 005	1 005
Matwa SM (Acc no 566022, 612908 and 872070)	10 132	10 132
Maseko M (Acc no 109049, 590648)	56 119	56 119
Mofokeng TH (Acc no 537002)	611	611
Mokoena N (Acc no 565105, 611209, 830981 and 791179)	22 401	22 401
Mosokweni F (Acc no 108066 and 830353)	56 869	56 869
Motloug TM (Acc no 100348)	27 984	27 984
Motaung TA (Acc no 574795)	13 024	13 024
Motjeane S (Acc no 106180)	149 762	149 762
Mtshali NM (Acc no 103466 and 562315)	28 972	28 972
Nkheloane M (Acc no 108037 and 592910)	56 320	56 320
Nnune JG (Acc no 512468)	5 441	5 441
Nteso SJ (Acc no 103104)	115 169	115 169
Poho MS (Acc no 589204)	3 141	3 141
Taats T (Acc no 553229)	16 278	16 278
Telane MM (Acc no 512521 and 872358)	106 909	106 909
Tsotetsi LJ (Acc no 511192)	79 487	79 487
Total Councillor Arrear Consumer Accounts	817 791	817 791

46.1.7 Deviation from, and ratification of minor breaches of the Procurement Processes

In terms of section 12(1)(d)(i) of the Municipal Supply Chain Management Regulations approved by the council, a Supply Chain Management Policy must provide for the procurement of goods and services by way of a competitive bidding process.

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

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

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	R
Summary of deviations		
Emergency	973 612	6 131 077
Other	265 115	-
Exceptional/impractical	3 215 582	4 269 241
Sole supplier	1 765 489	912 637
COVID 19 emergency	-	675 744
	6 219 798	11 988 699

30 June 2022

Payee	Reference	Date	Deviation type	Amount
VAAL TOYOTA (VEREENIGING)	90036029	2021/07/07	Strip and quotation/unpractical	19 397
VAAL TOYOTA (VEREENIGING)	90036123	2021/07/14	Exceptional /unpractical	10 256
THE ASSESSMENT TOOLBOX	90036132	2020/07/16	Exceptional /unpractical	46 800
THE ASSESSMENT TOOLBOX	90036038	2021/07/07	Exceptional /unpractical	5 850
VAAL TOYOTA (VEREENIGINGVANDE	90036052	2021/09/07	Strip and quotation/unpractical	4 465
VAAL TOYOTA (VEREENIGINGVANDE	90036145	2021/07/19	Strip and quotation/unpractical	55 579
SCHOLINGS INDUSTRIAL CC	90036165	2021/07/16	Strip and quotation/unpractical	12 004
VAAL TOYOTA (VEREENIGINGVANDE	90036224	2021/07/16	Strip and quotation/unpractical	99 653
VAAL TOYOTA (VEREENIGINGVANDE	90036221	2021/07/16	Strip and quotation/unpractical	8 044
KERINETIX T/A MERCTEC	90036239	2021/07/16	Strip and quotation/unpractical	33 116
KERINETIX T/A MERTEC	90036377	2021/07/16	Strip and quotation/unpractical	12 503
Adapt IT	90036237	2021/08/08	Sole provider	150 459
PNEUMATIC RETAIL& HYDROLIC SUPPLIES	90036299	2021/08/16	Strip and quotation/unpractical	24 900
WANGA POWER PROJECTS	90036468	2021/09/16	Emergency	22 140
GERMAN TOYS	90036482	2021/09/20	Emergency	4 800
VAAL DOCUMENT MANAGEMENT (PTY	90036489	2021/09/21	Sole provider	12 759
VAAL TOYOTA (VEREENIGINGVANDE	90036491	2021/09/21	Strip and quotation/unpractical	10 133
VAAL TOYOTA (VEREENIGINGVANDE	90036521	2021/09/28	Strip and quotation/unpractical	98 165
AAD DRIVETRAIN SYSTEMS	90036545	2021/09/29	Strip and quotation/unpractical	136 502
VAAL TOYOTA (VEREENIGING)	90036392	2021/01/09	Strip and quotation/unpractical	4 750
KERINETIX T/A MERCTEC	90036687	2021/10/18	Strip and quotation/unpractical	2 037
STEADFAST ENGINEERING	90036676	2021/10/18	Strip and quotation/unpractical	15 755
VAAL TOYOTA	90036590	2021/10/07	Strip and quotation/unpractical	17 973
PNEUMATIC RETAIL HYDRAULIC SUPPLIES	90036622	2021/10/12	Strip and quotation/unpractical	46 891
STEADFAST ENGINEERING	90036619	2021/10/12	Strip and quotation/unpractical	65 962
VAAL TOYOTA	90036748	2021/10/27	Strip and quotation/unpractical	198 984
IMVELAPHI TRADING ENTERPRISES CC	90036840	2021/11/12	Strip and quotation/unpractical	26 496
SCHOLINGS INDUSTRIAL CC	90036777	2021/11/04	Strip and quotation/unpractical	30 347
VAAL TOYOTA (VEREENIGING)	90036907	2021/11/23	Strip and quotation/unpractical	47 608
STEADFAST ENGINEERING	90036776	2021/11/04	Strip and quotation/unpractical	65 574
MAMANTSHA TRADING & PROJECTS	90036771	2021/11/04	Emergency	143 842
MAKOLA HOLDING PTY LTD	90036986	2021/11/07	Emergency	2 830
SCHOLINGS INDUSTRIAL CC	90036985	2021/11/07	Strip and quotation/unpractical	42 149
VAAL TOYOTA (VEREENIGING)	90037000	2021/11/08	Strip and quotation/unpractical	10 534
PNEUMATIC RETAIL HYDRAULIC SUPPLIES	90036988	2021/11/07	Strip and quotation/unpractical	3 502
GISWA ENGINEERING CC	90037134	2022/01/11	Strip and quotation/unpractical	5 520
VAAL TOYOTA (VEREENIGING)	90037125	2022/01/10	Strip and quotation/unpractical	40 686
SELITEC	90037129	2022/01/10	Sole provider	15 000
VAAL TOYOTA (VEREENIGING)	90037219	2022/01/19	Strip and quotation/unpractical	284 218
STEADFAST ENGINEERING	90037226	2022/01/24	Strip and quotation/unpractical	36 093

