



**ANNUAL FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30 JUNE 2024**



Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

Legal form of entity

Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)

Nature of business

Local government (Municipality). The principal activities of the city are to: provide democratic and accountable government to the local communities, ensure sustainable service delivery to communities, promote social and economic development, promote a safe and healthy environment and encourage the involvement of communities and community organisations in the matters of local government.

Legislation governing the municipality's operations

Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003)
Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)
Local Government: Municipal Structures Act, 1998 (Act 117 of 1998)
Constitution of the Republic of South Africa (Act 108 of 1998)
Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004)
Division of Revenue Act (Act 1 of 2007) and various other acts and regulations

Members of Council

Executive Mayor

Cllr D. Thupane

Speaker

Cllr L. Sele

Chief Whip

Cllr T. Ramaisa

Municipal Public Accounts Committee

Cllr M. Lephadi

Members of Mayoral Committee

MMC Finance: Cllr. D. David

MMC Social Development: Cllr W. Segolodi

MMC Human Settlement, Real Estate & Rural Development: Cllr M. Mogoje

MMC Local Economic: Cllr N. Segapela

MMC Utilities: Cllr P. Modise

MMC Public Safety: Cllr F. Makgatho

MMC Public Works, Roads & Transport: Cllr J. Koboekae

MMC Corporate Support Services: Cllr K. Mandyu

MMC Sports, Recreation, Arts, Culture & Heritage: Cllr D. Modiko

MMC Integrated Environmental Management: Cllr X. Mkruquli

Councillors

Cllr V. Khumalo

Cllr L. Resha

Cllr B. Mdlane-Molatudi

Cllr J. Muravha

Cllr X. Nomalungelo

Cllr R. Moeketsi

Cllr C. Mankazana

Cllr E. Munyai

Cllr K. Morake

Cllr V. Molefe

Cllr M. Cornelius

Cllr M. Taunyane

Cllr T. Phindani

Cllr V. Khol

Cllr L. Lebewana

Cllr D. Witbooi

Cllr R. Mokoto

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

Cllr N. Nhlapo
Cllr K. Motlhope
Cllr L. Pii
Cllr W. Mnyaji
Cllr S. Dabhelia
Cllr T. Tshose
Cllr L. Ntshabele
Cllr B. Kubayi
Cllr M. Nqosa
Cllr S. Govindsamy
Cllr P. Matshaba
Cllr E. Mahne
Cllr M. Naude
Cllr J. Tapani
Cllr O. Moralo
Cllr J. Kotze
Cllr L. Du Toit
Cllr A. Jooste
Cllr L. Zwankhuizen
Cllr C. Van Der Westhuizen
Cllr M. Trump
Cllr S. Cochrane
Cllr A. Van Loggerenberg
Cllr D. Nieuwenhuizen
Cllr T. Gray
Cllr L. Lekoto
Cllr J. Holtzhausen
Cllr K. Lekagane
Cllr L. Moleba
Cllr J. Pannel
Cllr B. Seleke
Cllr G. Britz
Cllr E. Mdluli
Cllr T. Koto
Cllr F. Ngobeni
Cllr M. Hleza
Cllr K. Ntshangase
Cllr M. Badenhorst
Cllr D. Toerien
Cllr L. Gouws
Cllr A. Steyn
Cllr J. Liebenberg
Cllr T. Steenkamp
Cllr T. Ntando
Cllr S. Lebesa
Cllr B. Nkosi

Grading of local authority

High Capacity (Grade 5)

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

Accounting Officer	Mr M.A. Msezana
Chief Financial Officer	Ms B.V. Monkwe
Registered office	Civic Centre Cnr Commissioner & Market Street Krugersdorp 1740
Business address	Civic Centre Cnr Commissioner & Market Street Krugersdorp 1740
Postal address	P.O Box 94 Krugersdorp
Telephone number	011 951 2000
Attorneys	Various-per appointed panel
Auditors	Auditor - General South Africa (AGSA) Registered Auditors
Audit Committee members	Dr Len Konar (Chair) (1 July 2023 - 30 June 2024) Mr Bashir Ahmed (1 July 2023 - 30 June 2024) Mr Luyanda Mangquku (1 July 2023 - 30 June 2024) Mr Maphanga Maseko (1 July 2023 - 30 June 2024) Mr. Lufuno Ravhuhali (1 July 2023 - 30 June 2024)
Bankers	ABSA Standard Bank of South Africa Limited

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Index and Acronyms

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

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Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Index and Acronyms

AIDS	Acquired Immunodeficiency Syndrome
COIDA	Compensation for Occupational Injuries and Diseases Act
DBSA	Development Bank of Southern Africa
DoE	Department of Energy
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
HDA	Housing Development Agency
HIV	Human Immunodeficiency Virus
HSDG	Human Settlement Development Grant
INEP	Integrated National Electrification Programme
IUDG	Integrated Urban Development Grant
MCLM	Local Government: Municipal Finance Management Act,2003 (Act No Act 56 of 2003)
MFMA	Municipal Finance Management Act
MMC	Member of Mayoral Committee
MPAC	Municipal Public Accounts Committee
mSCOA	Municipal Standard Chart of Accounts
MWIG	Municipal Water Infrastructure Grant
NDPG	Neighbourhood Development Grant
NERSA	National Electricity Regulator of South Africa
SRAC	Sports, Recreation,Arts and Culture
VAT	Value Added Tax
WRDM	West Rand District Municipality
WSIG	Water Services Infrastructure Grant

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 are given unrestricted access to all financial records and related data.

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

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

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

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

The Accounting Officer has reviewed the municipality's cash flow forecast for the current financial year to June 30, 2025 and, in the light of this review and the current financial position, he is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal auditors.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 37 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 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The External Auditors are responsible for a statutory audit and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 7 to 127, which have been prepared on the going concern basis, were approved and signed by the Accounting Officer on 31 August 2024.

Accounting Officer
Makhosana Msezana

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June, 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	2	3,363,793	5,595,483
Receivables from non-exchange transactions	3	239,237,712	225,064,855
Receivables from exchange transactions	4	823,208,363	567,081,248
Cash and cash equivalents	5	149,607,629	144,501,712
Operating lease asset	6	32,846	49,297
VAT receivable	7	20,237,776	55,155,023
		1,235,688,119	997,447,618
Non-Current Assets			
Living resources	9	3,193,428	3,063,550
Investment property	8	678,306,084	668,196,700
Property, plant and equipment	10	5,922,893,526	5,790,627,564
Intangible assets	11	87,264	2,094,892
Heritage assets	12	2,450,275	2,450,275
Investment in shares	13	789,780	569,496
		6,607,720,357	6,467,002,477
Total Assets		7,843,408,476	7,464,450,095
Liabilities			
Current Liabilities			
Operating lease payments liability	6	9,176	2,728
Employee benefit obligation	14	15,348,481	13,088,071
Finance lease obligation	15	-	1,510
Unspent conditional grants and receipts	16	3,518,509	15,694,787
Provisions	17	3,880,165	2,041,724
Payables from non-exchange transactions	18	101,986,085	65,637,691
Payables from exchange transactions	19	866,291,526	1,306,677,308
Borrowings	20	33,598,649	48,722,579
Sundry deposits	22	12,605,276	12,838,245
Consumer deposits and guarantees	23	74,607,305	69,956,213
Short-term trade and other payables	21	72,128,221	-
		1,183,973,393	1,534,660,856
Non-Current Liabilities			
Operating lease payments liability	6	296	88
Employee benefit obligation	14	255,517,409	225,341,582
Finance lease obligation	15	-	948,713
Provisions	17	116,375,218	97,894,817
Borrowings	20	122,669,165	139,659,990
Long-term trade and other payables	21	103,623,306	-
		598,185,394	463,845,190
Total Liabilities		1,782,158,787	1,998,506,046
Net Assets		6,061,249,689	5,465,944,049
Social Responsibility		61,264,855	50,434,216
Accumulated surplus		5,999,984,834	5,415,509,833
Total Net Assets		6,061,249,689	5,465,944,049

* See Note 49

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	25	2,368,009,237	1,977,445,313
Rental of facilities and equipment	26	4,999,537	7,563,438
Income from agency services	27	54,006,505	23,220,916
Licences and permits		502,006	68,228
Operational revenue from exchange transactions	28	18,837,482	34,080,528
Interest received - Outstanding debtors	29	171,785,131	87,748,396
Investment revenue - Interest revenue	30	12,761,426	7,454,743
Investment revenue - Dividends revenue	30	31,232	28,109
Total revenue from exchange transactions		2,630,932,556	2,137,609,671
Revenue from non-exchange transactions			
Statutory income: Property rates	31	649,993,283	614,122,237
Transfers and subsidies	32	1,074,768,041	890,578,492
Donations	33	7,011,743	49,559,341
Fines, Penalties and Forfeits	34	63,386,840	71,887,296
Non-exchange interest (debt relief)		39,270,818	-
Fair value adjustments	35	10,329,667	10,456,972
Total revenue from non-exchange transactions		1,844,760,392	1,636,604,338
Total revenue		4,475,692,948	3,774,214,009
Expenditure			
Employee related costs	36	(1,028,416,891)	(927,445,381)
Remuneration of councillors	37	(39,488,117)	(38,760,238)
Depreciation and amortisation	38	(240,161,693)	(252,856,979)
(Impairment loss)/Reversal of impairments	39	(14,048,943)	(10,645,604)
Interest costs	40	(22,965,599)	(63,652,823)
Debt Impairment	41	(393,975,722)	(331,114,214)
Collection costs	42	(24,095,585)	(46,172,597)
Bulk purchases	43	(1,632,117,928)	(1,403,825,020)
Contracted services	44	(341,094,340)	(422,433,933)
Transfers and Subsidies		(1,281,782)	(1,031,514)
Operational costs	45	(170,281,125)	(158,330,641)
Total expenditure		(3,907,927,725)	(3,656,268,944)
		567,765,223	117,945,065
Gains and losses	46	16,709,153	26,098,480
Surplus for the year		584,474,376	144,043,545

* See Note 49

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

Figures in Rand	Social Responsibility	Accumulated surplus	Total net assets
Opening balance as previously reported	-	5,296,373,301	5,296,373,301
Adjustments			
Total changes/Surplus(Deficit) for the year	-	18,735,574	18,735,574
Correction of error	-	(43,642,594)	(43,642,594)
Restated* Balance at July 1, 2022	41,647,552	5,271,466,281	5,313,113,833
Restated* surplus for the year	-	144,043,545	144,043,545
Surplus/deficit for the year	-	160,214,202	160,214,202
Correction of errors	-	(16,170,654)	(16,170,654)
Total changes	8,786,664	144,043,545	152,830,209
Restated* Balance at July 1, 2023	50,434,216	5,415,509,829	5,465,944,045
Changes in net assets			
Surplus for the year	-	584,474,376	584,474,376
Total changes	10,830,639	584,474,376	595,305,015
Balance at June 30, 2024	61,264,855	5,999,984,835	6,061,249,690
Note(s)	-	49	

Mogale City Local Municipality established a 1% Corporate Social Responsibility (CSR) levy during the financial year that ended on 30 June 2010, which was revised to 2% from 1 July 2022. All Suppliers/Service Providers that are situated outside the borders of the Municipality that are awarded a tender through the Supply Chain Management processes, are obliged to contribute a 2% levy of all the payments that the Municipality makes to them throughout the tender tenure to the Municipality's CSR Fund.

* See Note 49

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Property rates		612,359,464	531,748,501
Sale of goods and services		1,917,495,371	1,765,899,110
Interest income		184,546,557	95,203,139
Dividends received		31,232	28,109
Grants		1,062,591,763	899,421,902
Other receipts		3,618,130	66,656,098
		<u>3,780,642,517</u>	<u>3,358,956,859</u>
Payments			
Employee costs		(1,026,076,504)	(965,837,869)
Suppliers		(2,318,994,831)	(1,976,339,201)
Interest costs		(22,965,599)	(63,652,823)
		<u>(3,368,036,934)</u>	<u>(3,005,829,893)</u>
Net cash flows from operating activities	47	<u>412,605,583</u>	<u>353,126,966</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(374,434,688)	(319,672,932)
Net cash flows from investing activities		<u>(374,434,688)</u>	<u>(319,672,932)</u>
Cash flows from financing activities			
Repayment of borrowings		(33,064,978)	(30,788,853)
Net cash flows from financing activities		<u>(33,064,978)</u>	<u>(30,788,853)</u>
Net increase/(decrease) in cash and cash equivalents		5,105,917	2,665,181
Cash and cash equivalents at the beginning of the year		144,501,712	141,836,531
Cash and cash equivalents at the end of the year	5	<u>149,607,629</u>	<u>144,501,712</u>

* See Note 49

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	2,317,692,988	(4,520,824)	2,313,172,164	2,368,009,237	54,837,073	
Rental of facilities and equipment	7,078,739	(2,551,307)	4,527,432	4,999,537	472,105	
Interest received (Outstanding debtors)	87,235,868	-	87,235,868	171,785,131	84,549,263	48.1
Income from agency services	32,390,684	1,337,408	33,728,092	54,006,505	20,278,413	48.2
Licences and permits	89,360	(42,188)	47,172	502,006	454,834	48.3
Operational revenue from exchange transactions	65,201,432	(10,000,473)	55,200,959	18,837,482	(36,363,477)	48.4
Investment revenue - Interest revenue	4,128,127	11,895,181	16,023,308	12,761,426	(3,261,882)	48.5
Investment revenue - Dividends revenue	-	-	-	31,232	31,232	
Total revenue from exchange transactions	2,513,817,198	(3,882,203)	2,509,934,995	2,630,932,556	120,997,561	

Revenue from non-exchange transactions

Statutory income: Property rates	647,121,486	2,246,108	649,367,594	649,993,283	625,689	
Transfers and subsidies	1,019,278,769	58,959,436	1,078,238,205	1,074,768,041	(3,470,164)	
Donations	-	-	-	7,011,743	7,011,743	48.6
Fines, Penalties and Forfeits	138,194,518	(64,228,652)	73,965,866	63,386,840	(10,579,026)	48.7
Fair value adjustments	-	-	-	10,329,667	10,329,667	48.8
Total revenue from non-exchange transactions	1,804,594,773	(3,023,108)	1,801,571,665	1,805,489,574	3,917,909	
Total revenue	4,318,411,971	(6,905,311)	4,311,506,660	4,436,422,130	124,915,470	

Expenditure

Employee related costs	(1,012,779,826)	(15,646,171)	(1,028,425,997)	(1,028,416,891)	9,106	
Remuneration of councillors	(42,957,832)	-	(42,957,832)	(39,488,117)	3,469,715	
Depreciation and amortisation	(238,766,898)	(12,000,000)	(250,766,898)	(240,161,693)	10,605,205	
Impairment loss/ Reversal of impairments	(32,280,421)	12,280,421	(20,000,000)	(14,048,943)	5,951,057	4.9
Interest costs	(24,208,312)	548,226	(23,660,086)	(22,965,599)	694,487	
Debt Impairment	(351,265,350)	250,218	(351,015,132)	(393,975,722)	(42,960,590)	48.10
Collection costs	(26,005,210)	1,907,096	(24,098,114)	(24,095,585)	2,529	
Bulk purchases	(1,700,960,284)	68,834,459	(1,632,125,825)	(1,632,117,928)	7,897	
Contracted Services	(423,740,248)	82,363,847	(341,376,401)	(341,094,340)	282,061	48.11
Transfers and Subsidies (operational expenditure)	(5,861,193)	(1,075,976)	(6,937,169)	(1,281,782)	5,655,387	48.12
Operational costs	(207,777,200)	22,219,902	(185,557,298)	(170,281,125)	15,276,173	48.13
Total expenditure	(4,066,602,774)	159,682,022	(3,906,920,752)	(3,907,927,725)	(1,006,973)	
Surplus/(deficit)	251,809,197	152,776,711	404,585,908	528,494,405	123,908,497	