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

VAAL TOYOTA (VEREENIGING)	90037227	2022/01/27	Strip and quotation/unpractical	12 887
MAKOLA HOLDING PTY LTD	90037247	2022/01/25	Exceptional /unpractical	13 328
KERINETIX T/A MERCTEC	90036687	2011/01/18	Strip and quotation/unpractical	2 037
VAAL TOYOTA (VEREENIGING)	90037431	2022/02/24	Strip and quotation/unpractical	40 951
MAKOLA HOLDING PTY LTD	90037405	2022/02/21	Strip and quotation/unpractical	48 510
MAKOLA HOLDING PTY LTD	90037368	2022/02/15	Exceptional /unpractical	71 073
MAKOLA HOLDING PTY LTD	90037337	2022/02/10	Exceptional /unpractical	159 569
VAAL TOYOTA (VEREENIGING)	90037328	2022/02/08	Strip and quotation/unpractical	24 742
PNEUMATIC RETAIL HYDRAULIC SUPPLIES	90037317	2022/02/07	Strip and quotation/unpractical	11 289
STEADFAST ENGINEERING	90037316	2022/02/07	Strip and quotation/unpractical	37 688
VAAL DOCUMENT MANAGEMENT (PTY) LTD	90037314	2022/02/07	Sole Provider	78 843
SELITEC	90037319	2022/02/07	Sole provider	15 000
LEXISNEXIS BUTTERWORTHS	90037578	2022/03/14	Sole provider	85 631
RAL COMPONENTS CENTER	90037583	2022/03/14	Strip and quotation/unpractical	5 358
STEADFAST ENGINEERING	90037505	2022/03/08	Strip and quotation/unpractical	34 615
VAAL TOYOTA (VEREENIGING)	90037443	2022/03/01	Strip and quotation/unpractical	66 670
VAAL TOYOTA (VEREENIGING)	90037457	2022/03/03	Strip and quotation/unpractical	36 800
PNEUMATIC RETAIL HYDRAULIC SUPPLIES		2022/03/03	Strip and quotation/unpractical	75 333
MAKOLA HOLDING PTY LTD	90037444	2022/03/01	Other	142 147
MAKOLA HOLDING PTY LTD	90037464	2022/03/03	Other	36 101
MAKOLA HOLDING PTY LTD	90037595	2022/03/16	Other	6 769
MAKOLA HOLDING PTY LTD	90037635	2022/03/22	Other	66 561
WANGA POWER PROJECTS CC	90037717	2022/04/06	Strip and quotation/unpractical	60 780
MILLENNIUM PUMPS	90037708	2022/04/06	Strip and quotation/unpractical	93 049
CONLOG	90038067	2022/05/24	Sole supplier	639 774
PNEUMATIC RETAIL HYDRAULIC SUPPLIES	90037934	2022/05/09	Strip and quotation/unpractical	2 929
TFM INDUSTRIES (PTY) LTD	90037950	2022/05/10	Strip and quotation/unpractical	205 829
VAAL DOCUMENT MANAGEMENT (PTY) LTD	90038016	2022/05/13	Sole supplier	17 497
VAAL TOYOTA (VEREENIGING)	90038043	2022/05/20	Strip and quotation/unpractical	25 357
WANGA POWER PROJECTS CC	90038065	2022/05/24	Strip and quotation/unpractical	177 509
CONLOG	90038163	2022/06/07	Sole supplier	639 774
SELITEC	90038179	2022/06/08	Sole supplier	15 000
VAAL DOCUMENT MANAGEMENT (PTY) LTD	90038131	2022/06/06	Sole supplier	82 250
GISWA ENGINEERING CC	90038226	2022/06/15	Strip and quotation/unpractical	37 175
LESEDI LA MOTHEO	90038196	2022/06/08	Strip and quotation/unpractical	13 250
LESEDI LA MOTHEO		2022/06/08	Strip and quotation/unpractical	25 720
FRAMA (PTY) LTD	90038186	2022/06/08	Sole supplier	2 987
WANGA POWER PROJECTS	90038185	2022/06/08	Strip and quotation/unpractical	59 930
WANGA POWER PROJECTS		2022/06/08	Strip and quotation/unpractical	9 994
LESEDI LA MOTHEO	90038271	2022/06/20	Strip and quotation/unpractical	5 080
LESEDI LA MOTHEO		2022/06/20	Strip and quotation/unpractical	7 990
LESEDI LA MOTHEO		2022/06/20	Strip and quotation/unpractical	16 180
STEADFAST ENGINEERING	90038133	2022/06/06	Strip and quotation/unpractical	14 456
STEADFAST ENGINEERING		2022/06/06	Strip and quotation/unpractical	12 035
STEADFAST ENGINEERING		2022/06/06	Strip and quotation/unpractical	1 926
STEADFAST ENGINEERING		2022/06/06	Strip and quotation/unpractical	19 688
PRO HYDRAULIC SUPPLIES	90038153	2022/06/06	Strip and quotation/unpractical	4 508
PRO HYDRAULIC SUPPLIES		2022/06/06	Strip and quotation/unpractical	9 660
PRO HYDRAULIC SUPPLIES		2022/06/06	Strip and quotation/unpractical	2 860
PRO HYDRAULIC SUPPLIES	90038226	2022/06/15	Strip and quotation/unpractical	33 552
RAL COMPONENTS CENTER	90038215	2022/06/14	Strip and quotation/unpractical	82 311
SCHOLINGS INDUSTRIAL CC	90038132	2022/06/06	Strip and quotation/unpractical	43 367
VAAL TOYOTA	90038134	2022/06/06	Strip and quotation/unpractical	3 756
METSIMAHOLO AND FEZILE DABI TOWING	90038177	2022/06/08	Strip and quotation/unpractical	83 395
MAKOLA HOLDING PTY LTD	90038298	2022/06/27	Other	13 538
VAAL DOCUMENT MANAGEMENT (PTY) LTD	90037908	2022/04/04	Sole provider	10 515
WANGA POWER PROJECTS CC	90038293	2022/06/27	Emergency	800 000

6 219 798

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

46.1.8)(d)(i) of the MFMA

Material Electricity Losses were as follows and are not recoverable:

		Lost Units	Tariff	Value
30 June 2022	Unaccounted Electricity Losses	<u>35 773 183</u>	<u>1.55</u>	<u>55 498 644</u>
30 June 2021	Unaccounted Electricity Losses	<u>38 009 310</u>	<u>1.27</u>	<u>48 296 420</u>

Unaccounted consumption and electricity Losses occur due to *inter alia*, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections) and also internal use that is not metered and not read. The problem with tampered meters and illegal connections is an on-going process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

	2022 R	2021 R
Volumes in kWh/year:		
System Input Volume	216 846 838	221 321 973
Billed Consumption	181 073 655	183 312 663
Distribution Loss	35 773 183	38 009 310
Percentage Distribution Loss	16.50%	17.17%

Material Water Losses were as follows and are not recoverable:

		Lost Units	Tariff	Value
30 June 2022	Unaccounted Water Losses	<u>1 723 883</u>	<u>9.14</u>	<u>15 750 944</u>
30 June 2021	Unaccounted Water Losses	<u>7 659 235</u>	<u>8.60</u>	<u>65 888 545</u>

Unaccounted consumption and water losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections and theft and also internal use that is not metered and not read. The problem with tampered meters and illegal connections is an on-going process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

	2022 R	2021 R
Volumes in Kl/year:		
System Input Volume	18 876 423	20 637 594
Billed Consumption	17 152 540	12 978 359
Distribution Loss	1 723 883	7 659 235
Percentage Distribution Loss	9.13%	37.11%

46.2 BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT

Information on compliance with the B-BBEE Act is included in the Annual Report under the section titled B-BBEE Compliance Performance Information.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	R
47. COMMITMENTS FOR EXPENDITURE		
47.1 Capital Commitments		
- Approved and contracted for but not provided for:	194 364 285	151 762 023
<i>Infrastructure</i>	194 364 285	151 762 023
Total Capital Commitments	194 364 285	151 762 023
This expenditure will be financed from:		
Government Grants	194 364 285	151 762 023
	194 364 285	151 762 023

Prior year commitment figure of R152 192 635 were adjusted with R430 613 to R 151 762 023 due to corrections made to expenditure amounts and retentions on Auditor-General findings that were corrected.

47.2 Lease Commitments

Non-cancellable Operating Lease Commitments are disclosed in Note 25 & Note 37.

48. FINANCIAL INSTRUMENTS

48.1 Classification

FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

		2022	2021
<u>Financial Assets</u>	<u>Classification</u>	R	R
Non-current Investments			
Listed Shares	Fair value	2 437 783	2 829 710
Other Financial assets at amortised cost	Amortised cost	12 810	12 810
Long-term Receivables			
Housing Land Sales	Amortised cost	1 855 192	1 799 090
Receivables from Exchange Transactions			
Electricity	Amortised cost	79 263 995	85 774 964
Refuse	Amortised cost	14 195 358	14 848 793
Sewerage	Amortised cost	17 336 497	13 084 473
Merchandising, Jobbing and Contracts	Amortised cost	467 648	467 648
Other Service Charges	Amortised cost	15 865 515	24 934 569
Water	Amortised cost	202 746 374	178 253 208
Other Debtors	Amortised cost	20 199	20 199

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

		2022	2021
		R	R
Receivables from Non-exchange Transactions			
Service debtors (Availability charges)	Amortised cost	4 733 149	4 945 357
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	Amortised cost	213 158	-
LGSETA Interns	Amortised cost	755 080	755 080
Refer to Drawer (R/D) Cheques	Amortised cost	738 344	738 344
Deposits	Amortised cost	4 764 535	2 673 535
Cash and Cash Equivalents			
Call Deposits	Amortised cost	90 110 712	38 612 979
Bank Balances	Amortised cost	24 912 605	9 514 634
Cash Floats and Advances	Fair value	5 150	5 150
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Non-current Investments	Other Financial assets at amortised cost	12 810	12 810
Long-term Receivables	Housing Land Sales	1 855 192	1 799 090
Receivables from Exchange Transactions	Electricity	79 263 995	85 774 964
Receivables from Exchange Transactions	Refuse	14 195 358	14 848 793
Receivables from Exchange Transactions	Sewerage	17 336 497	13 084 473
Receivables from Exchange Transactions	Merchandising, Jobbing and Contracts	467 648	467 648
Receivables from Exchange Transactions	Other Service Charges	15 865 515	24 934 569
Receivables from Exchange Transactions	Water	202 746 374	178 253 208
Receivables from Exchange Transactions	Other Debtors	20 199	20 199
Receivables from Non-exchange Transactions	Service debtors (Availability charges)	4 733 149	4 945 357
Receivables from Non-exchange Transactions	Unauthorised, Irregular, Fruitless and Wasteful Expenditure	213 158	-
Receivables from Non-exchange Transactions	LGSETA Interns	755 080	755 080
Receivables from Non-exchange Transactions	R/D Cheques	738 344	738 344
Receivables from Non-exchange Transactions	Deposits	4 764 535	2 673 535
Cash and Cash Equivalents	Call Deposits	90 110 712	38 612 979
Cash and Cash Equivalents	Bank Balances	24 912 605	9 514 634
		457 991 171	376 435 683
Financial Assets at Fair Value:			
Non-Current Investments	Listed Shares	2 437 783	2 829 710
Cash and Cash Equivalents	Cash Floats and Advances	5 150	5 150
		2 442 933	2 834 860
Total Financial Assets		460 434 104	379 270 543

The prior year amount for Financial Assets have been restated to exclude receivables for which there are no contractual agreements and Statutory Receivables that are specifically scoped out of GRAP 104.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>	2022 R	2021 R
Long-term Liabilities			
Finance Lease Liability	Amortised cost	-	37 618
Payables from Exchange Transactions			
Other Payables	Amortised cost	15 479 099	19 834 279
Retentions	Amortised cost	21 321 616	20 595 985
Trade Creditors	Amortised cost	186 492 245	173 153 361
Consumer Deposits	Amortised cost	28 101 293	26 892 069
Current Portion of Long-term Liabilities			
Finance Lease Liability	Amortised cost	37 617	492 810
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Finance Lease Liability	-	37 618
Payables from Exchange Transactions	Other Payables	15 479 099	19 834 279
Payables from Exchange Transactions	Retentions	21 321 616	20 595 985
Payables from Exchange Transactions	Trade Creditors	186 492 245	173 153 361
Consumer Deposits		28 101 293	26 892 069
Current Portion of Long-term Liabilities	Finance Lease Liability	37 617	492 810
		<u>251 431 870</u>	<u>241 006 122</u>
Total Financial Liabilities		<u>251 431 870</u>	<u>241 006 122</u>

The prior year amount for Financial Liabilities have been restated to exclude liabilities that resulted from legislation and not from a contractual arrangement.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

48.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2022, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

30 June 2022

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Listed Investments	2 437 783	-	-	2 437 783
Cash and Cash Equivalents	-	5 150	-	5 150
Total Financial Assets	<u>2 437 783</u>	<u>5 150</u>	<u>-</u>	<u>2 442 933</u>
Total Financial Instruments	<u>2 437 783</u>	<u>5 150</u>	<u>-</u>	<u>2 442 933</u>

30 June 2021

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Listed Investments	2 829 710	-	-	2 829 710
Cash and Cash Equivalents	-	5 150	-	5 150
Total Financial Assets	<u>2 829 710</u>	<u>5 150</u>	<u>-</u>	<u>2 834 860</u>
Total Financial Instruments	<u>2 829 710</u>	<u>5 150</u>	<u>-</u>	<u>2 834 860</u>

48.3 Capital Risk Management

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note N/A and the Statement of Changes in Net Assets.

Gearing Ratio

The gearing ratio at the year-end was as follows:

	2022 R	2021 R
Debt	37 617	530 428
Cash and Cash Equivalents	(115 028 467)	(48 132 763)
Net Debt	<u>(114 990 850)</u>	<u>(47 602 335)</u>
Equity	<u>1 621 096 232</u>	<u>1 489 747 818</u>
Net debt to equity ratio	<u>-7.09%</u>	<u>-3.20%</u>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

48.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

48.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. 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 municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 47.8 to the Annual Financial Statements.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

48.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 47.6.2 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

48.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

48.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality is exposed to fair value risk as it regularly invests capital in fixed deposit accounts. This risk is managed by investing the funds for less than a year (depending on cash flow requirements), thus allowing the interest rate to be updated regularly throughout the year.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Investec, Nedbank and Standard Bank. The municipality's borrowings are in fixed rate instruments.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

At year end, the financial instruments exposed to interest rate risk were as follows:

- Call deposits
- Finance lease obligations

The municipality's interest rate risk arises from finance leases. Finance leases issued at fixed rates expose the municipality to fair value interest rate risk. Entity policy is to maintain the majority of its borrowing and finance leases in fixed rate instruments.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this

48.6.3 Price Risk

The municipality is exposed to equity securities price risk because of investments held by the municipality at fair value of R 2,437,783 (2021: R 2,829,710). The impact of a 10% change in price would be R 243,778. (R2021: R 282,971).

This investment consists of equity in one listed entity (Sanlam Ltd), and the municipality does not actively trade in equity instruments or conduct any hedging activities.

Surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit.

48.7 Credit Risk Management

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 are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Investec, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Trade and Other Receivables

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

	2022	2021
	R	R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Non-current Investments	2 450 593	2 842 520
Long-term Receivables	1 855 192	1 799 090
Receivables from Exchange Transactions	2 198 833 971	1 856 667 288
Receivables from Non-exchange Transactions	268 371 388	238 887 582
Bank, Cash and Cash Equivalents	115 028 467	48 132 763
Maximum Credit and Interest Risk Exposure	2 586 539 611	2 148 329 243

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

48. FINANCIAL INSTRUMENTS (Continued)

47.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2022								
Non-interest Bearing			251 394 253	251 394 253	-	-	-	-
- Payables from Exchange transactions			223 292 960	223 292 960	-	-	-	-
- Consumer deposits			28 101 293	28 101 293				
Fixed Interest Rate Instruments			37 617	37 617	-	-	-	-
- Current Portion of Long-term Liabilities		10.00%	37 617	37 617	-	-	-	-
			251 431 870	251 431 870	-	-	-	-
30 June 2021								
Non-interest Bearing			240 475 694	240 475 694	-	-	-	-
- Payables from Exchange transactions			213 583 625	213 583 625	-	-	-	-
- Consumer deposits			26 892 069	26 892 069				
Fixed Interest Rate Instruments			530 428	420 340	72 470	37 618	-	-
- Finance Lease obligations		10.00%	530 428	420 340	72 470	37 618	-	-
			241 006 122	240 896 034	72 470	37 618	-	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2022								
Interest Bearing			342 955 044	341 099 852	-	1 855 192	-	-
- Long-term Receivables			1 855 192	-	-	1 855 192	-	-
- Trade Receivables from Exchange Transactions			329 895 586	329 895 586	-	-	-	-
- Trade Receivables from Non-exchange Transactions			11 204 266	11 204 266	-	-	-	-
Variable Interest Rate Instruments			115 036 127	115 036 127	-	-	-	-
- Call Deposits		3.25 to 4.5%	90 110 712	90 110 712	-	-	-	-
- Other Financial assets at amortised cost			12 810	12 810	-	-	-	-
- Bank Account			24 912 605	24 912 605	-	-	-	-
			457 991 171	456 135 979	-	1 855 192	-	-