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Surplus for the year before gains, losses and fair value adjustments	251,809,197	152,776,711	404,585,908	528,494,405	123,908,497	
Gains and losses	-	-	-	16,709,153	16,709,153	

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	13,470,708	2,116,489	15,587,197	3,363,793	(12,223,404)	
Receivables from non-exchange transactions	294,068,619	-	294,068,619	239,237,712	(54,830,907)	
Receivables from exchange transactions	468,718,938	-	468,718,938	823,208,363	354,489,425	
Cash and cash equivalents	18,357,948	(15,843,901)	2,514,047	149,607,629	147,093,582	
Operating lease asset	19,271	-	19,271	32,846	13,575	
VAT receivable	46,940,312	-	46,940,312	20,237,776	(26,702,536)	
	841,575,796	(13,727,412)	827,848,384	1,235,688,119	407,839,735	

Non-Current Assets

Investment property	698,723,898	-	698,723,898	678,306,084	(20,417,814)	
Property, plant and equipment	5,991,622,053	12,798,224	6,004,420,277	5,922,893,526	(81,526,751)	
Living resources	2,734,560	-	2,734,560	3,193,428	458,868	
Intangible assets	8,021,890	-	8,021,890	87,264	(7,934,626)	
Heritage assets	2,450,275	-	2,450,275	2,450,275	-	
Investment in shares	598,971	-	598,971	789,780	190,809	
	6,704,151,647	12,798,224	6,716,949,871	6,607,720,357	(109,229,514)	

Total Assets

	7,545,727,443	(929,188)	7,544,798,255	7,843,408,476	298,610,221	
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Liabilities

Current Liabilities

Employee benefit obligation	-	-	-	15,348,481	15,348,481	
Unspent conditional grants and receipts	-	-	-	3,518,509	3,518,509	
Provisions	16,030,574	-	16,030,574	3,880,165	(12,150,409)	
Payables from non-exchange transactions	118,050,879	-	118,050,879	101,986,085	(16,064,794)	
Payables from exchange transactions	1,314,359,735	-	1,314,359,735	866,291,526	(448,068,209)	
Borrowings	32,202,061	-	32,202,061	33,598,649	1,396,588	
Sundry deposits	-	-	-	12,605,276	12,605,276	
Consumer deposits and guarantees	85,602,725	-	85,602,725	74,607,303	(10,995,422)	
Operating lease liability	-	-	-	9,176	9,176	
Short-term trade and other payables	-	-	-	72,128,221	72,128,221	
	1,566,245,974	-	1,566,245,974	1,183,973,391	(382,272,583)	

Non-Current Liabilities

Employee benefit obligation	-	-	-	255,517,409	255,517,409	
Provisions	357,300,619	-	357,300,619	116,375,218	(240,925,401)	
Borrowings	156,267,813	(3,081,634)	153,186,179	122,669,165	(30,517,014)	
Operating lease liability	-	-	-	296	296	

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Long-term trade and other payables	-	-	-	103,623,306	103,623,306	
	513,568,432	(3,081,634)	510,486,798	598,185,394	87,698,596	
Total Liabilities	2,079,814,406	(3,081,634)	2,076,732,772	1,782,158,785	(294,573,987)	
Net Assets	5,465,913,037	2,152,446	5,468,065,483	6,061,249,691	593,184,208	
Net Assets						
Reserves						
Social Responsibility Fund	-	-	-	61,264,855	61,264,855	
Accumulated surplus	5,465,913,037	2,152,446	5,468,065,483	5,999,984,836	531,919,353	
Total Net Assets	5,465,913,037	2,152,446	5,468,065,483	6,061,249,691	593,184,208	

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Property rates	575,938,123	1,999,036	577,937,159	612,359,464	34,422,305	
Services charges	2,062,746,759	(4,023,533)	2,058,723,226	1,917,495,371	(141,227,855)	
Other Revenue	509,785,732	(24,494,419)	485,291,313	3,618,130	(481,673,183)	
Transfers and Subsidies - Operating	643,510,769	(67,629)	643,443,140	1,062,591,763	419,148,623	
Transfers and Subsidies - capital	375,768,000	2,833,257	378,601,257	-	(378,601,257)	
Interest	91,363,995	54,750,270	146,114,265	184,546,557	38,432,292	
Dividend income	-	-	-	31,232	31,232	
	4,259,113,378	30,996,982	4,290,110,360	3,780,642,517	(509,467,843)	

Payments

Suppliers and employee costs	(3,727,441,018)	(176,805,439)	(3,904,246,457)	(3,345,071,335)	559,175,122	
Interest costs	(24,208,312)	548,226	(23,660,086)	(22,965,599)	694,487	
Transfers and subsidies	(5,861,193)	(4,135,287)	(9,996,480)	-	9,996,480	
	(3,757,510,523)	(180,392,500)	(3,937,903,023)	(3,368,036,934)	569,866,089	

Net cash flows from operating activities	501,602,855	(149,395,518)	352,207,337	412,605,583	60,398,246	
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Cash flows from investing activities

Purchase of property, plant and equipment	(450,885,244)	(11,201,326)	(462,086,570)	(374,434,688)	87,651,882	
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Cash flows from financing activities

Repayment of borrowing	(33,598,649)	1,483,893	(32,114,756)	(33,064,978)	(950,222)	
Net increase/ decrease in cash held	17,118,962	(159,112,951)	(141,993,989)	5,105,917	147,099,906	
Cash and cash equivalents at the beginning of the year	1,238,985	143,269,052	144,508,037	144,501,712	(6,325)	
Cash and cash equivalents at the end of the year	18,357,947	(15,843,899)	2,514,048	149,607,629	147,093,581	

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1. Presentation of Annual Financial Statements

The financial statements of Mogale City Local Municipality for the year ended 30 June 2024 were authorized for issue by the Accounting Officer on 31 August 2024.

1.1 General Information

The address of Mogale City Local Municipality's registered office, principal place of business, legal form of entity, nature of business and principal activities are disclosed under 'General Information' on page 1 and 4 of these annual financial statements.

1.2 Basis of preparation

The annual financial statements were prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

The cash flow statement has been prepared in accordance with the direct method. The amount and nature of any restrictions on the cash balance are disclosed.

1.3 Basis of preparation

These 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 No 56 of 2003).

The Financial Statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

1.4 Functional and presentation currency

These Financial Statements are presented in South African Rand, which is the functional currency of the Municipality and all values are rounded to the nearest rand.

1.5 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position only when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.6 Going Concern

The financial statements were prepared on a going-concern basis. The assumption is that Mogale City will be able to continue operating for a period that is sufficient to carry out its commitments, obligations and objectives.

1.7 Standards issued and not yet effective

Amended Standards	Effective date	Expected impact:
GRAP 103 Heritage Assets	Not yet effective	No material impact on the municipality's reporting requirements
GRAP 104 Financial Instruments	1 April 2025	Material
GRAP 1 Presentation of Financial Statements	Not yet effective	Material
The application of materiality to financial statements	Not yet effective	Material

Amendments to GRAP 105, GRAP 106 and GRAP 107 on Transfers of Functions and Mergers - Amended to align GRAP 105, GRAP 106 and GRAP 107 to IPSAS 40 on Public Sector Combinations and IFRS 3 on Business Combinations. The municipality may not early adopt. The Minister must still determine effective date. No material impact on the municipality's reporting requirements is expected from this amendment.

Improvements to Standards of GRAP, 2023 - Minor amendments aligned with international standard-setters as well as local stakeholder input. The municipality may not early adopt. The Minister must still determine effective date. No material impact on the municipality's reporting requirements is expected from this amendment.

1.8 Significant judgements and estimates

Accounting Policies

(continued)

In the application of the municipality's accounting policies, which are described below, management is required to make judgement, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered to reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Significant judgements include:

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: Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site. Interest rates (investment rate) linked to prime was used to calculate the effect of the time value of money.

Leave accrual

The provision for staff leave is based on accrued leave at year-end. The uncertainty is when the leave will be taken or if employment will be terminated.

Prepaid electricity

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

Estimates of unused consumption of prepaid metered services, based on the consumption history, are made at year-end. Sales for prepaid metered services are recognised as revenue upon receipt of payment for these services, except at year-end when estimates for unused consumption up to reporting date are reversed from revenue and accrued as payment for services received in advance. These accruals are reversed in the new financial year to revenue again, deemed to be consumed after 30 June. In respect of estimates of consumption between the last date of purchase and the reporting date, an accrual for payments received in advance is made based on the average monthly consumption of consumers on the reporting date.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate involves a matter of judgement based on the experience of the municipality with similar assets, and whether the assets will be sold or used to the end of their economic lives and the condition at the time. The municipality considers all the facts and circumstances estimating the useful lives of assets, which included the consideration of financial, technical and other facts. This estimate is based on industry norm. 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 the previously estimated useful lives.

The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

The policy is also applicable to certain intangible assets and Living Resources.

1.9 Use of estimates

Management makes estimates and assumptions concerning the future in applying its accounting policies. The resulting accounting estimates may, by definition, not equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are detailed in the notes to the financial statements where applicable.

Management continually evaluates estimates and judgments based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognised in the period in which the estimates are reviewed and in any future periods affected.

In the process of applying Mogale City's accounting policies, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements.

1.9.1 Classification of leases

All arrangements that are classified as leases are evaluated as Operating and Finance leases. These are then accounted for in the annual financial statements in terms of the relevant GRAP standard.

1.9.2 Employee benefits including pension and other post-employment benefits

Accounting Policies

. (continued)

The cost of defined-contribution plans and other employment medical aid benefits are determined by using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, health care cost inflation rate, net of health care cost inflation discount rate, maximum subsidy inflation rate, and net of maximum subsidy inflation discount rate, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. We value the liability by using the Projected Unit Credit Method.

1.9.3 Impairment of receivables

A comprehensive methodology for impairment of receivables is utilised by the municipality in assessing receivables for impairment and for determining the extent to which receivables are impaired in line with GRAP 104. Management's estimates and judgement are utilised in the analysis of receivables and calculation of impairment.

The Municipality assesses at the end of each reporting date whether there is objective evidence that a receivable account or group of receivable accounts is impaired.

The following accounts are specifically excluded from impairment testing:

Receivable accounts with a credit balance at reporting date;

Receivable accounts where the balance at reporting date is zero;

Receivable accounts where the Municipality is the owner;

Receivable accounts where the Government is the owner;

Receivable accounts that have no balance outstanding longer than 30 days at reporting date as these accounts are considered not to be past due (with the exception of handed over accounts).

Any one of the following events is considered to provide objective evidence that a receivable account or group of receivable accounts could be impaired.

Accounts handed over to debt collectors for collection.

Accounts identified as section 118(3) historical debts.

Accounts wherein the accountholder is indicated to be or will be under debt review, subject to liquidation, sequestration or any similar arrangement.

Accounts where the accountholder has a current repayment arrangement as at the reporting date.

All accounts indicated as in-active accounts on the system;

Accounts that have been formally presented to Council for write-off.

Accounts with balances outstanding for 30 days and longer as these account holders have defaulted and the accounts are considered to be past due date.

Accounts where the account holder is an approved indigent at reporting date.

Accounts where the last payment date by the account holder was more than 2 months before the end of the reporting period.

Accounts other than the above which in Management's view could be impaired taking any other factors at management's disposal into consideration.

The impairment loss is calculated as the difference between the carrying values of the receivable at reporting date less the present value of expected future cash flows. Expected future cash flows will be calculated based on management's experienced judgement.

Receivables will not be discounted when calculating the estimated impairment allowance as account holders within a municipality are granted normal credit terms that are applicable in the public sector. Accounts where a formal debt repayment arrangement has been entered into with the customer will however be discounted at the prime lending rate as the municipality does not charge interest on accounts wherein an arrangement has been entered into.

A provision for impairment of traffic fines is raised based on the average percentage of uncollected fines in the preceding 3 years, fines older than 3 years are considered to be impaired and are written off.

1.9.4 Impairment of property, plant and equipment, heritage assets and intangible assets

The Municipality tests for impairment where there is an indication that an asset might be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment, heritage assets, intangible assets and investment property is greater than the estimated recoverable amount (or recoverable service amount) it is written down immediately to its recoverable amount (or recoverable service amount), an impairment loss is charged to the Statement of Financial Performance and the carrying value is adjusted accordingly by the loss.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.9.5 Provisions, landfill rehabilitation provision and contingent liabilities

Management's judgement is required when recognising and measuring provisions, landfill rehabilitation provision and contingent liabilities. Provisions are discounted where the effect of discounting is material.

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. The amount of the

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

. (continued)

provision is recognised at the present value of the expenditure expected to settle the obligation using an appropriate discounting rate, representing the time value of money and is carried at amortised cost.

1.9.6 Useful lives of property, plant and equipment and intangible assets

The useful lives of assets are based on management's estimates. Management considers the impact of technology, service requirements and required return on assets to determine the optimum useful-life expectation, where appropriate.

The estimated residual values of assets are also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

1.10 Budget information

Mogale City is typically subject to budgetary limits in the form of budget authorisations (or equivalent), which is given effect through MFMA and the appropriate budget regulations.

The approved budget:

- Is presented by economic classification linked to performance outcome objectives; and

- Covers the fiscal period from 01 July to 30 June, annually.

The annual financial statements and the budget are prepared on the same basis of accounting. A comparison with the budgeted amounts for the reporting period was included in the Statement of Comparison of Budget and Actual Amounts.

Variances between budget and actual amounts are regarded as material when a variance exist of 10% in the statement of financial position, financial performance, cash flow statement and capital expenditure.

All material differences are explained in the notes to the annual financial statements.

1.11 Consistency of policies

The accounting policies are in all material respects consistent with those applied in the previous year.

1.12 Corresponding figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. Reclassifications of certain accounts were made in order to comply with the requirements of Municipal Standard Chart of Accounts (mSCOA). The reclassifications have no impact on the net asset value of the municipality.

Where accounting errors/change in accounting policy have been identified in the current year, the correction/adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.13 Corporate Social Responsibility levy

Mogale City Local Municipality established a 1% Corporate Social Responsibility (CSR) levy during the financial year that ended on 30 June 2010. The revised applicable levy for financial years from 1 July 2022 is 2% on all new tenders awarded to Service Providers that are not Mogale City based. All Suppliers/Service Providers that are situated outside the borders of the Municipality that are awarded a tender through the Supply Chain Management processes, are obliged to contribute a 2% levy of all the payments that the Municipality makes to them throughout the tender tenure to the Municipality's CSR Fund.

1.14 Accumulated surplus

The accumulated surplus 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/deficits. Prior year adjustments, relating to income and expenditure, are credited/debited against accumulated surplus when retrospective adjustments are made.

2 FINANCIAL REPORTING TERMS

2.1 Assets acquired at no costs/nominal cost

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

2.2 Cash generating assets

Cash generating assets are those assets held by Mogale City 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.

2.3 Carrying Amount

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.

2.4 Cash generating unit

A cash generating unit is the smallest identifiable group of assets held with the primary objective of generating a

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

. (continued)

commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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, Mogale City uses management's best estimate of future price(s) that could be achieved at arm's length transactions in estimating.

The future cash inflows used to determine the assets or cash generating unit's value in use; and

The future cash outflow used to determine the value in use of any other assets or cash generating units that are affected by the internal transfer pricing.

2.5 Costs of disposal

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

2.6 Cost of inventories

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.

2.7 Current replacement cost

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

2.8 Depreciation/Amortisation

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

2.9 Exchange transactions for non-monetary assets

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination thereof, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at its cost, its cost is measured at the carrying amount of the asset given up.

2.10 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.

2.11 Fair value

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

2.12 Impairment Loss

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).

2.13 Net realisable value

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.

2.14 Non-cash generating assets

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

At initial recognition the Municipality shall designate:

- An asset as non-cash generating or
- An asset or cash generating unit as cash generating

The designation is made on the basis of the Municipality's objective of using the asset.

2.15 Recognition criteria for assets

Assets are recognised if it is probable that future economic benefits or service potential will flow to Mogale City from the assets and the costs/fair value of the assets can be reliably measured. This applies to the following types of assets: Property, plant and equipment, Investment property, Intangible asset and Heritage assets.

2.16 Recoverable amount

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

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

. (continued)
use.

2.17 Recoverable service amount

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

2.18 Useful life

Useful life is either:

The period of time over which an asset is expected to be used by Mogale City; or

The number of production or similar units expected to be obtained from the asset by Mogale City.

2.19 Value in use of cash generating assets

The following elements shall be reflected in the calculation of an asset's value in use:

An estimate of the future cash flows the Municipality expects to derive from the asset;

Expectations about possible variations in the amount or timing of those future cash flows;

The time value of money, represented by the current market risk-free rate of interest

The price for bearing the uncertainty inherent in the asset and

Other factors, such as liquidity, that market participants would reflect in pricing the future cash flows expected to be derived from the asset.

Cash-generating units are those 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.

2.20 Value in use of non-cash generating assets

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 assets is determined using the depreciated replacement cost approach.

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 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 Mogale City 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.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 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. This is the criteria that the Municipality used to distinguish between Property Plant and Equipment and Investment Property. Mogale City maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain.

Property, plant and equipment is initially measured at cost, including all directly attributable costs necessary to bring the asset to its required working condition for its intended use. Subsequently property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Where property, plant and equipment are acquired through non-exchange transactions, the cost is deemed to be the item's fair value on the date of acquisition.

3.1.1 Assets under construction

Costs capitalised for work in progress in respect of activities to develop, enhance, or expand items of property, plant and equipment are classified as part of assets under construction. Assets under construction are capitalised once they are

Accounting Policies

(continued)

ready for use, that its 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. Assets under construction are carried at historical costs net of any impairment losses. Finance expenditure, net of finance income, are capitalised on qualifying assets. Depreciation only commences once the asset is ready for use.

Mogale City discloses information relating to assets under construction or development of Investment Property, Property, Plant and Equipment, Intangible Asset and Heritage Asset in the note of the relevant asset.

3.1.2 Significant components

Significant components, major spare parts and standby equipment's that have different useful lives or can be used in more than one period, are accounted for as separate items (major components) of property, plant and equipment. Spare parts and stand by equipment which can only be used in connection with a specific item of property, plant and equipment are accounted for as part of that item. Componentization of assets is based on part of an asset significant cost in relation to the total cost.

3.1.3 Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the assets are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, it is regarded as repairs and maintenance, and is expensed. 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.

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. Remaining inspection costs from the previous inspection are derecognised.

3.1.4 Derecognition of items of property, plant and equipment

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. Gains or losses arising from derecognition of items of property, plant and equipment are included in surplus or deficit when the item is derecognised. This is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Derecognition of Land

When to recognise and derecognise land is based on control, not only legal title.

3.1.5 Reclassification of items of Property, Plant and Equipment

Assets which Mogale City holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals end and the assets are available for sale. Proceeds from sales of these assets are recognised as revenue.

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified accordingly.

Any gain arising on this re-measurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in statement of financial position and presented in the revaluation reserve. Any loss is recognised in surplus or deficit.

3.1.6 Depreciation

Depreciation is calculated on cost, using the straight-line method, over the estimated useful lives of the assets. The depreciation charge for each period is recognised in surplus or deficit in the financial performance. Land is not depreciated as it is deemed to have an indefinite life.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where appropriate, the term of the relevant lease, and are recognised in the statement of financial performance. The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. Changes in the above are accounted for as a change in accounting estimate in the Statement of Financial Performance, on a prospective basis.

As Mogale City maintains and acquires assets to provide a social service to the community, the useful lives and economic lives of these assets are equal. Consequently, no residual values are determined.

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

Asset Type	Component Type	Estimated Useful Life in years
Building	Air conditioning	20

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

(continued)

	Electrical installation	30
	Finishes, fixtures & fittings	15
	Fire protection	20
	Floor	50
	Lifts	10
	Plumbing	20
	Roof	40
	Security system	20
	Walls	30-60
Civil Structure	Carports	7
	Earth Structure	50
	Erosion Protection	50
	Filter media	10
	Leachate drainage system	50
	Lining - landfill	50
	Masonry structure	30
	RC Structure	50-80
	Retaining wall	60
	Well	30
Communal sanitation	Septic Tank	40
Drainage	Channel	5
	Culvert	60
	Grid Inlet	30
	Kerb	20
	Kerb Inlet	20
	Sub-soil drain	60
Earthworks	Earthworks	100
	Landfill restoration	20-40
Electrical equipment	Control Cable	50
	Isolator	30
	MV Cable	50
	Telemetry	15
External facilities	Bin / Container	10
	External furniture	20
	External lighting	30
	Irrigation	10
	Landscaping	30
	Perimeter Protection	8-30
	Small building / enclosure	20
	Tank	15
Footpath / Paving	Paving	20
HV Conductor	HV Cable	50
	HV Overhead line	50
HV Substation	Batteries	20
	Current transformer	45
	HV Power Transformer	45
	HV Switchgear - Circuit Breaker	50
	HV Switchgear - Isolating Link	50
	HV Switchgear - Isolators	50
	Transformer NEC	45
	Transformer NER	45
	Voltage Transformer	45
LV Conductor	LV Cable	50
Mechanical equipment	Aerator	20
	Blower	20
	Bowser	10
	Compressor	10
	Conveyor	20
	Doser	15
	Dosing Plant	15
	Engine	15

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	Gas control equipment	15
	Gearbox	15
	Generator	20
	Grit Classifier	30
	Mixer	20
	Motor	15
	Pump – sewer	15
	Pump - submersible	8-15
	Pump – water	15
	Rotating scraper assembly	20
	Trickling Filter	20
	Wash water system	15
	Weigh bridge	15
Metal work	Fabricated Steel	20-30
	Guard rail	15
Municipal Service Connection	Electrical service connection	50
	Electricity Meter	10-20
	Load Shed Relay	20
	Sanitation Connection	50
	Water Connection	50
	Water Meter	10
MV Conductors	MV Overhead line	50
MV Mini-sub	Mini-Sub	45
	Transformer	45
MV Primary substation	MV Switchgear - Circuit Breaker	50
MV Substation	Battery Charger	10
	Control panel	50
	Load Control Set	20
	MV Switchgear - Isolating Link	50
	MV Switchgear - Isolators	50
	MV Transformer	45
	Panel switchgear	50
	Power factor equipment	30-50
MV Transformer	Pole Transformer	45
Pavement	Road structural layer	30
	Road surface	3
Pedestrian bridge	Pedestrian bridge substructure	100
	Pedestrian bridge superstructure	100
Pipe work	Communal standpipe - Pedestal	10
	Hydrant	20
	Pipe – sewer	40
	Pipe - stormwater	50
	Pipe – water	40
	Valve	20
Public Lighting	High mast	45
	Street Light	45
Road Bridge	Road bridge sub-structure	100
	Road bridge super-structure	100
Road Furniture	Advertisement Signs	7
	Billboards	7
	Cat eyes	3
	Commuter shelter	15
	Footpath / Paving	20
	Mini round-about	20
	Road marking: Guidance	5
	Road marking: Regulatory	5
	Road marking: Warning	5
	Sign – general	20
	Sign - regulatory	7
	Speed hump	20
	Street rubbish bin	10-30

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	Street sign	20
	Traffic island	20
	Traffic signal	15
Service connection on site	LV Overhead Line	45
	Pipe - sewer (incl manholes)	40-60
Sports facilities	Bowling green	20
	Sports field	15-50
	Stadium	50
	Swimming pool	20
	Tennis court	15
Moveable assets	Office Equipment	3-10
	Furniture and Fittings	7-10
	Motor Vehicles	3-20
	Plant and Equipment	2-15
	Emergency Equipment	5-15
	Bins and containers	5-10
	Books	5-10
	Animals	5-80

3.2 Living and Non-living resources

Living resources are those resources that undergo biological transformation. Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

Initial Recognition

Non-living resources, other than land, shall not be recognised as assets. Instead, where the municipality acts as a custodian of a living or non-living resource, or group of living or non-living resources, other than land, the municipality shall explain the nature of its custodial responsibility, including the legislation or similar means that establishes the custodial responsibility over the resources, in its financial statements.

A living resource shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits or service potential associated with the asset will flow to the entity; and
- (b) the cost or fair value of the asset can be measured reliably.

Measurement at recognition

A living resource that qualifies for recognition as an asset shall be measured at its cost.

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

The municipality does not recognise in the carrying amount of a living resource the day-to-day costs, or the costs to maintain or to hold the living resource. Day-to-day costs are those costs incurred by an entity to manage the qualitative and quantitative changes of the biological transformation. Depending on its reason for holding the living resource, the entity assesses whether the costs incurred are day-to-day operating costs, or whether the incurred costs will enhance the future economic benefits or service potential of the resource.

Subsequent cost incurred can only be recognised in the carrying amount of the living resource if the recognition criteria is met.

The cost of a living resource is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit.

One or more living resources may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. When one non-monetary asset is exchanged for another, the cost of such a living resource is measured at fair value unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired living resource is not measured at fair value, its cost is measured at the carrying amount of the asset given up. The acquired item is measured in this way even if an entity cannot immediately derecognise the asset given up.

Accounting Policies

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The fair value of an asset for which comparable market transactions do not exist is reliably measurable if (a) the variability in the range of reasonable fair value estimates is not significant for that asset or (b) the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value. If the municipality is able to reliably determine the fair value of either the asset received or the asset given up, then the fair value of the asset given up is used to measure the cost of the asset received. This applies unless the fair value of the asset received is more clearly evident.

Measurement after recognition

When the municipality intends to hold a living resource for less than twelve months from the reporting date, it shall apply the principles in GRAP 12 to account for the living resource.

After recognition, living resources shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation

Living resources shall be depreciated and the depreciation charge for each period shall be recognised in surplus or deficit unless it is included in the carrying amount of another asset, where appropriate.

The depreciable amount of a living resource shall be allocated on a straight line basis over its useful life. The useful life of the living resources are 5-80 years.

The municipality shall assess at each reporting date whether there is any indication that the entity's expectations about the residual value and the useful life of a living resource have changed since the preceding reporting date. If any such indication exists, the municipality shall revise the expected useful life and/or residual value accordingly. The change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3).

Depreciation of a living resource begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of a living resource ceases at the date that the asset is derecognised. Therefore, depreciation does not cease when the living resource becomes idle or is retired from active use.

Impairment

The municipality shall assess at each reporting date whether there is an indication that the living resource may be impaired. If any such indication exists, the entity shall estimate the recoverable amount or the recoverable service amount of the living resource.

Compensation from third parties for living resources that have been impaired, lost or given up, shall be included in surplus or deficit when the compensation becomes receivable.

Transfers

Transfers from living resources shall be made when, and only when, the particular asset no longer meets the definition of a living resource and/or is no longer within the scope of GRAP 110.

Transfers to living resources shall be made when, and only when, the asset meets the definition of a living resource.

Derecognition

The carrying amount of a living resource shall be derecognised:

- (a) On disposal (including disposal through a non-exchange transaction); or
- (b) 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 living resource shall be included in surplus or deficit when the item is derecognised.

The consideration receivable on disposal of a living resource shall be recognised initially at its fair value. If payment for the

Accounting Policies

. (continued)

item is deferred, the consideration received shall be recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent shall be recognised as interest revenue in accordance with GRAP 9 reflecting the effective yield on the receivable.

3.3 Investment property

Investment property is defined as property (land and/or a building, or a part thereof) held (by the owner or the lessee under a finance lease) to earn rentals or for capital appreciation, or both (rather than for use in the production or supply of goods or services or for administration purposes or sale in the ordinary course of operations). An example of investment property is office parks that are rented out. There is no asset hierarchy for investment property; each functional item will be individually recorded. Land held for a currently undetermined use is recognised as investment property until such time as the use of the land has been determined.

A property is only classified as investment property if the main purpose and most significant use of the property is to earn rental or for capital appreciation. For example, when a municipality owns a building, mainly used for the delivery of social housing but rents out a floor of the building to shops, banks and other external parties, the building should be accounted for as property, plant and equipment as its main purpose and most significant use is the provision of social services. This should be the case irrespective of whether the rental earned from the one floor of the building is significant in relation to the rental earned from the remainder of the building.

Initial recognition

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.
- Land held for a currently undetermined future use;
- A building owned (or held by under a finance lease) and leased out under one or more operating leases;
- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held;
- A building that is vacant but is held to be leased out under one or more operating leases;
- Property that is being constructed or developed for future use as investment property.

Subsequent measurement – fair value model

Investment property is subsequently measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuer on reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises. If the Municipality determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that investment property at cost until the fair value can be reliably determined or construction has been completed.

Where the Municipality has determined that the fair value of an investment property (other than investment property under construction) is not determinable on a continuing basis, the Municipality measures that investment property using the cost model.

Derecognition/Disposal

Investment properties are derecognised (eliminated from the statement of financial position) 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. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value [or carrying amount if cost model is used] at the date of change in use. If owner-occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or

Accounting Policies

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deficit when the compensation becomes receivable.

3.4 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

Initial recognition and measurement

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Subsequent measurement

Amortisation is calculated on cost, using the straight-line method, over the useful lives of the assets, which is estimated to be between 3 to 5 years upon initial recognition. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Derecognition

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3.5 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

The Municipality classifies assets as heritage assets where the significance as a heritage asset can be determined. In regard to land and buildings all graded sites are classified a Heritage Assets. Furthermore, land with a natural significance is not componentised but seen as a single Heritage Asset due to all parts contributing together to make up its significance.

Land and buildings that qualify as Heritage assets, but of which a significant portion of that land and buildings is held for use in the production or supply of goods or services or for administrative purposes, are recognised as property, plant and equipment, rather than heritage assets.