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

30 June 2021								
Interest Bearing			328 295 260	326 496 170	-	1 799 090	-	-
- Long-term Receivables			1 799 090	-	-	1 799 090	-	-
- Trade Receivables from Exchange Transactions			317 383 854	317 383 854	-	-	-	-
- Trade Receivables from Non-exchange Transactions			9 112 316	9 112 316	-	-	-	-
Variable Interest Rate Instruments		0.25 to 3.6%	48 140 423	48 140 423	-	-	-	-
- Call Deposits			38 612 979	38 612 979	-	-	-	-
- Other Financial assets at amortised cost			12 810	12 810	-	-	-	-
- Bank Account			9 514 634	9 514 634	-	-	-	-
			376 435 683	374 636 593	-	1 799 090	-	-

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

49. RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

49.1 Related Party relationships

Councillors:

Ward	Surname & initials	
1	Radebe MJ	
2	Molawa JM	(MPAC Chairperson)
3	Poho MS	
4	Soetsang TL	
5	Mofokeng SM	
6	Nkheloane M	
7	Mahlaela PM	
8	Nhlapo LL	
9	Mqwathi ME	
10	Mtshali NM	(Chairperson Ethics)
11	Rani DV	
12	Makhefu LA	
13	Mosokweni FD	(Council Whip)
14	Van der Merwe FJ	(Mayoral Committee member)
15	Van Heerden LJ	
16	Barnard JJ	(Mayoral Committee member)
17	Rankoe TK	(Mayoral Committee member)
18	Day L	
19	Mthetho L	
20	Fisher L	(Speaker)
21	Sehaole TG	
22	Meyer R	(Mayoral Committee member)
23	Mozolo MB	
Proportional	Tshongwe SL	
Proportional	Zwane ZJ	(Executive Mayor)
Proportional	Makhema JM	(Mayoral Committee member)
Proportional	Mofokeng TH	
Proportional	Thulo TD	
Proportional	Chalala LJ	
Proportional	Mbana MT	(Mayoral Committee member)
Proportional	Motaung TA	
Proportional	Masiteng JM	
Proportional	Motjeane SM	
Proportional	Motsapi MS	
Proportional	Mokwai MS	
Proportional	Tsotetsi JL	
Proportional	Mampana JT	
Proportional	Mbikolo DK	
Proportional	Maseko ME	
Proportional	Mofokeng MV	
Proportional	Mofokeng DA	
Proportional	Geyser EJ	
Proportional	Pienaar M	
Proportional	du Toit T	
Proportional	Malindi MJ	
Proportional	Kumalo AM	

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Directors:

Municipal Manager	Adv. LMA Mofokeng	Appointed in June 2022
	Mr TL Mkaza	(Acting in May 2022)
	Mr FM Mathe	(Acting from August 2021 to April 2022)
	Mr SM Molala	(Resigned in July 2021)
Chief Financial Officer	Ms KB Lepesa	(Acting from November 2021 to June 2022)
	Ms A Vorster	(Acting from July 2021 to October 2021)
Director Organisational Development and Corporate Services	Mrs MM Rapuleng	(Acting from November 2021 to June 2022)
	Mr M Sediane	(Acting from July 2021 to October 2021)
Director Technical Services and Infrastructure Services	Mr KM Mvulane	(Acting from February 2022 to June 2022)
	Mr Ramovha	(Acting from August 2021 to December 2021)
Director Social Services	Mr LP Thile	(Acting from May 2022 to June 2022)
	Mr GP Nhlapo	(Acting from November 2021 to January 2022 & March to April 2022)
	Mr G Alberts	(Acting from July 2021 to October 2021)
Acting Director Economic Development	Ms JM Mkhafa	(Acting from August 2021 to June 2022)
	Mr M Theko	(Acting in July 2021)

The municipality was placed under administration in terms of Section 139(1) (b) of the Constitution of the Republic of South Africa, 1996 from 20 February 2020 till the end of the reporting period. Mr FM Mathe and Mr TL Mkaza were appointed by COGTA as acting Municipal Manager, Ms KB Lepesa as acting Chief Financial officer (Refer to note 28). Ms P Qulunga was appointed as Financial Advisor from March 2020 till the end of the reporting period.

49.2 Interest of Related Parties

Councillors and/or Management of the Municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
Nthebe MD	Councillor	Alaska One Enterprise (Pty) Ltd
Grobbelaar JJ	Councillor	In his footprints (Non-profitable Charity organization)
Semonyo L S	Councillor	Matla Dynamics
Tshongwe SL	Councillor	Whiphold
Matwa SM	Councillor	Life V/A Kasi -private company
Mbana MT	Councillor	Botho Keng (Pty) Ltd
Makhefu LA	Councillor	Financial Penicea (Pty) Ltd
Mosokweni F	Councillor	Sibusiwwe Construction
Mare AK	Councillor	Sticker KHF 1 (Pty) Ltd
Fisher L (company of spouse)	Councillor	Monysemame (Pty) Ltd
Mtshali NM (company of son -50%)	Councillor	Gojeni Project - construction Themba Mtshali construction
Zwanje ZJ	Councillor	Phuthuma Natai
Barnard JJ	Councillor	SOS Signs
Meyer R	Councillor	Eclipz Doggy Parlour Ingwe Emergency Fire and Risk Consultants Vaaldam Iceworks
Zwane ZF	Executive Mayor	Phuthuma Nathi
Kumalo AM	Councillor	CROWD 1
Mtheho L	Councillor	Marshal Entertainment
Mofokeng SM	Councillor	Lehdiviela Primary Co-operative Limited Mamoritshana Agriculture Kopong Fezile Dabi Mechani Station Co-op
Motjeane SM	Councillor	Imvelaphi Trading Enterprises CC
Rankoe TK	Councillor	Rehlwa Mekwalaba Holding

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Key management

SM Molala (Municipal Manager)	Afriscapes CC (Capacity building)
Ramovha MM (Acting Director Technical Services)	TL Ramovha trust
	Duvhaliswa LTD LTD
Mathe FM (Acting Municipal Manager)	Tsebo Kitso Trainings
Rapuleng MM (Acting Director Corporate Services)	Rapuleng Attorneys

There were no transactions with the above listed entities subject to control by council members or key management personnel.

49.3 Services rendered to Related Parties

During the year the Municipality rendered services to the following related parties that are related to the Municipality as indicated:

	Name	Rates Charges R	Service Charges R	Interest R	Outstanding Balances R
Year ended 30 June 2022:					
Councillors:					
Executive Mayor Proportional	Zwane ZJ	6 815	7 052	-	1 218
Councillor: Proportional	Tshongwe SL	7 103	23 017	229	13 966
Councillor: Proportional	Makhema JM	960	2 481	1 257	10 729
Councillor: Proportional	Mofokeng TH	4 991	10 655	-	1 573
Councillor: Proportional	Thulo TD	7 295	17 132	300	1 723
Councillor: Proportional	Chalala LJ	600	1 529	300	162 826
Councillor: Proportional	Mbana MT	4 895	17 930	1 037	28 590
Councillor: Proportional	Motaung TA	1 728	1 735	-	7 766
Councillor: Proportional	Masiteng JM	600	354	412	7 448
Councillor: Proportional	Motjeane SM	3 792	9 065	1 545	169 705
Councillor: Proportional	Motsapi MS	-	278	34	1 034
Councillor: Proportional	Mokwai MS	400	1 989	-	41 834
Councillor: Proportional	Tsotetsi JL	1 200	5 066	662	88 945
Councillor: Proportional	Mampana JT	350	321	-	33 865
Councillor: Proportional	Mbikolo DK	1 680	2 195	-	1 996
Councillor: Proportional	Maseko ME	600	2 732	1 116	62 762
Councillor: Proportional	Mofokeng MV	600	1 824	600	70 608
Councillor: Proportional	Mofokeng DA	600	9 423	863	235 876
Councillor: Proportional	Geyser EJ	7 871	5 065	-	938
Councillor: Proportional	Pienaar M	8 447	24 324	637	8 327
Councillor: Proportional	du Toit T	8 831	103 448	24	66 616
Councillor: Proportional	Malindi MJ	600	2 469	-	717
Councillor: Proportional	Kumalo AM	600	6 092	2 613	24 080
Councillor: Ward 1	Radebe MJ	Not levied	Not levied	-	-
Councillor: Ward 2	Molawa JM	600	8 173	-	835
Councillor: Ward 3	Poho MS	600	3 987	1	405
Councillor: Ward 4	Soetsang TL	7 487	6 788	128	7 180
Councillor: Ward 5	Mofokeng SM	600	7 120	-	49 306
Councillor: Ward 6	Nkheloane M	600	7 171	864	76 042
Councillor: Ward 7	Mahlaela PM	1 392	9 183	600	24 193
Councillor: Ward 8	Nhlapo LL	960	6 955	-	2 645
Councillor: Ward 9	Mqwathi ME	600	8 183	300	26 587
Councillor: Ward 10	Mtshali NM	3 024	10 636	2 541	32 311
Councillor: Ward 11	Rani DV	2 064	3 812	600	10 428
Councillor: Ward 12	Makhefu LA	1 392	4 998	-	534
Councillor: Ward 13	Mosokweni FD	864	11 881	689	56 835