Initial recognition and measurement

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

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent Measurement

Subsequent expenditure relating to Heritage Assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

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Subsequently all heritage assets (excluding Heritage Assets which are land and buildings) are measured at cost less accumulated impairment losses. Heritage assets are not depreciated.

Derecognition

The carrying amount of an item of Heritage Assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Heritage Assets.

3.6 Inventories

Inventory consist of consumables, which are valued at the lower of cost, determined on the weighted average basis, and net realisable value, except for items which are valued at the tariffs charged. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

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

Redundant and slow moving inventory are identified and written down to their estimated net realisable values estimated by management. Inventories are written down according to their age, condition and utility. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventory arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventory recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventory is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

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 and is under the control of the Municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position 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. Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

3.7 Receivables (Financial Instruments)

Receivables are recognised initially at fair value, plus transaction costs. Receivables are subsequently recognised at amortised cost, using an effective interest rate less provision for impairment. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. An estimate for impairment of receivables is determined based on the impairment methodology for receivables using management's judgement and reasonable estimates.

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. Amounts receivable within 12 months from the date of reporting are classified as current. The average credit period on services rendered is 30 days from date of invoice.

An impairment allowance for impairment of receivables is established when there is objective evidence that Mogale City will not be able to collect all amounts due according to the original terms of receivables. Accordingly, the carrying amount of the receivables is reduced through the use of an impairment allowance for impairment of debtors account. The impairment loss or gain is recognised in surplus or deficit.

An impairment allowance is decreased if the decrease can be related objectively to an event occurring after the impairment was recognised. The impairment is reversed by adjusting the allowance account. The reversal does not result in a carrying amount 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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3.8 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 purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

Mogale City recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Receivables from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Receivables 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.

Accrued interest

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

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

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.

It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.

A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).

Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group

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of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

In estimating the future cash flows, a 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.

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 surplus or deficit.

Derecognition

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

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

-derecognise the receivable; and

-recognise separately any rights and obligations created or retained in the transfer.

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

3.9 Cash and cash equivalents

Cash includes cash on hand, cash with banks, and call deposits. Cash equivalents are short-term bank deposits with a maturity of three months or less from inception, readily convertible to cash without significant change in value.

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value. Bank overdrafts are offset against cash and cash equivalents in the Cash Flow Statement.

Cash which is subject to restrictions on its use is stated separately at carrying amount in the statement of financial position.

3.10 Trade and other payables

3.10.1 Payables from exchange transactions

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost.

3.10.2 Payables from non-exchange transactions.

(a) Any funds which must revert to the National Revenue Fund which have not been approved by the National Treasury to be retained, must be repaid to the National Revenue Fund.

(b) A receiving officer must ensure that all funds referred to in paragraph (a) are repaid to the National Revenue Fund.

The National treasury may offset any funds which must be repaid to the National Revenue Fund but which have not been repaid— in the case of a municipality, against future advances for the equitable share or conditional allocations to that municipality.

Grants which have not been approved by the National Treasury to be retained and need to be surrendered to National Treasury are reclassified as payables from non-exchange transactions to enhance the usefulness of the financial statements and more fairly reflect the nature of the liability at reporting date.

3.11 Financial instruments

Financial instruments are recognised when Mogale City becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instrument not measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the instrument are added to, or deducted from, the fair value, as

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appropriate on initial recognition.

3.11.1 Financial assets

The classification of financial assets depends on their nature and purpose, and is determined at the time of initial recognition.

Financial assets other than those at fair value are assessed for indicators of impairment at the end of each reporting period. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and Mogale City has transferred substantially all risks and rewards of ownership, or when the enterprise loses control of contractual rights that comprise the assets.

3.11.2 Financial assets at fair value

Financial assets that are held for trading or non-derivate financial assets with fixed or determinable payments that are designated at fair value at initial recognition. Subsequent to initial recognition, all changes to fair value are recognised through the Statement of Financial Performance.

3.11.3 Financial assets at amortised cost

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates which Mogale City has positive intent and ability to hold to maturity are stated at amortised cost using the effective interest method less any impairment.

3.11.4 Financial assets at cost

Residual interests that do not have a quoted market price in an active market and the fair value of which cannot be reliably measured are stated at cost, less any impairment.

3.11.5 Financial liabilities

After initial recognition, Mogale City measures all financial liabilities, including payables, at amortised cost, using the effective interest rate method. Financial liabilities include borrowings, other non-current liabilities (excluding provisions) and payables (excluding provisions and employee related costs). Interest bearing external loans and bank overdrafts are recorded net of direct issue costs.

Finance charges, including premiums payable, are accounted for on an accrual basis.

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or when it expires.

3.11.6 Classification

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

Class	Category
Financial assets	Financial assets measured at fair value
Receivables from exchange transactions	Financial assets measured at amortised costs
Call Accounts money market accounts	Financial assets measured at amortised costs
Cash and cash equivalents	Financial assets measured at amortised costs

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

Class	Category
Financial liabilities	Financial liabilities measured at amortised costs
Payables from non-exchange transactions	Financial liabilities measured at amortised costs
Payables from exchange transactions (excluding third party payments, overtime accrual, leave accrual, 13th cheque accrual and salary accrual)	Financial liabilities measured at amortised costs
Consumer deposits	Financial liabilities measured at amortised costs
Sundry deposits	Financial liabilities measured at amortised costs
Finance lease obligation	Financial liabilities measured at amortised costs

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3.12 Impairment of cash generating assets

The Municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-cash-generating assets.

3.12.1. Impairment of Cash-generating Assets

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the individual asset.

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 recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

3.12.2 Impairment of Non-cash-generating Assets

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

A Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

3.13 Impairment of non-cash generating assets

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

3.13.1 Measurement and recognition

At the end of each reporting period, carrying amounts of non-cash-generating assets or cash generating assets are reviewed to determine whether there is any indication of impairment or reversal of impairment. If any such indication exists, the recoverable service amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where the recoverable service amount is less than the 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 the Statement of Financial Performance.

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

3.13.2 Recoverable service amount

The recoverable service amount of a non-cash-generating asset or cash generating asset is the higher of fair value less costs to sell, and value-in-use. The value-in-use is the present value of the remaining service potential of the asset, and is determined using the most appropriate of the depreciated replacement cost, restoration cost or service unit's approach.

3.13.3 Reversal of an impairment loss

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable service amount. The increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is recognised immediately in the Statement of Financial Performance.

3.13.4 Depreciation/Amortisation

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

3.13.5 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.

3.14 Leases

At inception of an arrangement, Mogale City determines whether the arrangement is or contains a lease agreement.

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

When a lease includes land and buildings elements, Mogale City assesses the classification of each element separately. The land and the buildings elements of a lease are considered separately for the purpose of lease classification as a finance or an operating lease.

3.14.1 Finance Lease – Mogale City as lessor

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

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease. Lease payment relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance revenue.

3.14.2 Operating leases – Mogale City as lessor

Mogale City presents assets subject to operating leases in the Statement of Financial Position according to the nature of the asset. These assets are depreciated in accordance with Mogale City's normal depreciation policy.

Lease revenue from operating leases is recognised as revenue on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished.

Accounting Policies

. (continued)

Costs, including depreciation, incurred in earning the lease revenue are recognised as an expense.

Initial direct costs incurred by Mogale City in negotiating and arranging an operating lease is 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.

3.14.3 Finance leases – Mogale City as lessee

Finance lease assets are capitalised as property, plant and equipment at the lower of fair value or the present value of the minimum lease payments at the inception of the lease with an equivalent amount being stated as finance lease liability as part of debt.

The capitalised amount is depreciated over the shorter of the lease-term and asset's useful life unless it is reasonably certain that Mogale City will obtain ownership by the end of the lease term, in which case it is depreciated over its useful life.

Lease payments are allocated between capital repayments and finance expenses using the effective interest rate method.

3.14.4 Operating leases – Mogale City as lessee

Operating leases are leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases.

Lease payments under an operating lease are charged to the Statement of Financial Performance over the lease term on a straight-line basis unless another basis is more representative of the pattern of use. Contingent rentals are charged as expenses in the periods in which they are incurred.

3.15 Employee benefits

3.15.1 Short term employee benefits

Remuneration of employees is charged to the Statement of Financial Performance.

Short-term employee benefits are those that are expected to be settled completely within 12 months after the end of the reporting period in which the services have been rendered. Short-term benefits include the paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care.

Short-term employee benefit obligations are measured on an undiscounted basis and are charged to the Statement of Financial Performance as the related service is provided.

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.

A liability is recognised for accumulated leave, incentive/performance bonuses and other employee benefits when Mogale City has a present legal or constructive obligation as a result of past service provided by the employee, and a reliable estimate of the amount can be made.

3.15.2 Defined contribution pension plan and defined benefit pension plans

Mogale City contributes to a defined contribution pension plans for its employees as determined by annual actuarial calculations. This plan is generally funded through payments on a monthly basis to a trustee-administering the funds on behalf of the employees.

3.15.3 Retirement benefits

Defined contribution plans are post-employment benefit plans under which Mogale City 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.

Contributions to defined contribution pension plans are charged to the Statement of Financial Performance as an employee expense in the period in which related services are rendered by the employee or as they fall due.

Contributions that are expected to be wholly settled more than 12 months after the end of the reporting period, in which the employee renders the service, are discounted to their present value.

3.15.4 Defined benefit plans - Post-retirement health care benefits

Mogale City provides post-retirement benefits by subsidising the medical aid contributions of certain of its retirees and their spouses. The entitlement of these benefits is usually based on the employee remaining in service up to retirement age, the completion of a minimum service period of 10 years and the employee continuing to pay their own contributions to the scheme.

Past service costs is recognised in surplus or deficit in the reporting period in which the plan is amended irrespective of whether vesting periods exist.

The amount recognised in the Statement of Financial Position represents the present value of the defined benefit obligation. The expected costs of these benefits are accrued on a systematic basis over the expected remaining period of employment, using the project credit method. Independent actuaries perform the calculation of this obligation annually. Actuarial gains or losses are recognised, in the Statement of Financial Performance, in the period that they occur.

Accounting Policies

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3.15.5 Other long-term employee benefits

Long-term benefits are those that are provided to employees more than 12 months after the reporting date. Currently Mogale City provides the following additional payments to employees based on certain criteria:

Gratuity payment benefits

The municipality provides additional gratuity payments for employees who were not allowed to contribute to a Pension Fund retirement benefit plans under the apartheid government. This benefit is based on half the basic salary (at retirement age) of the employee multiplied by the number of years that the employee was not allowed to contribute to the Pension Fund retirement benefit plans.

Long service awards

The municipality offers various types of long service awards to its employees, payable on completion of minimum number of years of employment.

Mogale City's liability is based on an actuarial valuation. Actuarial gains and losses on the long-term incentives are fully accounted for in the Statement of Financial Performance. The projected unit credit method was used to value the obligation. The present value of the obligation is recognised on the Statement of Financial Position.

3.16 Provisions

A provision is a liability of uncertain timing or amount.

Mogale City recognises a provision when it has a present legal or constructive obligation arising from a past event that will probably be settled, and a reliable estimate of the amount can be made. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses.

Long-term provisions are determined by discounting the expected future cash flows to their present value. The increase in discounted long-term provisions as a result of the passage of time is recognised as a finance expense in the Statement of Financial Performance.

Provisions are used only for expenditures for which the provision was originally recognised.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Those which can be settled within twelve months are treated as current liabilities. All other provisions are treated as non-current liabilities.

3.17 Landfill rehabilitation provision

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on Mogale City's policy, taking into account current technological, environmental and regulatory requirements.

The value of the provisions is based on the expected future cost to rehabilitate the various sites discounted back to the reporting date at the cost to capital. Costs include the initial estimate of the cost to rehabilitate the land, restoring the land, restoring the site, current technological, environmental and regulatory requirements.

The provision for rehabilitation is recognised as and when the environmental liability arises. In so far as the obligations relate to assets, they are capitalised as part of the cost of those assets. These provisions are reviewed at least annually.

Subsequent changes in the obligation are 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. Where the decrease in the obligation exceeds the carrying amount of the asset, the excess is recognised immediately in Statement of Financial Performance.

Where the adjustment results in an addition to the cost of an asset, Mogale City evaluates whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, Mogale City tests the asset for impairment by estimating its recoverable amount or recoverable service amount and account for any impairment loss in accordance with the relevant impairment policy.

Any unwinding of discount is charged to the statement of financial performance. The discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability.

3.18 Contingent liabilities

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.

Mogale City does not recognise contingent liabilities. Contingent liabilities are disclosed in the notes to the annual financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is highly probable. Annually Mogale City evaluates the possibility of the outflow of resources or service potential.

3.19 Contingent assets

Accounting Policies

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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 Mogale City.

Mogale City does not recognise contingent assets. Contingent assets are disclosed in the notes to the annual financial statements, where an inflow of economic benefits or service potential is probable.

Mogale City continually assesses its contingent assets to ensure that developments are appropriately reflected in the financial statements. Where it does become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognised in the financial statements in the period in which the change occurs.

3.20 Value-Added Tax

Mogale City accounts for value-added tax (VAT) on the Cash/Payment basis and submissions to SARS are being done on a monthly basis.

3.21 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).

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.

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.

3.22 Revenue

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

Revenue is recognised when it is probable that future economic benefits or services potential will flow to Mogale City, and when these benefits can be reliably measured.

Revenue is recognised net of indirect taxes, rebates and trade discounts, and consists primarily of rates, service charges, rentals, interest received, grants from national and provincial government and other services rendered.

Accounting Policies

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Revenue is measured at the fair value of the consideration received or receivable. The amount of revenue arising on a transaction is usually determined by agreement between the Mogale City and the purchaser or user of the asset or service. Where the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

The prevailing rate for a similar instrument of an issuer with a similar credit rating; or

A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Mogale City derives revenue from exchange and non-exchange transactions.

3.22.1 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

Rendering of services

Mogale City recognises revenue from the rendering of services by reference to the stage of completion method when the outcome of the transaction can be measured reliably. The outcome of the transaction can be reliably measured, when all the following conditions are satisfied:

The amount of revenue can be measured reliably.

It is probable that the economic benefits or service potential associated with the transaction will flow to Mogale City.

The stage of completion of the transaction at the reporting date can be measured reliably.

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.

Sale of goods

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

The entity has transferred to the purchaser the significant risks and rewards of ownership of the goods.

The entity 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 entity.

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

Tariffs (Services):

Revenue arising from the provisioning of the services which is based on the approved tariff charges is recognised when the relevant service is rendered, by applying the relevant authorised tariff.

Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and revenue is recognised when billed. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history or deemed consumption for households. The provisional estimates of consumption are recognised as revenue when billed. Adjustments to provisional estimates of consumption are made in the billing period when meters have been read. These adjustments are recognised as revenue in that billing period. An accrual on the basis of a determined consumption factor is made for consumption not billed as at the end of each reporting period.

Residential sanitation service charges are charged based on the applicable tariffs for financial year or period. Business and other consumers' sanitation service charges are based the average of previous financial year's consumption to the applicable tariff. Basic Sewerages is charged based on the area size of the property multiplied by the applicable tariff.

Service charges relating to refuse removal are recognised on a monthly basis based on frequency of collection, type of disposal method used and the approved tariff is then applied thereto.