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Councillor: Ward 14	Van der Merwe FJ	7 391	32 016	-	3 371
Councillor: Ward 15	Van Heerden LJ	7 391	12 750	-	1 352
Councillor: Ward 16	Barnard JJ	6 815	9 241	-	1 154
Councillor: Ward 17	Rankoe TK	4 223	13 340	693	4 591
Councillor: Ward 18	Day L	8 927	18 830	351	10 661
Councillor: Ward 19	Mthetho L	600	5 379	3 001	45 131
Councillor: Ward 20	Fisher L	1 992	7 961	119	2 569
Councillor: Ward 21	Sehaole TG	600	3 527	300	20 886
Councillor: Ward 21	Meyer R	14 878	11 425	5	2 812
Councillor: Ward 23	Mozolo MB	Not levied	Not levied	-	-

Councillors till 8 November 2021

Councillor: Ward 17	Burger GS	2 880	7 379	-	2 686
Councillor: Ward 9	Dywili NN	768	2 668	-	1 066
Councillor: Ward 15	Grobbelaar JJ	2 624	1 837	3	2 266
Councillor: Ward 5	Kobo SS	200	1 705	-	12 994
Councillor: Proportional	Leotlela MG	200	1 755	303	29 797
Councillor: Ward 11	Mabasa KT	1 952	5 456	-	32
Councillor: Ward 19	Mare AK	432	242	-	57
Councillor: Proportional	Mashia VL	448	3 277	132	117 687
Councillor: Proportional	Matwa SM	200	555	3	6 850
Councillor: Proportional	Mofokeng KB	200	433	-	134
Councillor: Proportional	Mohapi P	272	1 482	412	21 165
Councillor: Ward 1	Mokoena MP	200	588	-	176
Councillor: Ward 21	Mokoena NP	200	5 181	10	15 500
Councillor: Proportional	Motlounng TM	976	2 506	-	32 749
Councillor: Ward 4	Nnune GB	200	1 269	32	8 017
Councillor: Ward 8	Nteso SJ	544	5 539	458	123 837
Councillor: Proportional	Semonyo LS	608	2 659	-	775
Councillor: Proportional	Taats TJ	200	12 062	1 036	57 661
Councillor: Ward 3	Telane MM	200	3 291	-	80 977
		156 862	519 416	24 210	1 937 396

Section 57 Personnel:

Acting Municipal Manager	Mathe M	9 119	17 837	-	2 463
Acting Director Organisational Development and Corporate Services	Rapuleng MM	1 824	8 967	-	2 891
Acting Director Technical Services and Infrastructure Services	Ramovha MM	5 043	36 434	3 093	26 410
Acting Director Social Services	Alberts G	10 751	23 826	934	22 941
Acting Director Social Services	Nhlapo GP	5 087	14 791	-	8 672
Acting Director Economic Development	Theko M	13 150	6 950	-	3 808
		44 974	108 805	4 027	67 185
Total Services		201 836	628 221	28 237	2 004 581

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	Name	Rates Charges R	Service Charges R	Interest & Sundry Charges R	Outstanding Balances R
<i>Year ended 30 June 2021:</i>					
Councillors 2021					
Executive Mayor Proportional	Tsongwe SL	6 830	18 110	58	1 608
Councillor: Proportional	Du Toit T	8 491	41 697	138	4 675
Councillor: Proportional	Leotlala M	600	2 329	652	16 450
Councillor: Proportional	Malindi MJ	600	1 318	-	(4 345)
Councillor: Proportional	Maseko ME	600	3 587	368	57 415
Councillor: Proportional	Mashia VL	1 292	11 080	291	49 526
Councillor: Proportional	Matwa SM	600	1 507	17	10 753
Councillor: Proportional	Mbana MT	600	-	66	1 289
Councillor: Proportional	Mofokeng KB	600	818	120	1 028
Councillor: Proportional	Mofokeng TH	4 799	8 358	5	1 246
Councillor: Proportional	Mohapi P	4 707	11 320	407	23 777
Councillor: Proportional	Motaung TA	1 661	1 022	520	49 450
Councillor: Proportional	Motjeane SM	3 646	22 788	576	156 357
Councillor: Proportional	Motloung TM	2 815	2 189	-	29 267
Councillor: Proportional	Nhlapo LL	846	3 288	-	(3 579)
Councillor: Proportional	Poho MS	600	4 333	5	4 159
Councillor: Proportional	Semonyo LS	1 754	10 329	-	919
Councillor: Proportional	Taats TJ	600	34 995	800	44 363
Councillor: Proportional	Tsotetsi JL	1 154	3 703	448	82 018
Councillor: Proportional	Van Heerden LJ	7 107	11 572	-	1 302
Councillor: Proportional	Zwane ZJ	6 553	6 260	-	1 169
Councillor: Ward 1	Mokoena MP	600	1 619	-	150
Councillor: Ward 2	Molawa JM	600	7 342	-	638
Councillor: Ward 3	Telane MM	600	9 312	-	110 371
Councillor: Ward 4	Nnune GB	600	3 072	51	6 516
Councillor: Ward 5	Kobo SS	600	4 230	-	22 519
Councillor: Ward 6	Nkheloane M	600	10 049	201	67 307
Councillor: Ward 7	Mahlaela PM	1 338	248	-	13 010
Councillor: Ward 8	Nteso SJ	1 569	4 927	1 235	117 296
Councillor: Ward 9	Dywili NN	2 215	4 539	1	6 513
Councillor: Ward 10	Mtshali NM	2 907	15 638	608	32 601
Councillor: Ward 11	Mabasa KT	2 815	10 682	23	624
Councillor: Ward 12	Makhefu LA	1 338	177	-	28
Councillor: Ward 13	Mosokweni FD	831	13 299	17	59 893
Councillor: Ward 14	Van der Merwe FJ	7 107	30 206	-	3 221
Councillor: Ward 15	Grobbelaar JJ	7 568	6 050	2	2 502
Councillor: Ward 16	Barnard JJ	6 553	14 340	-	1 498
Councillor: Ward 17	Burger GS	8 307	26 666	9	1 882
Councillor: Ward 18	Meyer R	14 306	16 748	-	1 341
Councillor: Ward 19	Mare AK	1 246	695	-	183
Councillor: Ward 20	Fisher L	1 338	19 791	-	1 551
Councillor: Ward 21	Mokoena NP	600	10 598	52	26 720
		120 093	410 831	6 670	1 005 211

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Section 57 Personnel:

Acting Municipal Manager	Mathe M	4 384	6 963	-	(2 349)
Director Technical Services and Infrastructure Services	Ramovha	10 337	17 746	997	20 457
Director Social Services	Alberts G	4 849	35 026	1 727	20 977
Acting Director Local Economic Development	Theko M	12 645	22 693	(40)	4 565
		32 215	82 428	2 684	43 650
Total Services		152 308	493 259	9 354	1 048 861

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

49.4 Loans granted to Related Parties

In terms of the MFMA, the Municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans were granted to Councillors, Management, Staff and Public by the municipality.

49.5 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 28 and 29, to the Annual Financial Statements.