Prepaid water and electricity:

Revenue from the sale of prepaid water and electricity is recognised at the point of sale.

Income from agency fees

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

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Interest revenue

Interest earned on Investments is recognised on a time proportionate basis that takes into account the effective yield on the investments. Interest at the prime lending rate as at the beginning of the financial year is charged on all consumer accounts or portions of accounts which are not settled/paid on due date.

Rental of facilities and equipment

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

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff and includes the issuing of licences and permits.

Collection charges are recognised when such amounts are legally enforceable and billed.

Penalty interest on unpaid services is recognised on a time proportion basis.

Dividends

Dividends are recognised when the municipality's right to receive payment is established.

3.22.2 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where Mogale City received revenue from another entity or individual without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Property rates

Revenue from property rates is calculated from the date when the legal entitlement to this revenue arises and is recognised when billed. Property rates are charged based on the market value of a property multiplied by the tariff applicable to that property category. Exemptions, rebates and remissions are granted to certain categories of ratepayers and are recognised net of revenue.

Transfers and Subsidies

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when the fine is issued. Traffic fines are measured at fair value, which is based on the value of the fines issued, excluding the value of any discounts, reductions, strike offs, management assumptions on withdrawals that are given by the municipality and the courts. Interest is not levied on overdue fines.

Subsequently, Mogale City evaluates the probability of recovering these fines based on historical collection on fines issued taking into account any discounts, reductions in the amount payable, past history in terms of the successful prosecution and recovery of the fines.

Donations

Donations are recognised on a cash receipt basis or, where the donation is in the form of property, plant and equipment, when the risks or rewards of ownership have transferred to the Municipality. Donations are measured at fair value.

Services in-kind

Service in kind is recognised if significant to operations and, if not significant then the nature and type is disclosed. Mogale City does not recognise services in-kind as assets or revenue.

3.23 Operating expenses

The definition of expenses encompasses expenses that arise from the ordinary activities of the municipality.

Under the accrual basis of accounting, expenses are recognised when incurred, usually when goods are received or services are rendered. This may not be when the goods or services are actually paid for. The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense.

3.24 Borrowing costs

Borrowing costs are capitalised against qualifying assets as part of property, plant and equipment. Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Borrowing costs are capitalised over the period during which the asset is being acquired or constructed. Borrowing costs are capitalised net of any investment income received from the temporary investment of those borrowings.

Mogale City capitalises borrowing costs commences when: Borrowing costs have been incurred; expenditure have been

Accounting Policies

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incurred; and it undertakes activities which are necessary to prepare the asset for its intended use or sale. Where Mogale City applies general borrowed funds to obtain a qualifying asset, Mogale City applies a capitalisation rate that reflects the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period. This excludes borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalised does not exceed the amount of borrowing costs it incurred during that period.

Mogale City suspends capitalisations of borrowing costs during extended periods in which it suspends active development of a qualifying asset. Where the construction of a qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, Mogale City ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale. Capitalisation ceases when construction of the asset is complete. Further borrowing costs are charged to the Statement of Financial Performance.

3.25 Consumer deposits

Consumer deposits are disclosed as a current liability. Consumer deposits are considered as partial security for future payment of a consumer account. Consumer deposits are levied in-line with Mogale City's Credit Control policy and approved tariffs to consumers when conventionally metered services are initially connected. The split of the consumer deposit is 60/40, where 60% is attributable to electricity and 40% is for water.

When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts that the consumer might be liable for up to that date. Any excess deposit after all debt is settled is refunded to the consumer. No interest is paid on deposits.

3.26 Unauthorised expenditure

Unauthorised expenditure is expenditure: which has not been budgeted for; that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, or in the form of a grant that is not permitted in terms of the MFMA (Act No. 56 of 2003).

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the period the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense.

In the event that the municipality incurs unauthorised expenditure, a recovery process is initiated by council with the objective of investigating the expenditure and ultimately recovering the said expenditure. Should council condone/approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Mogale City's accounting policy on receivables.

Unauthorised expenditure is accounted for in the financial statements and, where recovered, is subsequently accounted for as revenue in the same statement.

3.27 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); the Public Office Bearers Act (Act No. 20 of 1998); or is in contravention of the Mogale City's Supply Chain Management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the Statement of Financial Performance in the period the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense. In the event that the municipality incurs irregular expenditure, a recovery process is initiated by council with the objective of investigating the expenditure and ultimately recovering the said expenditure. Should council condone/approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Mogale City's accounting policy on receivables.

3.28 Fruitless and wasteful expenditure

Fruitless and wasteful 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 period the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense. In the event that the municipality incurs fruitless and wasteful expenditure, a recovery process is initiated by council with the objective of investigating the expenditure and ultimately recovering the said expenditure. Should Council condone/approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Mogale City's accounting policy on receivables.

3.29 Related parties

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(continued)

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.

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 ventures).

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 considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

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

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

Mogale City regards a related party as a person or an entity with the ability to control the other party individually or jointly, or the ability to exercise significant influence over the other party, or vice versa. While Mogale City is part of Government of South Africa, it is a separate sphere of government. As such, the other spheres of government are not considered related parties to Mogale City.

Management is regarded as a related party. Management of Mogale City comprises of all political Office Bearers of Mogale City and the Executive Management team. Political Office Bearers comprises of the Executive Mayor, Members of Mayoral Committee, Speaker and other Councillors. The Executive Management team consists of the Municipal Manager, Chief Financial Officer, Chief Audit Executive and other Executive Managers.

Related party relationships where control exists is disclosed, irrespective of whether there have been transactions between the related parties. In the event that the municipality discloses related party transactions, the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments is disclosed.

All transactions during the reporting period and balances at the end of the reporting period with related parties are disclosed.

3.30 Grants-in-aid

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

Receive any goods or services directly in return as would be expected in a purchase or 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 during which the events giving rise to the transfer occurred.

3.31 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability, but are included in the disclosure notes in the following cases:

Approved and contracted commitments;

Where the expenditure has been approved and the contract has been awarded at the reporting date; and where disclosure is required by a specific standard of GRAP. Where the expenditure can be reliably measured for disclosure requirements, both the operational and capital expenditure relating to the commitment is disclosed in the notes.

As and when contracts;

While the municipality may have a budget attached to the contract, there is no commitment/obligation to spend the allocated budget due the nature of the contract. Spending on these contracts will only materialise on circumstances, which may arise in the future over which management has no control. As such, the commitments in terms of these contracts cannot be reliably measured and is disclosed in terms of a narration paragraph.

3.32 Events after the reporting date

Accounting Policies

. (continued)

An event, which could be favourable or unfavourable, that occurs between the reporting date and the date the financial statements are authorised for issue. Mogale City classifies these events as adjusting or non-adjusting events.

An adjusting event provides further evidence of conditions that existed at the reporting date and includes an event that indicates that the going concern assumption in relation to the whole or part of Mogale City is not appropriate. These events were accounted for in the financial statements.

A non-adjusting event is an event that is indicative of a condition that arose after the reporting date. Events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the financial statements

3.33 Repairs and Maintenance

Repairs and maintenance are generally charged to expenses during the financial period in which they occurred. However, major renovations are capitalised and included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the company. Major renovations are depreciated over the remaining useful life of the related asset.

The municipality discloses expenditure relating to repairs and maintenance of Property, Plant and Equipment in the notes to the Annual Financial Statements.

3.34 Segment reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023 Restated*
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2. Inventories

Consumable stores	2,742,556	4,820,484
Water for distribution	621,237	774,999
	3,363,793	5,595,483

Council item number. K(ii)11(07/2024)

Inventory to the value of R275 931.80 was adjusted as part of shortages and surpluses that were identified during the stock count.

No portion of inventory was pledged as security. Inventory is recognised at cost.

3. Receivables from non-exchange transactions

	2024			2023		
	Gross balance	Allowance for impairment	Net balance	Gross balance	Allowance for impairment	Net balance
Statutory receivables: Property rates	775,730,927	(559,661,228)	216,069,699	738,097,108	(565,233,042)	172,864,066
Statutory receivables: Traffic fines and SARS	51,287,521	(28,119,508)	23,168,013	101,172,022	(48,971,233)	52,200,789
	827,018,448	(587,780,736)	239,237,712	839,269,130	(614,204,275)	225,064,855

Age Analysis (Statutory receivables: Property rates)

Current (0 - 30 days)	54,762,546	46,021,844
31 - 60 days	32,248,293	33,144,666
61 - 90 days	19,708,416	29,925,145
91 - 120 days	15,781,279	23,913,861
+121 days	653,230,393	605,091,590
	775,730,927	738,097,106

Age Analysis (other receivables and traffic fines)

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
3. Receivables from non-exchange transactions (continued)		
Age Analysis (Statutory receivables: Traffic Fines & SARS)		
Current (0 - 30 days)	2,786,700	10,479,121
31 - 60 days	3,270,150	-
61 - 90 days	2,574,760	3,174,850
91 - 120 days	3,041,950	14,514,141
+121 days	39,613,961	73,003,911
	51,287,521	101,172,023

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions were pledged as security for overdraft facilities.

Receivables from non-exchange transactions past due date but not impaired

Statutory receivables: Rates	147,301,540	109,275,161
Statutory receivables: Traffic Fines and SARS	23,168,013	52,200,789
	170,469,553	161,475,950

2024

Receivables from non-exchange transactions past due date but not impaired - Age analysis	31-60 days	61 - 90 days	91 - 120 days	121+ days	Total
Statutory Receivables: Rates	27,787,365	12,308,874	5,625,258	101,580,043	147,301,540
Statutory Receivables: Traffic Fines and SARS	-	-	-	23,168,013	23,168,013
	27,787,365	12,308,874	5,625,258	124,748,056	170,469,553

2023

Receivables from non-exchange transactions past due date but not impaired - Age analysis	31-60 days	61 - 90 days	91 - 120 days	121+ days	Total
Statutory Receivables: Rates	20,814,083	8,805,745	5,613,267	74,042,066	109,275,161
Statutory Receivables: Traffic Fines and SARS	-	-	-	52,200,789	52,200,789
	20,814,083	8,805,745	5,613,267	126,242,855	161,475,950

Receivables from non-exchange transactions past due date but not impaired are receivables past 30 days which are not impaired in terms of the impairment methodology.

Reconcillation of provision for impairment of receivables from non-exchange transactions

Opening balance	614,204,275	486,574,006
Current year contribution	49,342,759	160,169,757
Bad debts	(75,766,298)	(32,539,489)
	587,780,736	614,204,274

As at June 30, 2024, total receivables from non-exchange transactions were R 827,018,448 (2023: R 839,269,130).

The amount of the provision for impairment was R 587,780,736 as at June 30, 2024 (2023: R 614,204,275).The percentage of the provision against total receivables from non-exchange transactions was 71.07 % as at June 30, 2024 (2023: 73.18 %).

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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4. Receivables from exchange transactions

Receivables per category	2024			2023		
	Gross balance	Allowance for impairment	Net balance	Gross balance	Allowance for impairment	Net balance
Electricity	359,606,313	(259,442,680)	100,163,633	330,634,850	(253,199,396)	77,435,454
Water	484,032,973	(349,211,922)	134,821,051	374,210,169	(286,569,274)	87,640,895
Sundry debtors and loans	121,658,485	(63,794,181)	57,864,304	116,717,922	(61,546,150)	55,171,772
Sewerage	582,735,350	(420,422,044)	162,313,306	446,191,689	(341,692,554)	104,499,135
Refuse	424,869,730	(306,527,826)	118,341,904	352,145,463	(269,672,173)	82,473,290
Other (Output VAT, Rentals ,interest,disconnection & reconnection fees ,etc)	896,336,060	(646,673,379)	249,662,681	677,430,097	(518,774,386)	158,655,711
Subtotal	2,869,238,911	(2,046,072,032)	823,166,879	2,297,330,190	(1,731,453,933)	565,876,257
Salary and other debtors	41,484	-	41,484	1,204,991	-	1,204,991
	2,869,280,395	(2,046,072,032)	823,208,363	2,298,535,181	(1,731,453,933)	567,081,248

Electricity

Current (0 - 30 days)	106,132,783	83,505,162
31 - 60 days	48,998,959	32,674,963
61 - 90 days	23,278,079	28,304,976
91 - 120 days	11,525,565	19,270,183
121 - 365 days	169,670,927	166,879,566
	359,606,313	330,634,850

Water

Current (0 - 30 days)	57,603,144	30,092,947
31 - 60 days	43,956,482	21,215,442
61 - 90 days	17,201,065	21,249,143
91 - 120 days	11,919,271	16,871,745
121 - 365 days	353,353,011	284,780,893
	484,032,973	374,210,170

Sewerage

Current (0 - 30 days)	34,232,130	20,990,012
31 - 60 days	24,109,414	17,441,803
61 - 90 days	12,626,040	15,849,825
91 - 120 days	10,846,305	12,376,738
121 - 365 days	500,921,461	379,533,311
	582,735,350	446,191,689

Refuse

Current (0 - 30 days)	10,649,377	9,327,218
31 - 60 days	7,753,184	6,727,584
61 - 90 days	6,088,572	6,147,169
91 - 120 days	5,546,736	5,676,299
121 - 365 days	394,831,861	324,267,193
	424,869,730	352,145,463

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
4. Receivables from exchange transactions (continued)		
Sundry Debtors and Loans		
Current (0 - 30 days)	57,102,314	54,909,674
31 - 60 days	1,487,371	876,708
61 - 90 days	2,166,667	430,740
91 - 120 days	1,159,358	1,135,636
121 - 365 days	59,742,775	59,365,665
	121,658,485	116,718,423
Other (including Statutory Receivables)		
Current (0 - 30 days)	48,944,885	35,996,715
31 - 60 days	35,341,244	43,222,382
61 - 90 days	24,821,354	21,130,919
91 - 120 days	21,081,962	21,959,564
121 - 365 days	766,146,615	555,120,517
	896,336,060	677,430,097
Sundry register		
Current (0 -30 days)	8,886	-
31 - 60 days	-	-
61 - 90 days	11,476	-
91 - 120 days	21,122	-
	41,484	-

Receivables from exchange transactions as at June 30, 2024 were R2,869,280,395 (2023: R2,298,535,181).

The provision for impairment was R2,046,072,032 as at June 30, 2024 (2023: R1,731,453,933). The percentage of the provision against total receivables from exchange transactions was 71.31 % as at June 30, 2024 (2023: 75.33 %)

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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4. Receivables from exchange transactions (continued)

Receivables from exchange transactions past due but not impaired

Electricity	68,284,713	48,950,437
Water	91,911,769	55,401,757
Sewerage	110,654,109	66,058,609
Refuse	80,677,414	52,135,080
Other	170,202,937	100,293,419
Sundry debtors and loans	828,613	252,800
	522,559,555	323,092,102

2024

Receivables from exchange transactions past due but not impaired - Age analysis

	31 - 60 days	61 - 90 days	91 - 120 days	121+ days	Total
Electricity	12,881,415	5,706,036	2,607,706	47,089,556	68,284,713
Water	17,338,487	7,680,370	3,509,993	63,382,919	91,911,769
Sewerage	20,874,093	9,246,526	4,225,739	76,307,751	110,654,109
Refuse	15,219,208	6,741,600	3,080,967	55,635,639	80,677,414
Other	32,107,547	14,222,570	6,499,833	117,372,987	170,202,937
Sundry debtors and loans	288,630	423,354	116,629	-	828,613
	98,709,380	44,020,456	20,040,867	359,788,852	522,559,555

2023

Receivables from exchange transactions past due but not impaired - Age analysis

	31 - 60 days)	61 - 90 days	91 - 120 days	121+ days	Total
Electricity	9,323,789	3,944,584	2,514,496	33,167,568	48,950,437
Water	10,552,598	4,464,452	2,845,888	37,538,819	55,401,757
Sewerage	12,582,452	5,323,216	3,393,311	44,759,630	66,058,609
Refuse	9,930,380	4,201,213	2,678,085	35,325,402	52,135,080
Other	19,103,295	8,081,967	5,151,892	67,956,265	100,293,419
Sundry debtors and loans	144,186	50,949	57,665	-	252,800
	61,636,700	26,066,381	16,641,337	218,747,684	323,092,102

Receivables from exchange transactions past due date but not impaired are receivables past 30 days which are not impaired in terms of the impairment methodology.