2022: Revenue of family of key management personnel and councillors that are employed at the municipality:

	Name	Family Member	Department	Relationship	Remuneration
Organisation Development and Corporate Services	E Sediane	SS Sediane	Human Resources	Wife	618 917
Social Services	MD Moshodi	DB Moshodi	Parks Finance	Wife	224 468
Councillor	PM Mahlaela	RM Mahlaela	Technical Services	Daughter	291 356
Councillor	MJ Malindi	MM Nhlapo	Office of Speaker	Sister	291 356
Councillor	J Masiteng	PM Masiteng	Technical Services	Brother	324 681
					1 750 778

2021: Revenue of family of key management personnel and councillors that are employed at the municipality:

	Name	Family Member	Department	Relationship	Remuneration
Organisation Development and Corporate Services	E Sediane	SS Sediane	Human Resources	Wife	570 054
Social Services	MD Moshodi	DB Moshodi	Parks Finance	Wife	210 431
Councillor	PM Mahlaela	RM Mahlaela	Technical Services	Daughter	282 870
Councillor	MJ Malindi	MM Nhlapo	Office of Speaker	Sister	383 204
					1 446 559

Management class: Councillors

Refer to note "Remuneration of councillors"

	Basic salary	Other benefits received	Total
2022:			
Mayoral committee members	3 201 133	929 237	4 130 370
Mayor	691 854	223 608	915 461
Council Whip	568 560	142 110	710 669
Speaker	556 713	222 167	778 880
Chairpersons Section 79 committees	1 226 719	352 874	1 579 592
Other Councillors	9 132 185	2 136 431	11 268 615
	15 377 163	4 006 425	19 383 588

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	Basic salary	Other benefits received	Total
2021:			
Mayoral committee members	4 321 801	1 396 495	5 718 296
Mayor	673 987	264 263	938 250
Council Whip	673 987	40 800	714 787
Speaker	539 909	219 569	759 478
Chairpersons Section 79 committees	1 832 843	252 520	2 085 363
Other Councillors	6 787 181	2 376 380	9 163 561
	<u>14 829 708</u>	<u>4 550 027</u>	<u>19 379 735</u>

50. CONTINGENT LIABILITIES	2022 R	2021 R
50.1 Court Proceedings:	<u>184 874 168</u>	<u>173 420 624</u>
Ponoane Attorneys		
Rebatswere Security / Metsimaholo Local Municipality	4 106 500	-
AJP Dreyer / Metsimaholo Local Municipality	5 713 000	-
Lawrence Melato Inc. Attorneys		
John Motloug / Metsimaholo Local Municipality	-	154 906
BG Olivier / Metsimaholo Local Municipality	1 018 205	-
Raphela Incorporated Attorneys and Conveyancers		
Lizelle Trust/Metsimaholo Local Municipality (this case was taken over by Lizelle Venter attorneys)	-	171 600 521
Katake Attorneys		
Within Africa Construction/ Metsimaholo Local Municipality	1 665 197	1 665 197
Lizelle Venter Attorneys		
H Muller & Others / Metsimaholo Local Municipality	171 600 520	
SM Molala / Metsimaholo Local Municipality	670 746	
Imatli Obo JM Mbewe / Metsimaholo Local Municipality (amount claimed: salary of Mbewe retrospectively)	unknown	
Verveen Attorneys		
Mazibuko NE / Metsimaholo Local Municipality	100 000	

50.2 Other:

The municipality managed three landfill sites without the required licences in contravention of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008). In terms of section 68(1) of the National Environmental Management: Waste Act, 2008 a fine of R10 million or imprisonment for a period not exceeding 10 years for any person convicted of the offence could be imposed. Furthermore, the municipality may be subject to legal action by other institutions or members of the public since unauthorised landfill sites are operated that could have an environmental, health or safety risk to the community.

51. CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

52. IN-KIND DONATIONS AND ASSISTANCE

The municipality received the following in-kind donations and assistance:

Donor:	Donation/Project		2022	2021
			R	R
NATREF	Fire Engine	Capital	450 000	-
Fezile Dabi	Thermal, Video Conferencing & UVC light	Capital	763 170	-
Fezile Dabi	UVC lights and Automated sensors	Operating	151 630	-
MDV Developers	Infrastructure: Sewer	Capital	718 223	-
MDV Developers	Infrastructure: Roads	Capital	5 981 831	-
MDV Developers	Infrastructure: Water	Capital	602 647	-
MDV Developers	Infrastructure: Electricity	Capital	1 555 332	-
Sasol	Upgrade of Community hall	Capital	2 365 398	-
Sasol	Upgrade- high mast lights	Capital	2 262 827	-
Sasol	Security Upgrades	Capital	202 449	-
Sasol	Baseline study Sanitation network	Operating	1 978 180	-
Sasol	Road Markings	Operating	1 394 239	-
Sasol	Maintenance support	Operating	4 007 046	-
Sasol	Grass cutting	Operating	163 462	-
Sasol	Water Supply in Iraq Park	Operating	4 000	-
Sasol	Critical remedial work on Sasolburg operations peripheral roads		-	2 355 263
Sasol	Upgrades of Penny Heyns swimming pool		-	738 431
Sasol	New community park in Irak		-	1 562 849
Sasol	COVID 19 support : sanitizer and petrol		-	919 911
Total Donations Received			22 600 435	5 576 454

The municipality received the following in-kind assistance:

The municipality was placed under administration in terms of Section 139(1) (b) of the Constitution of the Republic of South Africa, 1996 from 20 February 2020 till the end of the reporting period.

(i) Secondment of Acting Municipal Manager by the Department of CoGTA
 Mr FM Mathe and Mr TL Mkaza each acted as Municipal Manager during the periods stated above and their salaries were paid by CoGTA.

(ii) Secondment of Acting Chief Financial Officer by the Department of CoGTA
 Ms KB Lepesa acted as Chief Financial Officer from November 2021 to June 2022 and her salary was paid by CoGTA.

(iii) Secondment of Financial Advisor by the Department of CoGTA
 Ms P Qulunga was appointed as Financial Advisor from March 2020 until the end of the reporting period and her salary was paid by CoGTA.

53. PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the year under review.

54. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2022.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

55. PRINCIPAL AND AGENT ARRANGEMENTS

Details of the arrangements are as follows:

Municipality as agent / principal	Other Party in agreement	Purpose of arrangement	Description of Arrangement	Significant Terms and Conditions of Arrangement
Principal	Utilities World	Prepaid electricity vendor	Metismaholo Local Municipality requires a prepayment vending and management system.	The system must provide for all types of payment methods. System must be operation on a 24 hour per day, 7days a week, 365 days a year basis. No changes during reporting period.
Principal	Easypay	Municipal account payment	That the Municipality's accounts for services owed by customers be paid at various Collectors and Easypay will accept payments on the Municipality's behalf and pay over to the Municipality at a	Funds shall be transferred daily in a consolidated total via ACM transfer to the Municipality's nominated bank account No changes during the reporting period.

Municipality as principal

Resources (including assets and liabilities) of the entity under the custodianship of the agent:

No assets or liabilities of Metsimaholo Municipality are under the custodianship of Utilities or Easypay.

Fees paid as compensation to the agent:

	2022	2021
	R	R
<i>Commission paid</i>		
Utilities world - prepaid electricity vendor	6 343 497	5 865 978
Easypay - Municipal account payment	1 014 716	1 060 680
	<u>7 358 212</u>	<u>6 926 658</u>

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated:

There are no resource or cost implications for the municipality if the arrangements are terminated.

56. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 41).

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

57. SEGMENT REPORTING

Aggregated segments

Segmental Statement of Financial Performance: GFS Classification

2022 Segment	Actual income	Actual expenditure	Surplus / (deficit)
Governance and administration			
Executive and Council	-	(46 565 163)	(46 565 163)
Finance and Administration	194 282 496	(186 130 171)	8 152 325
Internal Audit	-	(2 922 281)	(2 922 281)
Community and public safety			
Community and Social Services	4 345 986	(4 512 483)	(166 497)
Sport and Recreation	3 486 249	(33 638 684)	(30 152 435)
Public Safety	6 933 464	(48 892 569)	(41 959 105)
Housing	232 666 808	(69 852 522)	162 814 286
Economic and environmental services			
Planning and Development	3 211 213	(14 748 210)	(11 536 997)
Road Transport	33 245 992	(52 091 849)	(18 845 857)
Trading services			
Energy Sources	375 250 735	(414 237 056)	(38 986 321)
Water Management	500 977 387	(467 349 747)	33 627 640
Waste Water Management	185 143 841	(60 308 237)	124 835 604
Waste Management	66 041 937	(69 126 218)	(3 084 281)
Other	-	(3 862 500)	(3 862 500)
	<u>1 605 586 108</u>	<u>(1 474 237 690)</u>	<u>131 348 418</u>

2021 Segment	Actual income	Actual expenditure	Surplus / (deficit)
Governance and administration			
Executive and Council	-	(51 443 223)	(51 443 223)
Finance and Administration	196 301 299	(202 699 842)	(6 398 543)
Internal Audit	-	(2 815 834)	(2 815 834)
Community and public safety			
Community and Social Services	1 540 039	(5 405 544)	(3 865 505)
Sport and Recreation	5 245 160	(33 444 170)	(28 199 010)
Public Safety	5 053 994	(47 474 063)	(42 420 069)
Housing	233 144 179	5 706 647	238 850 826
Economic and environmental services			
Planning and Development	3 071 770	(15 365 948)	(12 294 178)
Road Transport	14 534 869	(53 503 451)	(38 968 582)
Trading services			
Energy Sources	344 183 870	(332 690 353)	11 493 517
Water Management	449 956 088	(356 314 061)	93 642 027
Waste Water Management	63 031 740	(49 759 584)	13 272 156
Waste Management	56 582 893	(53 331 397)	3 251 496
Other	-	(2 534 937)	(2 534 937)
	<u>1 372 645 901</u>	<u>(1 201 075 760)</u>	<u>171 570 141</u>

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

SEGMENT REPORTING (continued)
REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2022

The mandate of the municipality is to provide basic services to the community over which it governs. In order to execute its mandate and achieve its strategic goals, internal management reporting is based on each service objective.

The components described below have been identified as individually significant segments for purposes of reporting according to these service objectives:

- Energy sources - Electricity generation and distribution
- Waste management - Solid waste and waste water management
- Water - Water provision and treatment
- Road transport - Road infrastructure provision and maintenance

The following individually insignificant segments, with similar economic characteristics, have been aggregated for reporting purposes.

- Governance and administration
- Community and public safety
- Economic and environmental services
- Other

The municipality does not monitor segments geographically.

The municipality monitors the following business units operating results separately for the purpose of making decisions about resource allocation and performance assessment.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Segment Analysis of Financial Performance
Year ended 30 June 2022

Description	Housing	Road Transport	Energy Sources	Waste Management	Waste Water Management	Water Management	Other	Total for Municipality
	R	R	R	R	R	R		R
REVENUE								
Revenue from Non-exchange Transactions								
Property Rates	216 986 713	-	-	-	-	-	(5 790 943)	211 195 770
Service Charges	-	-	892 754	-	24 847	1 327 696	-	2 245 297
Fines, Penalties and Forfeits	-	-	-	-	-	-	4 284 718	4 284 718
Licences and Permits	-	-	-	-	-	-	14 650	14 650
Transfers and Subsidies	-	33 243 348	41 384 766	20 880 934	114 717 723	21 121 176	180 187 237	411 535 184
Interest, Dividends and Rent on Land Earned	9 669 232	-	-	-	-	-	-	9 669 232
Revenue from Exchange Transactions								
Service Charges	-	-	328 061 337	41 959 749	68 268 781	441 926 059	-	880 215 926
Sales of Goods and Rendering of Services	16 400	2 644	-	-	8 196	-	6 894 835	6 922 075
Rental from Fixed Assets	5 994 463	-	-	-	-	-	696 835	6 691 298
Interest, Dividends and Rent on Land Earned	-	-	4 911 878	3 201 254	2 124 294	36 602 456	9 996 851	56 836 733
Operational Revenue	-	-	-	-	-	-	239 152	239 152
Gains on Other Operations	-	-	-	-	-	-	15 736 073	15 736 073
Total Revenue	232 666 808	33 245 992	375 250 735	66 041 937	185 143 841	500 977 387	212 259 408	1 605 586 108
EXPENDITURE								
Employee Related Costs	6 887 938	20 315 773	22 595 264	34 843 530	11 641 693	18 766 628	215 080 724	330 131 550
Remuneration of Councillors	-	-	-	-	-	-	19 383 588	19 383 588
Depreciation and Amortisation	11 761	16 549 973	11 152 627	1 297 710	7 924 517	24 754 228	11 098 113	72 788 929
Impairment Losses	62 375 233	-	23 582 559	16 529 644	9 593 511	236 567 487	9 924 051	358 572 485
Interest, Dividends and Rent on Land	-	498	134 972	8 555 362	25	429 613	5 734 421	14 854 891
Bulk Purchases	-	-	333 805 718	-	-	-	-	333 805 718
Contracted Services	-	6 192 278	392 446	120 522	25 001 822	2 212 941	40 727 081	74 647 090
Inventory Consumed (including repairs and maintenance)	98 138	6 667 233	12 548 678	5 459 684	5 242 411	181 657 317	6 586 143	218 259 604
Transfers and Subsidies Paid	-	-	-	-	-	-	334 020	334 020
Operating Leases	-	1 714 614	-	362 922	-	120 471	201 974	2 399 981
Operational Costs	479 452	651 480	8 982 150	1 956 844	904 258	2 841 062	31 735 629	47 550 875
Loss on other Operations	-	-	-	-	-	-	465 777	465 777
Loss on Disposal of Property, Plant and Equipment	-	-	1 042 642	-	-	-	540	1 043 182
Total Expenditure	69 852 522	52 091 849	414 237 056	69 126 218	60 308 237	467 349 747	341 272 061	1 474 237 690
Surplus/(Deficit) for the Year	162 814 286	(18 845 857)	(38 986 321)	(3 084 281)	124 835 604	33 627 640	(129 012 653)	131 348 418

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

SEGMENT REPORTING (continued)

Segment Analysis of Financial Performance
Year ended 30 June 2021

Description	Housing	Road Transport	Energy Sources	Waste Management	Waste Water Management	Water Management	Other	Total for Municipality
R	R	R	R	R	R	R	R	R
REVENUE								
Revenue from Non-exchange Transactions								
Property Rates	219 706 632	-	-	-	-	-	(5 625 200)	214 081 432
Service Charges			1 969 499		27 416	1 281 542	-	3 278 457
Fines, Penalties and Forfeits	-	-	-	-	-	-	4 307 207	4 307 207
Licences and Permits	-	-	-	-	-	-	9 970	9 970
Transfers and Subsidies	-	14 533 041	16 565 190	19 170 914	25 854 280	26 575 123	193 394 527	296 093 075
Interest, Dividends and Rent on Land Earned	7 706 285	-	-	-	-	-	-	7 706 285
Revenue from Exchange Transactions								
Service Charges	-	-	322 219 510	35 300 221	35 801 237	400 822 800	-	794 143 768
Sales of Goods and Rendering of Services	-	1 828	-	-	6 504	-	9 191 571	9 199 903
Rental from Fixed Assets	5 731 262	-	-	-	-	-	184 721	5 915 983
Interest, Dividends and Rent on Land Earned	-	-	3 429 671	2 111 758	1 342 303	21 276 623	6 395 698	34 556 053
Operational Revenue	-	-	-	-	-	-	146 206	146 206
Gains on Other Operations	-	-	-	-	-	-	3 207 562	3 207 562
Total Revenue	233 144 179	14 534 869	344 183 870	56 582 893	63 031 740	449 956 088	211 212 262	1 372 645 901