Reconciliation of allowance for impairment

Balance at beginning of the year	1,731,454,431	1,570,404,599
Contributions to allowance	360,493,573	198,002,215
Debt impairment written off against allowance	(45,875,972)	(36,952,383)
	2,046,072,032	1,731,454,431

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	31,977	31,977
Bank balances	105,534,643	56,049,178
Short-term deposits	44,041,009	88,420,557
	149,607,629	144,501,712

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for South African Post Office Guarantee held at Standard Bank Call account no: 728430118-001 has been binded as guarantor to South African Post Office for payment of all accounts due and payable, or which may become due and payable by the municipality in respect of bulk postings provided that the total amount to be recovered under this payment guarantee shall not exceed in aggregate the sum of R500 000.	500,000	500,000
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Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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5. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2024	June 30, 2023	June 30, 2022
ABSA - Bank K Primary	480,126	558,433	-	480,126	558,433	-
ABSA - Bank N Direct	2,513,451	4,994,101	-	2,513,451	4,994,101	-
ABSA - Bank M Expenditure	8,588,187	99,851	-	8,588,187	99,851	-
ABSA - Bank T Traffic	130,958	1,246,186	-	130,958	1,246,186	-
ABSA - Bank P Grants	9,620,450	949,702	-	9,620,450	949,702	-
ABSA - Bank R CSR	62,000,990	33,118,892	-	62,000,990	33,118,892	-
ABSA - Bank S Salaries	56,983	46,421	-	56,983	46,421	-
ABSA - Bank L Licensing	3,741	1,000,000	-	3,741	1,000,000	-
Standard Bank - Bank I Salaries	173,473	14,488	18,186	173,573	14,488	18,357
Standard Bank - Bank H CSR	10,730	9,822	39,566,605	10,830	9,822	39,566,605
Standard Bank - Bank G Grants	10,730	9,822	10,000,000	10,830	9,822	10,000,000
Standard Bank - Bank F Traffic	392,673	30,318	26,174	391,619	30,323	22,973
Standard Bank - Bank E	19,001	10,717	200,000	19,001	10,717	200,000
Expenditure						
Standard Bank - Bank D Primary	125,956	48,047	1,659,493	125,978	48,309	217,751
Standard Bank - Bank C Direct	21,402,696	13,917,410	15,964,354	21,402,404	13,911,019	15,935,362
Standard Bank - Bank J	3,837	1,294	46,979	3,937	1,183	47,083
Licensing						
Call Accounts	44,041,009	88,420,556	75,798,423	44,041,009	88,420,556	75,798,423
Petty Cash	31,977	31,977	29,977	31,977	31,977	29,977
Total	149,606,968	144,508,037	143,310,191	149,606,044	144,501,802	141,836,531

2024

The differences between bank statement balances and cash book balances amounting to R924 relates to transactions that are received after the cut-off time for the day and are captured the next calendar day, under the retrospective date.

These transactions, which are termed as "held overs", are processed under retrospective date of 30 June, in line with proper accounting procedures. Transactions attributing to the above difference of R924 are deposits processed via Cash in transit Companies (for Auto safes) and bank charges.

2023

The differences between bank statement balances and cash book balances amounting to R 6,235 relates to transactions that are received after the cut-off time for the day and are captured the next calendar day, under the retrospective date.

These transactions, which are termed as "held overs", are processed under retrospective date of 30 June, in line with proper accounting procedures. Transactions attributing to the above difference of R 6,235 are deposits processed via Cash in transit Companies (for Auto safes) and bank charges.

6. Operating lease assets and liabilities

Current assets	32,846	49,297
Non-current liabilities	(296)	(88)
Current liabilities	(9,176)	(2,728)
	23,374	46,481

Leases of assets where all the risks and rewards of ownership are effectively retained by lessor are classified as operating leases. Monies received under operating leases are recognised to the Statement of Financial Performance on a straight-line basis over period of the lease. Operating lease receipts represent rental receivables by the municipality for properties leased. The terms are negotiated ranging from 6 months to 25 years. The rentals escalate on average of 10% per annum.

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
7. VAT receivable		
VAT	20,237,776	55,155,023

VAT is payable on the cash basis which means that Output VAT is declared to SARS only when payment is received from debtors and Input VAT is claimed only when the municipality has paid its creditors. All VAT returns have been submitted by due date throughout the financial year.

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

8. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	678,306,084	-	678,306,084	668,196,700	-	668,196,700

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property	668,196,700	10,109,384	678,306,084

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	657,844,328	10,352,372	668,196,700

Pledged as security

No investment property has been pledged as security for any liabilities of the municipality.

2024

The investment property of the municipality was fair valued by an independent valuer (Bigen Africa) using the direct comparison method of valuation.

2023

The investment property of the municipality was fair valued by an independent valuer (Bigen Africa) using the direct comparison method of valuation.

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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9. Living resources

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Water Buck	570,357	(109,512)	460,845	319,557	(77,826)	241,731
Springbok	398,133	(253,196)	144,937	552,173	(295,941)	256,232
Red Hartebeest	552,798	(207,523)	345,275	584,567	(182,914)	401,653
Ostrich	23,895	(7,384)	16,511	26,550	(7,540)	19,010
Impala	164,931	(82,343)	82,588	231,306	(96,206)	135,100
Giraffe	101,736	(49,420)	52,316	83,312	(45,507)	37,805
Gemsbuck	23,910	(11,461)	12,449	23,910	(10,265)	13,645
Eland	668,420	(123,360)	545,060	559,129	(96,623)	462,506
Bles Buck	743,783	(351,611)	392,172	646,202	(283,994)	362,208
Muscovey/Makoue	2,033	(1,760)	273	1,333	(1,251)	82
Black Wildebeest	1,379,110	(547,420)	831,690	1,266,502	(461,225)	805,277
Hippo	60,007	(24,168)	35,839	60,007	(22,834)	37,173
Zebra	141,719	(51,403)	90,316	141,719	(44,961)	96,758
Cattle	270,669	(192,356)	78,313	235,950	(165,289)	70,661
Sheep	84,429	(66,679)	17,750	91,014	(59,794)	31,220
Goat	-	-	-	1,450	(1,450)	-
Lion (fair values cannot be reliably measured)	134,853	(47,759)	87,094	134,853	(42,364)	92,489
Total	5,320,783	(2,127,355)	3,193,428	4,959,534	(1,895,984)	3,063,550

Reconciliation of living resources - 2024

	Opening balance	Disposals	Transfer In	Depreciation	Depreciation Transfer In	Accumulated Depreciation Write Off	Total
Water Buck	241,731	-	250,800	(17,753)	(13,933)	-	460,845
Springbok	256,232	(154,040)	-	(55,217)	-	97,962	144,937
Red Hartebeest	401,653	(31,770)	-	(36,535)	-	11,927	345,275
Ostrich	19,010	(2,655)	-	(664)	-	820	16,511
Impala	135,100	(66,375)	-	(19,275)	-	33,138	82,588
Giraffe	37,805	-	18,424	(3,204)	(709)	-	52,316
Gemsbuck	13,645	-	-	(1,196)	-	-	12,449
Eland	462,506	-	109,291	(22,365)	(4,372)	-	545,060
Bles Buck	362,208	-	97,581	(58,746)	(8,871)	-	392,172
Muscovey/Makoue	82	-	700	(333)	(176)	-	273
Black Wildebeest	805,277	-	112,608	(79,156)	(7,039)	-	831,690
Hippo	37,173	-	-	(1,334)	-	-	35,839
Zebra	96,758	-	-	(6,442)	-	-	90,316
Cattle	70,661	-	34,719	(23,595)	(3,472)	-	78,313
Sheep	31,220	(15,713)	9,129	(11,377)	(1,141)	5,632	17,750
Lion (fair values cannot be reliably measured)	92,489	-	-	(5,395)	-	-	87,094
Total	3,063,550	(270,553)	633,252	(342,587)	(39,713)	149,479	3,193,428

Mogale City Local Municipality

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Notes to the Annual Financial Statements

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9. Living resources (continued)

Reconciliation of living resources - 2023

	Opening balance	Write Off	Accumulated depreciation write off	Depreciation	Transfer in	Depreciation additions	Total
Water Buck	436,594	(218,110)	53,117	(29,870)	-	-	241,731
Springbok	346,203	(61,616)	33,024	(61,379)	-	-	256,232
Red Hartebeest	291,174	-	-	(27,347)	147,015	(9,189)	401,653
Ostrich	23,609	(5,310)	1,508	(797)	-	-	19,010
Impala	76,816	-	-	(12,812)	77,560	(6,464)	135,100
Giraffe	41,009	-	-	(3,204)	-	-	37,805
Gemsbuck	19,787	(7,970)	3,422	(1,594)	-	-	13,645
Eland	373,475	-	-	(17,909)	111,397	(4,457)	462,506
Bles Buck	342,589	-	-	(51,622)	78,365	(7,124)	362,208
Muscovey/Wildebeest	415	-	-	(333)	-	-	82
Black Wildebeest	690,393	-	-	(67,029)	194,040	(12,127)	805,277
Hippo	38,506	-	-	(1,333)	-	-	37,173
Zebra	75,996	-	-	(5,205)	27,204	(1,237)	96,758
Cattle	94,256	-	-	(23,595)	-	-	70,661
Sheep	42,904	(655)	430	(11,459)	-	-	31,220
Lion (fair values cannot be reliably measured)	293,648	(269,706)	84,729	(16,182)	-	-	92,489
	3,187,374	(563,367)	176,230	(331,670)	635,581	(40,598)	3,063,550

Mogale City Local Municipality

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10. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	51,361,229	-	51,361,229	51,361,229	-	51,361,229
Buildings	703,174,122	(403,252,841)	299,921,281	618,081,712	(395,989,041)	222,092,671
Other Assets	442,672,583	(369,119,615)	73,552,968	401,120,600	(337,715,674)	63,404,926
Infrastructure Assets	9,986,545,222	(5,844,039,376)	4,142,505,846	9,814,612,651	(5,659,351,662)	4,155,260,989
Community Assets	2,019,231,934	(663,757,531)	1,355,474,403	1,931,719,844	(633,309,442)	1,298,410,402
Leased Assets	2,913,315	(2,835,516)	77,799	2,913,315	(2,815,968)	97,347
Total	13,205,898,405	(7,283,004,879)	5,922,893,526	12,819,809,351	(7,029,181,787)	5,790,627,564

Mogale City Local Municipality

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10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions (Capitalised costs)	Derecognition	Depreciation	Impairment	Impairment reversal	Total
Land	51,361,229	-	-	-	-	-	51,361,229
Buildings	222,092,671	85,092,411	-	(7,412,079)	-	148,278	299,921,281
Other Assets	63,404,926	29,462,982	(7,389,505)	(31,403,938)	-	-	73,552,968
Infrastructure Assets	4,155,260,989	179,352,130	(7,419,560)	(165,288,313)	(19,709,109)	309,709	4,142,505,846
Community Assets	1,298,410,402	87,538,904	(26,813)	(35,650,269)	(39,948)	5,242,127	1,355,474,403
Leased Assets	97,347	-	-	(19,548)	-	-	77,799
	5,790,627,564	381,446,427	(14,835,878)	(239,774,147)	(19,749,057)	5,700,114	5,922,893,526

Included in the additions above is Work In Progress expenditure incurred during the current financial year amounted to R 351,967,647 .

Repairs and maintenance

All repairs and maintenance for the 2024 financial year amounting to R 299,546,913 were incurred in respect of property, plant and equipment.

Repairs and maintenance per asset class - 2024

	Employee costs	Contracted services	Other materials	Other expenditure	Total
Infrastructure Assets	123,283,922	36,488,916	356,265	63,851,128	223,980,231
Community Assets	54,885,411	741,094	230,134	4,999,682	60,856,321
Other Assets	11,402,849	196,417	-	3,111,095	14,710,361
	189,572,182	37,426,427	586,399	71,961,905	299,546,913

Repairs and maintenance per asset class - 2023

	Employee costs	Contracted services	Other materials	Other expenditure	Total
Infrastructure Assets	91,363,994	148,436,662	217,244	14,196,864	254,214,764
Community Assets	49,644,007	6,568,572	82,126	2,229,694	58,524,399
Other Assets	11,538,277	196,417	-	2,865,522	14,600,216
	152,546,278	155,201,651	299,370	19,292,080	327,339,379

Mogale City Local Municipality

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10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions (Capitalised costs)	Derecognition	Depreciation	Impairment	Donations	Total
Land	39,361,229	-	-	-	-	12,000,000	51,361,229
Buildings	183,387,943	47,296,300	(1,025,268)	(7,528,650)	(37,654)	-	222,092,671
Other Assets	63,900,361	45,603,440	(2,562,565)	(24,057,811)	-	-	63,404,926
Infrastructure Assets	4,192,716,493	143,589,840	(5,984,374)	(173,626,737)	(1,434,233)	-	4,155,260,989
Community Assets	1,258,581,764	95,183,352	(75,079)	(46,105,919)	(9,173,716)	-	1,298,410,402
Leased assets	107,535	-	-	(10,188)	-	-	97,347
	5,738,055,325	331,672,932	(9,647,286)	(251,329,305)	(10,645,603)	12,000,000	5,790,627,564

Pledged as security

No property, plant and equipment has been pledged as security for any liabilities of the municipality.