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Description	Housing	Road Transport	Energy Sources	Waste Management	Waste Water Management	Water Management	Other	Total for Municipality
EXPENDITURE								
Employee Related Costs	6 051 840	20 318 888	19 139 689	32 849 817	12 124 875	19 030 124	217 062 728	326 577 961
Remuneration of Councillors	-	-	-	-	-	-	19 379 735	19 379 735
Depreciation and Amortisation	16 960	28 161 355	12 272 115	2 661 819	9 605 617	13 241 329	16 723 859	82 683 054
Impairment Losses	(12 248 804)	-	(8 291 567)	3 594 692	3 058 819	127 110 707	9 404 755	122 628 602
Interest, Dividends and Rent on Land	-	31 671	38 348	6 212 263	7 493	2 654 791	6 164 747	15 109 313
Bulk Purchases	-	-	295 206 598	-	-	-	-	295 206 598
Contracted Services	2 914	35 923	379 139	437 634	22 763 137	998 893	52 277 624	76 895 264
Inventory Consumed (including repairs and maintenance)	60 831	3 788 794	4 752 611	3 532 679	1 144 562	177 192 015	4 326 332	194 797 824
Transfers and Subsidies Paid	-	-	-	-	-	-	299 755	299 755
Operating Leases	-	560 989	-	2 305 429	6 200	519 337	920 094	4 312 049
Operational Costs	404 812	595 394	8 688 659	1 765 042	1 037 160	3 090 786	33 330 088	48 911 941
Loss on other Operations	-	-	-	-	-	12 465 400	44 687	12 510 087
Loss on Disposal of Property, Plant and Equipment	4 800	10 437	504 761	(27 978)	11 721	10 679	1 249 158	1 763 578
Total Expenditure	(5 706 647)	53 503 451	332 690 353	53 331 397	49 759 584	356 314 061	361 183 562	1 201 075 761
Surplus/(Deficit) for the Year	238 850 826	(38 968 582)	11 493 517	3 251 496	13 272 156	93 642 027	(149 971 300)	171 570 140

Segment Analysis of Financial Position and analysis of Capital Expenditure

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

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

58. GOING CONCERN ASSESSMENT

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.

Management considered the following matters in relation to the Going Concern position of Metsimaholo Local Municipality:

- (i) On 28 May 2022 Council adopted the 2022/23 to 2024/25 budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF), fund the elementary operations of the Municipality to support the on-going delivery of municipal services to residents, reflected that the Budget was cash-backed over the three-year period.
- (ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- (iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.
- (iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an on-going inflow of revenue to support the on-going delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.
- (v) We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus of R 1,621,096,232 and that the municipality's current assets exceed its current liabilities by R 192,519,323. 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.
- (vi) A cost containment program is in place and it is regarded by Council as a high priority in order to contain cost and improve service delivery.
- (vii) Metsimaholo Local Municipality is a grade 9 municipality it is in public interest that the municipality remains solvent and continue as an ongoing concern.

Municipality Entity Funding

The municipality receives funding from the Government as Grants and Transfers as per the DoRA. There is no intention from Treasury to stop the distribution of Equitable share to Metsimaholo Local Municipality. This is also corroborated by experience where National Treasury has met its obligations year on year and has therefore created a constructive obligation.

It is a state entity set up by the Constitution of the Republic of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide these services will prompt National Government intervention to ensure it stays functional and able to deliver basic services and consequently compliance with the Constitution.

Grants received in 2022/2023 financial year:

Equitable Share	246 748 000
Financial Management Grant (FMG)	2 750 000
Municipal Infrastructure Grant (MIG)	50 756 000
Integrated National Electrification Programme (INEP)	35 631 000
Integrated National Electrification Programme (Eskom)	173 000
Water Services Infrastructure Grant (WSIG)	22 316 000
Regional Bulk Infrastructure Grant (RBIG)	50 000 000
Expanded Public Works Programme Integrated Grant	1 523 000
Neighbourhood Development Partnership Grant (NDPG)	100 000
Total	<u>409 997 000</u>

Taking the aforementioned into account, Management has prepared the Annual Financial Statements on the Going Concern Basis.

METSIMAHOLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

59. COVID 19 - EXPENDITURE

Background information

On 31st December 2019 the government in Wuhan, China, confirmed that health authorities were treating dozens of pneumonia cases of unknown cause. A few days later, Chinese researchers identified a new virus which had infected many people in Asia, but at that point time there was no evidence that the virus was readily spread by humans. The first death in China as a result of the virus was reported on 11th January 2020, shortly before one of China's biggest holidays whereby millions of people travelled across the country. According to the first situation report by World Health Organisation (W.H.O), the first confirmed cases outside China had occurred in Japan, South Korea and Thailand by 20th January 2020. The next day the USA reported their first confirmed case where a man in his 30s developed symptoms after returning from his trip to Wuhan, China.

A "public health emergency of international concern" was officially declared by the W.H.O. on 30th January 2020. On 11th February 2020 the W.H.O. proposed that 'Covid-19' be the official name for the disease that the coronavirus causes, an acronym that stands for coronavirus disease 2019. On 14th February 2020 France announced a death by from coronavirus. This was the fourth death from the virus outside of mainland China. On 23rd February 2020 Italian officials locked down 10 towns after a cluster of cases emerged near Milan. The World Health Organisation declared the COVID- 19 outbreak as a global pandemic on 11th March 2020.

Covid-19 in South Africa

Although the coronavirus was international news since December 2019, it was only on 5th March 2020 that the South African National Institute for Communicable Diseases confirmed that a suspected case of COVID-19 had tested positive. On 23rd March 2020 President Cyril Ramaphosa announced the nationwide lockdown. On 30th March 2020 the Minister of Finance issued a conditional Exemption Notice in terms of section 177(1)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), in order to facilitate and enable the performance of legislative responsibilities by municipalities and municipal entities during the national state of disaster.

The table below indicates the total Covid-19 response expenditure (excluding VAT) for the period ending 30 June 2022:

	2022	2021
	R	R
COVID-19 Expenditure		
Operating Expenditure		
Operating expenditure: Inventory - materials and supplies	-	834 980
Operating expenditure: Protective clothing	285 066	1 466 575
Contracted Services: Loudhauling	-	24 150
Employee related cost: COVID 19 Allowance	-	1 500
Operating expenditure: Inventory fuel	-	688 311
Capital Expenditure		
Transport assets	-	1 603 359
Infrastructure assets	-	2 695 744
	285 066	7 314 619

The table below indicates the Funding sources for the total Covid-19 response expenditure (excluding VAT):

Funding sources of COVID-19 expenditure		
Own Revenue	285 066	884 567
Public contributions	-	919 911
Municipal Infrastructure Grant	-	1 211 038
Water Infrastructure Grant	-	4 299 103
	285 066	7 314 619

**APPENDIX A
METSIMAHOLO LOCAL MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld					Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	June	Sept	Dec	March	June			
Sector Education Training Authority Grant (SETA)	LGSETA	-	261 439	93 594	195 725	91 500	193 293	119 578	113 775							Yes	
Local Government Financial Management Grant (FMG)	Nat Treasury	2 650 000	-	-	-	143 976	1 877 001	417 153	211 870							Yes	
Expanded Public Works Programme Integrated Grant (EPWP)	Nat Treasury	406 000	729 000	487 000	-	347 642	285 628	383 497	596 749							Yes	
Water Services Infrastructure Grant (WSIG)	Nat Treasury	7 650 000	-	9 350 000	-	-	944 500	7 613 853	8 441 647							Yes	
Municipal Infrastructure Grant (MIG)	Nat Treasury	7 938 000	15 826 000	9 818 000	13 503 000	329 134	18 585 414	2 604 402	15 888 309							Yes	
Integrated National Electrification Programme Grant (INEP)	Nat Treasury	10 400 000	10 000 000	10 000 000	-	3 847 741	2 787 769	399 777	23 364 713							Yes	
Regional Bulk Infrastructure Grant (RBIG)	Nat Treasury	-	28 598 425	16 245 265	40 104 137	17 262 275	11 336 150	16 245 265	40 104 137							Yes	
Equitable Share	Nat Treasury	89 333 000	-	71 465 000	53 600 000	7 912 872	81 420 128	71 465 000	53 600 000							Yes	
Total Grants and Subsidies Received		118 377 000	55 414 864	117 458 859	107 402 862	29 935 140	117 429 883	99 248 525	142 321 200	0	0	0	0	0			