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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

Included in the above property, plant and equipment are the following capital WIP amounts

2024	Capital Cost Opening	Capital Cost	Impairment	Transfer from Capex to Opex	Capitalised	Closing Cost
Infrastructure Assets						
Building Property	47,296,300	85,076,612	-	-	-	132,372,912
Community Assets	325,690,042	87,538,903	-	-	(83,040,988)	330,187,957
Electricity Network	1,734,782	43,896,281	-	-	(16,478,859)	29,152,204
Roads and Stormwater Network	6,727,099	8,007,947	-	-	-	14,735,046
Sanitation Network	48,086,405	70,545,268	-	-	(31,273,819)	87,357,854
Water Supply Network	45,507,097	56,902,636	-	(137,684)	(16,926,017)	85,346,032
Subtotal	475,041,725	351,967,647	-	(137,684)	(147,719,683)	679,152,005
	475,041,725	351,967,647	-	(137,684)	(147,719,683)	679,152,005
2023	Capital Cost Opening	Capital Cost	Impairment	Transfer from Capex to Opex	Capitalised	Closing Cost
Infrastructure Assets						
Building Property	-	47,296,300	-	-	-	47,296,300
Community Assets	469,328,016	79,209,673	-	-	(222,847,647)	325,690,042
Electricity Network	13,115,644	5,748,410	-	-	(17,129,272)	1,734,782
Roads and Stormwater Network	59,348,503	21,528,180	-	-	(74,149,583)	6,727,100
Sanitation Network	23,167,415	24,918,990	-	-	-	48,086,405
Water Supply Network	5,504,835	57,473,064	-	-	(17,470,802)	45,507,097
Subtotal	570,464,413	236,174,617	-	-	(331,597,304)	475,041,726
	570,464,413	236,174,617	-	-	(331,597,304)	475,041,726

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

Mogale City Local Municipality

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10. Property, plant and equipment (continued)

Work in progress with taking longer to complete

Asset Class	Capital Cost Opening	Capital Cost Year	Closing Cost
Community Assets	94,013,552	7,967,656	101,981,208
Infrastructure Assets			
Sanitation Network	5,776,111	28,184,613	33,960,723
Water Supply Network	26,086,957	14,997,798	41,084,755
	125,876,620	51,150,067	177,026,686

Community Assets

The projects with no movement include the following: Krugerdorp Game Reserve lion enclosure upgrade, Leratong Node Housing Development and Luipaadvlei landfill site. There were no movements due to budget constraints. Also included is Dr Motlana package plant project, which was halted due to funding from provincial government, funding was subsequently allocated during the 2022/23 financial year, engineers were assigned on 1 September 2022 for the commencement of work, subsequently work continued in the 2023/24 financial year.

Water Supply Network

The project with no movement is for the Leratong reservoir phase 2 project. The Project had no movement due to budget constraints. Also included is Dr Sefularo Housing development project which was previously disclosed as halted due to funding from provincial government. Funding was subsequently allocated during the 2022/23 financial year, engineers we assigned on 1 September 2022 for the commencement of work, subsequently work continued in the 2023/24 financial year.

Sanitation Network

Dr Motlana package plant and Dr Sefularo Hosing development projects which were previously disclosed as a halted project due to lack of funding from provincial government. Funding was subsequently allocated during the 2022/23 financial year, engineers we assigned on 1 September 2022 for the commencement of work, subsequently work continued in the 2023/24 financial year.

Mogale City Local Municipality

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11. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	11,770,096	(11,682,832)	87,264	43,860,695	(41,765,803)	2,094,892

Reconciliation of intangible assets - 2024

	Opening balance	Derecognition	Amortisation	Total
Computer software	2,094,892	(1,053,470)	(954,158)	87,264

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software	3,561,452	(1,466,560)	2,094,892

12. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Library Books, Chief Mogale Statue & Concentration Camp Graves	2,450,275	-	2,450,275	2,450,275	-	2,450,275

Mogale City Local Municipality

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12. Heritage assets (continued)

Reconciliation of heritage assets 2023

	Opening balance	Total
Library Books, Chief Mogale Statue & Concentration Camp Graves	2,450,275	2,450,275

Reconciliation of heritage assets 2023

	Opening balance	Total
Library books, Chief Mogale Statue & Concentration camp graves	2,450,275	2,450,275

Mogale City Local Municipality

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Figures in Rand	2024	2023
13. Investment in shares		
Residual interest at cost		
Listed shares	789,780	569,496
Listed shares (9760 ordinary shares)		
These listed shares held by Sanlam Pty Ltd and were valued at a market value of R80.92 (2023: R58.35) per share (level 1)		
Non-current assets		
Residual interest at cost	789,780	569,496
Financial assets at fair value		
Fair value hierarchy of financial assets at fair value		
Financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:		
Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.		
Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).		
Level 3 applies inputs which are not based on observable market data.		
Level 1		
Class 1 (9760 ordinary shares)	789,779	569,496
14. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Medical aid fund	(201,957,862)	(193,598,904)
Long service awards	(68,864,117)	(44,664,090)
Ex-gratia benefits	(43,911)	(166,659)
	(270,865,890)	(238,429,653)
Non-current liabilities	(255,517,409)	(225,341,582)
Current liabilities	(15,348,481)	(13,088,071)
	(270,865,890)	(238,429,653)

The employee benefit obligations were calculated by One Pangaea expertise and solutions from employee information compiled and submitted by the municipality.

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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

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

Opening balance	193,598,904	189,899,000
Net expense recognised in the statement of financial performance	8,358,958	3,699,904
	201,957,862	193,598,904

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

Opening balance	44,664,090	51,780,000
Net expense recognised in the statement of financial performance	24,200,027	(7,115,910)
	68,864,117	44,664,090

Changes in the present value of the defined benefit obligation are as follows:Ex-gratia benefits

Opening balance	166,659	315,600
Net expense recognised in the statement of financial performance	(122,748)	(148,941)
	43,911	166,659

Net expense recognised in the statement of financial performance:Medical aid subsidy

Current service cost	7,502,874	8,653,000
Past service cost	(7,384,795)	(7,118,516)
Interest cost	24,950,032	22,014,000
Actuarial (gains) losses	(16,709,153)	(19,848,580)
	8,358,958	3,699,904

Net expense recognised in the statement of financial performance:Long service award

Current service cost	3,011,152	4,661,000
Past service cost	(10,009,375)	(10,797,379)
Interest cost	4,361,682	5,253,000
Actuarial (gains) losses	26,836,568	(6,232,531)
	24,200,027	(7,115,910)

Net expense recognised in the statement of financial performance:Ex-gratia benefits

Past service cost	(189,167)	(142,372)
Interest cost	8,578	10,800
Actuarial (gains) losses	57,841	(17,369)
	(122,748)	(148,941)

Mogale City Local Municipality

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14. Employee benefit obligations (continued)

Key assumptions used: Medical aid subsidy

Assumptions used at the reporting date:

Discount rates used	12.69 %	12.97 %
Health care cost inflation	8.17 %	8.52 %
Net discount rate	4.18 %	4.10 %

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The yield curves used for the derivation of the discount rate are the NACS (Nominal and Real) Zero Curves as published by the Johannesburg Stock Exchange. The Nominal NACS curve illustrates the nominal zero-coupon yields which are Nominal Compounded Semi-Annually. This gives us an idea of the nominal return at varying durations. The Real NACS curve illustrates Real zero-coupon bond yields which are Nominal Annual Compounded Semi-Annually. This gives us an idea of the real return at varying durations.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2023 the duration of liabilities was 12.23 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2023 is 12.69% per annum, and the yield on inflation-linked bonds of a similar term was about 5.18% per annum. This implies an underlying expectation of inflation of 6.67% per annum $([1 + 12.69\% - 0.5\%] / [1 + 5.18\%] - 1)$. The 0.5% deduction has been added as a risk premium to reflect the uncertainty inherent in the projection.

The actuaries have assumed that healthcare cost inflation would exceed general inflation by 1.50% per annum, i.e. 8.17% per annum.

However, it is the relative levels of the discount rate and healthcare cost inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 4.18% per annum $([1 + 12.69\%] / [1 + 8.17\%] - 1)$.

Demographic Assumptions

The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as follows:

Assumption	30 June 2023	30 June 2024
Normal retirement age (years)	65	65
Average retirement age (years) ¹	62	62
Mortality	SA85-90*	SA85-90*

N.B. The average retirement age for all active employees was assumed to be 62 years. This assumption implicitly allows for early retirement.

* These are standard mortality tables, and their use complies with industry practice. They are published by ASSA.

The following withdrawal assumptions were applicable over the prior and current valuation periods:

Age	Withdrawal rates (Male)	Withdrawal rates (Female)
20	9%	9%

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14. Employee benefit obligations (continued)

25	8%	8%
30	6%	6%
35	5%	5%
40	5%	5%
45	4%	4%
50	3%	3%
55	-	-
60+	-	-

These rates are based on the professional judgement of the actuary and the past experience of the municipality. They are updated regularly to ensure that match the actual experience and expected future trends as closely as possible.

The actuaries used the same withdrawal rates assumption used by the previous actuary to be consistent between valuations.

Sensitivity Analysis

The accrued liability is a function of the valuation assumptions, which may or may not be borne out in practice. Variations from these assumptions will emerge in future years as experience gains or losses are recognised immediately in the income statement by Mogale City.

The valuation results are sensitive to changes in the underlying assumptions. The effects of varying these assumptions are illustrated below.

Healthcare Cost Inflation And Discount Rate

	Percentage Change	1% decrease R's	30 June 2024 Valuation Basis R's	1% increase R's	Percentage Change
Healthcare Cost Inflation Rate					
Accrued Liability	-11.34%	179,053,727	201,957,862	229,306,442	13.54%
Service Cost	-15.27%	7,843,558	9,257,621	11,003,988	18.86%
Net Interest Expense	-11.54%	22,236,893	25,136,525	28,600,111	13.78%
Discount Rate					
Accrued Liability	12.87%	227,940,554	201,957,862	180,429,327	-10.66%
Service Cost	17.11%	10,841,731	9,257,621	7,978,558	-13.82%
Net Interest Expense	4.20%	26,192,843	25,136,525	24,170,313	-3.84%

Mogale City Local Municipality

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14. Employee benefit obligations (continued)

As per the table above, a 1% increase in the healthcare cost inflation rate results in a 13.54% increase in the accrued liability whilst a 1% decrease in the salary increase rate will result in an 11.34% decrease in the accrued liability. Increasing healthcare cost inflation leads to greater subsidies being paid by the entity in respect of continuation members. This, in turn, increases the size of the accrued liability.

Inversely, a 1% increase in the discount rate results in a 10.66% decrease in the accrued liability whilst a 1% decrease in the discount rate will result in a 12.87% increase in the accrued liability. The discount rate is inversely related to the accrued liability.

An increase in the discount rate increases the accrued liability and vice-versa.

Average retirement age

	Valuation Basis	-1 year	Percentage Change
	R's	R's	
Accrued Liability	201,957,862	215,658,134	6.78%
Service Cost	9,257,621	9,928,765	7.25%
Net Interest Expense	25,136,525	26,875,090	6.92%

The effect of bringing the retirement age early by a year would result in a 6.78% increase in the accrued liability.

Post-retirement mortality

The table below shows the impact of a change in the mortality assumption from PA (90)-1 to PA(90) with a two-year adjustment and PA(90) without any adjustment.

	Valuation Basis	PA(90)-1	Percentage Change
	R's	R's	
Accrued Liability	201,957,862	207,784,334	2.88%
Service Cost	9,257,621	9,490,047	2.51%
Net Interest Expense	25,136,525	25,872,921	2.93%

PA(90)-1 (PA(90) with a one-year age adjustment) means that, to each beneficiary, we assigned a mortality rate of an individual one year younger than that beneficiary, i.e. lighter mortality implying that the individual lives longer than expected in the valuation basis.

Therefore, the above change in the mortality assumptions would result in a 2.88% increase in the accrued liability for PA((90)-1.

Mogale City Local Municipality

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14. Employee benefit obligations (continued)

Continuation Percentage

The table below shows the impact of a change in the continuation assumption from 90% to 80% in respect of active members who are currently members of medical aids.

	Valuation Basis	90% Continuation Rate	Percentage Change
	R's	R's	
Accrued Liability	201,957,862	188,843,638	-6.49%
Service Cost	9,257,621	8,331,859	-10.00%
Net Interest Expense	25,136,525	23,472,330	-6.62%

The above change in the membership continuation percentage would result in a 6.49% decrease in the accrued liability.

A lower continuation percentage would result in fewer taking up the post-employment medical aid subsidy at retirement. This would reduce the number of eligible pensioners and therefore reduce the accrued liability.

Risk Analysis

Longevity Risk

The municipality has committed itself to paying for post-employment medical aid subsidies for as long as current and future continuation members and their spouses are alive. In our valuation, we have used the PA(90) mortality tables with an allowance for mortality improvement over time. Should continuation members and/or their spouses live longer than predicted by the tables above, the municipality would have to pay benefits over a longer period. This would increase the liability.

Operational Risk

This is the risk emanating from inadequate, ineffective or failed internal processes, people or systems. Of key importance is the data quality. If the data quality is compromised, any calculated values based on that data will be affected. We take great care to rigorously validate and clean the data we receive. However, we might not be able to identify some data errors and inconsistencies. For instance, if a member's ID number is recorded wrongly in the employee file, this might affect the accrued liability due to the member. If that error is corrected in future, the total accrued liability will be affected as well.

Economic Risk

The valuation of the post-employment medical subsidies liability is sensitive to the discount rate used, which is influenced by the broader economic conditions and market interest rates. In this report, the discount which was used for calculation purpose was determined using the Bond Exchange Zero Coupon Yield Curve. The yield curve is a widely used benchmark for determining the appropriate discount rate in South Africa as it represents the yield curve for zero-coupon government bonds, which are considered low-risk investments and are often used as a proxy for the risk-free rate. The shape and level of the yield curve reflect the prevailing market conditions and investor expectations about future economic and interest rate developments. Any changes to these macroeconomic factors will affect the valuation of the municipality's accrued liability.

Medical Aid Inflation

We have assumed that future medical aid increases would be linked to the long-term CPI assumption. However, medical aids typically consider a wide range of factors in determining increases. Any increases in excess of the CPI+1.5% assumption would lead to increases in accrued liability beyond that predicted by our valuation.

Key assumptions used: Long service award

Assumptions used at the reporting date:

Discount rates used	10.15 %	10.47 %
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Mogale City Local Municipality

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Figures in Rand	2024	2023
14. Employee benefit obligations (continued)		
Salary increase rate	5.69 %	6.26 %
Net discount rate	4.22 %	3.96 %

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The yield curves used for the derivation of the discount rate are the NACS (Nominal and Real) Zero Curves as published by the Johannesburg Stock Exchange. The Nominal NACS curve illustrates the nominal zero-coupon yields which are Nominal Compounded Semi-Annually. This gives us an idea of the nominal return at varying durations. The Real NACS curve illustrates Real zero-coupon bond yields which are Nominal Annual Compounded Semi-Annually. This gives us an idea of the real return at varying durations.

The methodology of setting the financial assumptions has been updated to be more duration-specific. At the previous valuation report, 30 June 2023 the duration of liabilities was 5.21 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2023 is 10.15% per annum, and the yield on inflation-linked bonds of a similar term was about 4.74% per annum. This implies an underlying expectation of inflation of 4.69% per annum $([1 + 10.15\% - 0.5\%] / [1 + 4.74\%] - 1)$. The 0.5% deduction has been added as a risk premium to reflect the uncertainty inherent in the projection.

The actuaries have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 5.69% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 4.22% per annum $([1 + 10.15\%] / [1 + 5.69\%] - 1)$.

Demographic Assumptions

The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as follows:

Assumption	30 June 2023	30 June 2024
Normal retirement age (years)	65	65
Average retirement age (years) ¹	62	62
Mortality	SA85-90*	SA85-90*

N.B. The average retirement age for all active employees was assumed to be 62 years. This assumption implicitly allows for early retirement.

* These are standard mortality tables, and their use complies with industry practice. They are published by ASSA.

Age	Withdrawal rates (Male)	Withdrawal rates (Female)
20	9%	9%
25	8%	8%
30	6%	6%
35	5%	5%
40	5%	5%
45	4%	4%
50	3%	3%
55	-	-
60+	-	-

The following withdrawal assumptions were applicable over the prior and current valuation periods:

These rates are based on the professional judgement of the actuary and the past experience of the municipality. They are updated regularly to ensure that match the actual experience and expected future trends as closely as possible.

The actuaries used the same withdrawal rates assumption used by the previous actuary to be consistent between valuations.

Demographic Assumptions

The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as

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

follows:

Assumption	30 June 2023	30 June 2024
Normal retirement age (years)	65	65
Average retirement age (years) ¹	62	62
Mortality	SA85-90*	SA85-90*

N.B. The average retirement age for all active employees was assumed to be 62 years. This assumption implicitly allows for early retirement.

* These are standard mortality tables, and their use complies with industry practice. They are published by ASSA.

These rates are based on the professional judgement of the actuary and the past experience of the municipality. They are updated regularly to ensure that match the actual experience and expected future trends as closely as possible.

Sensitivity Analysis

The accrued liability is a function of the valuation assumptions in Section 4, which may or may not be borne out in practice. Variations from these assumptions will emerge in future years as experience gains or losses are recognised immediately in the income statement by Mogale City.

The valuation results are sensitive to changes in the underlying assumptions. The effects of varying these assumptions are illustrated below.

Salary Increase and Discount Rate

	Percentage Change	1% decrease R's	Valuation Basis R's	1% increase R's	Percentage Change
Salary Inflation Rate					
Accrued Liability	-5.14%	65,325,374	68,864,117	72,712,906	5.59%
Service Cost	-6.05%	4,411,599	4,695,473	5,008,457	6.67%
Net Interest Expense	-5.44%	6,243,795	6,602,977	6,993,629	5.92%
Discount Rate					
Accrued Liability	5.40%	72,585,793	68,864,117	65,492,463	-4.90%
Service Cost	6.44%	4,998,051	4,695,473	4,424,917	-5.76%
Net Interest Expense	5.72%	6,980,727	6,602,977	6,260,754	-5.18%

As per the table above, a 1% increase in the salary increase rate results in a 5.59% increase in the accrued liability whilst a 1% decrease in the salary increase rate will result in a 5.14% decrease in the accrued liability. An increase in salary inflation increases the salaries upon which the long-service awards are based. This, in turn, leads to an increase in the accrued liability.

Inversely, a 1% increase in the discount rate results in a 4.90% decrease in the accrued liability whilst a 1% decrease in the discount rate will result in a 5.40% increase in the accrued liability. The discount rate is inversely related to the accrued liability. An increase in the discount rate increases the accrued liability and vice-versa.

Average Retirement Age

In the table below we highlight the effect of adjusting the average retirement age by 2 years upwards and downwards from the fully accrued retirement age of 62.

	Percentage Change	60 years R's	Valuation Basis R's	64 years R's	Percentage Change
Accrued Liability	-12.79%	60,053,327	68,864,117	78,623,048	14.17%
Service Cost	-10.14%	4,219,510	4,695,473	5,202,734	10.80%
Net Interest Expense	-13.18%	5,732,832	6,602,977	7,580,552	14.81%

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14. Employee benefit obligations (continued)

The above table highlights the effects of a 2-year decrease and increases in the average retirement age assumptions as at 30 June 2024. The adjustment would result in a 12.79% decrease and a 14.17% increase in the accrued liability respectively. By decreasing the average retirement age, we are reducing the chances of eligible members receiving bonuses before they retire e.g. consider a member, aged 61 years who is eligible to receive a bonus at age 62. Reducing the average retirement age disqualifies this member and therefore reduces the accrued liability in respect of this member. The converse applies to increasing the average retirement age. This will qualify members who were disqualified under the valuation basis.

Promotional Salary Increase Rates

In addition to the normal salary inflation rate, the actuaries have assumed promotional salary increases consistent with the prior actuary.

Age Band	Promotional Increase Rate
20 - 24	5%
25 - 29	4%
30 - 34	3%
35 - 39	2%
40 - 44	1%
>45	-

Risk Analysis

Mortality Risk

The long service bonus awards offered by the municipality are provided for completed years of service. As employees live longer and work for longer periods, the municipality's liability for these awards increases. This implies that the municipality may be required to pay out more in long-service bonus awards than initially anticipated, as employees continue to work and accrue additional years of service.

Operational Risk

This is the risk emanating from inadequate, ineffective or failed internal processes, people or systems. Of key importance is the data quality. If the data quality is compromised, any calculated values based on that data will be affected. We take great care to rigorously validate and clean the data we receive. However, we might not be able to identify some data errors and inconsistencies. For instance, if a member's ID number is recorded wrongly in the employee file, this might affect the accrued liability due to the member. If that error is corrected in future, the total accrued liability will be affected as well.

Economic Risk

The valuation of the post-employment medical subsidies liability is sensitive to the discount rate used, which is influenced by the broader economic conditions and market interest rates. In this report, the discount which was used for calculation purpose was determined using the Bond Exchange Zero Coupon Yield Curve. The yield curve is a widely used benchmark for determining the appropriate discount rate in South Africa as it represents the yield curve for zero-coupon government bonds, which are considered low-risk investments and are often used as a proxy for the risk-free rate. The shape and level of the yield curve reflect the prevailing market conditions and investor expectations about future economic and interest rate developments. Any changes to these macroeconomic factors will affect the valuation of the municipality's accrued liability.

Regulatory/Legislative Risk

The long service awards of the municipality valued in this report are subject to legislative and regulatory risks, as changes in the relevant accounting standards, labour laws, or municipal regulations can affect the valuation methodology and the municipality's obligations. For example, if the eligibility criteria, vesting conditions, or the calculation of the bonus amounts were to be modified, the municipality would need to revise its valuation methodology to comply with the new requirements. Currently, only permanent employees are entitled to the long service awards benefits and if the regulations are to change such that contract employees are entitled to the benefits, this will lead to an increase in the accrued liability for Mogale City. Thus, any changes in the account standards, labour laws and municipality regulations will lead to changes in the projected benefit obligations and the associated accounting treatment.

Key assumptions used: Ex-gratia benefits

Assumptions used at the reporting date:

Discount rates used	9.06 %	9.53 %
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Figures in Rand	2024	2023
14. Employee benefit obligations (continued)		
Lumpsum increase rate	4.63 %	5.76 %
Net discount rate	4.23 %	3.56 %

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The yield curves used for the derivation of the discount rate are the NACS (Nominal and Real) Zero Curves as published by the Johannesburg Stock Exchange. The Nominal NACS curve illustrates the nominal zero-coupon yields which are Nominal Compounded Semi-Annually. This gives us an idea of the nominal return at varying durations. The Real NACS curve illustrates Real zero-coupon bond yields which are Nominal Annual Compounded Semi-Annually. This gives us an idea of the real return at varying durations.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2023 the duration of liabilities was 0.91 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2023 is 9.06% per annum, and the yield on inflation-linked bonds of a similar term was about 4.76% per annum. This implies an underlying expectation of inflation of 3.63% per annum $([1 + 9.06\% - 0.5\%] / [1 + 4.76\%] - 1)$. The 0.5% deduction has been added as a risk premium to reflect the uncertainty inherent in the projection.

The actuaries have assumed that salary increase rate would exceed general inflation by 1% per annum, i.e. 4.63% per annum.

However, it is the relative levels of the discount rate and salary increase to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 4.23% per annum $([1 + 9.06\%] / [1 + 4.63\%] - 1)$.

Demographic Assumptions

The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as follows:

Aspect	Ex-Gratia recipients
Retirement age (years)	65
Mortality Table	SA 85-90

Sensitivity Analysis

The accrued liability is a function of the valuation assumptions in Section 4, which may or may not be borne out in practice. Variations from these assumptions will emerge in future years as experience gains or losses are recognised immediately in the income statement by Mogale City.

The valuation results are sensitive to changes in the underlying assumptions. The effects of varying these assumptions are illustrated below.

Salary Increase and Discount Rate

	Percentage Change	1% decrease R's	Valuation Basis R's	1% increase R's	Percentage Change
Salary Inflation Rate					
Accrued Liability	-2.17%	42,956	43,911	44,878	2.20%

Mogale City Local Municipality

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

Net Interest Expense	-2.17%	3,892	3,978	4,066	2.21%
Discount Rate					
Accrued Liability	2.13%	44,847	43,911	43,003	-2.07%
Net Interest Expense	2.14%	4,063	3,978	3,896	-2.06%

As per the table above, a 1% increase in the salary increase rate results in a 2.20% increase in the accrued liability whilst a 1% decrease in the salary increase rate will result in a 2.17% decrease in the accrued liability.

Inversely, a 1% increase in the discount rate results in a 2.07% decrease in the accrued liability whilst a 1% decrease in the discount rate will result in a 2.13% increase in the accrued liability. The discount rate is inversely related to the accrued liability. An increase in the discount rate increases the accrued liability and vice-versa

Average retirement age

In the table below we highlight the effect of adjusting the average retirement age by 1 year downwards from 65 years.

	Valuation Basis	1-year decrease	Percentage Change
	R's	R's	
Accrued Liability	43,911	47,851	8.97%
Service Cost	-	-	-
Net Interest Expense	3,978	4,335	8.98%

The above table highlights the effects of a 1-year decrease in the average retirement age assumption as at 30 June 2024.

The adjustment would result in an 8.97% increase in the accrued liability.

Risk Analysis

Operational Risk

This is the risk emanating from inadequate, ineffective, or failed internal processes, people, or systems. Of key importance is the data quality. If the data quality is compromised, any calculated values based on that data will be affected. We take great care to rigorously validate and clean the data we receive. However, we might not be able to identify some data errors and inconsistencies. For instance, if a member's ID number is recorded wrongly in the employee file, this might affect the accrued liability due to the member. If that error is corrected in the future, the total accrued liability will be affected as well.

Economic Risk

The valuation of ex-gratia payments liability is sensitive to the discount rate used, which is influenced by the broader economic conditions and market interest rates. In this report, the discount which was used for calculation purpose was determined using the Bond Exchange Zero Coupon Yield Curve. The yield curve is a widely used benchmark for determining the appropriate discount rate in South Africa as it represents the yield curve for zero-coupon government bonds, which are considered low-risk investments and are often used as a proxy for the risk-free rate. The shape and level of the yield curve reflect the prevailing market conditions and investor expectations about future economic and interest rate developments. Any changes to these macroeconomic factors will affect the valuation of the municipality's accrued liability.

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Figures in Rand	2024	2023
15. Finance lease obligation		
Minimum lease payments due		
- within one year	-	126,997
- in second to fifth year inclusive	-	648,332
- later than five years	-	1,095,595
	-	1,870,924
less: future finance charges	-	(920,701)
Present value of minimum lease payments	-	950,223
Present value of minimum lease payments due		
- within one year	-	(1,510)
- in second to fifth year inclusive	-	162,508
- later than five years	-	789,225
	-	950,223
Non-current liabilities	-	948,713
Current liabilities	-	1,510
	-	950,223

The average lease term for buildings leased is 30 years at an effective borrowing rate of 13.50% . With fixed contract interest rates from inception. Repayment of leases are fixed, or may escalate and some may fluctuate with the prime lending rate depending on the terms agreed upon.

Assets acquired through finance leases - 2024

	Carrying value at the beginning of the year	Depreciation	Carrying value at the end of the year
Buildings	97,348	(97,348)	-
	97,348	(97,348)	-

Assets acquired through finance leases - 2023

	Carrying value at the beginning of the year	Depreciation	Carrying value at the end of the year
Buildings	107,536	(10,188)	97,348
Vehicles	67,958	(67,958)	-
	175,494	(78,146)	97,348

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16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

West Rand District Municipality (WRDM)	-	733,642
Human Settlement Development Grant (HSDG)	-	13,336,342
Department of Sports, Arts, Culture and Recreation (SRAC)	3,518,509	1,624,803
	3,518,509	15,694,787

The nature and extent of conditional grants and subsidies recognised in the annual financial statements and the Accounting treatment of conditional grants is explained below:

Conditional grants should only be treated as 'transfers' recognised to revenue when the grant revenue has been 'earned' by spending it in accordance with the conditions of the grant.

Any unfulfilled conditions and unspent conditional grants and subsidies will be addressed in terms of section 22 of the Division of Revenue Act and criteria for the roll-overs of unspent conditional grant funds.

See note 32 for reconciliation of grants from National/Provincial Government.

17. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions	Change in discount factor	Interest charge	Total
Luipaardsvlei Landfill site rehabilitation	94,449,037	-	7,525,701	10,315,346	112,290,084
Magalies Landfill Site rehabilitation	3,767,197	-	312,626	402,020	4,481,843
Provision for performance bonuses	1,720,308	1,763,149	-	-	3,483,457
	99,936,542	1,763,149	7,838,327	10,717,366	120,255,384

Reconciliation of provisions - 2023

	Opening Balance	Additions	Change in discount factor	Interest charge	Total
Luipaardsvlei Landfill site rehabilitation	94,377,227	-	(8,996,425)	9,068,235	94,449,037
Magalies Landfill Site rehabilitation	3,848,300	-	(441,246)	360,143	3,767,197
Provision for performance bonuses	-	1,720,308	-	-	1,720,308
	98,225,527	1,720,308	(9,437,671)	9,428,378	99,936,542

Non-current liabilities	116,375,218	97,894,817
Current liabilities	3,880,165	2,041,724
	120,255,383	99,936,541

In terms of the review performed by Environmental & Sustainability Solutions CC, the provision required for restoration of the existing landfill sites is as follows:

Mogale City Local Municipality

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17. Provisions (continued)

1. The Luipaardsvlei Landfill Site expected remaining life of the landfill is estimated at 3 years. The key financial assumptions used in calculating the provisions are as follows: CPI 5.1704%, Discount rate 10.1704% and Net effective discount rate 5% (2023: CPI 6.1716%, Discount rate 10.9216% and Net effective discount rate 4.75%).

2. The Magaliesburg Landfill Site expected remaining life of the landfill is estimated at 0 years. The key financial assumptions used in calculating the provisions are as follows: CPI 5.1704%, Discount rate 10.1704% and Net effective discount rate 5% (2023: CPI 6.1716%, Discount rate 10.6716% and Net effective discount rate 4.5%).

3. Based on the above, the provisions as at June 30, 2024 are as follows:

Luipaardsvlei Landfill Site

Non-current liability	112,290,084	94,449,037
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Magalies Landfill Site

Non-current liability	4,085,135	3,445,780
Current liability	396,708	321,416
	4,481,843	3,767,196

18. Payables from non-exchange transactions

Credit balance transferred from receivables from non-exchange transactions	101,986,085	65,637,691
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19. Payables from exchange transactions

Trade payables	514,785,373	984,538,685
Credit balance transferred from receivables from exchange transactions	61,645,894	79,863,574
Current lease liability	7,088,889	8,055,556
Unpresented payments	50,238,455	45,811,879
Third party payments	864,251	850,387
Unknown Deposits	34,717,094	21,006,317
Retention	78,011,119	55,239,576
Overtime accrual	3,661,434	3,052,995
Leave accrual	94,747,969	89,019,523
13th cheque accrual	19,923,929	17,474,451
Salary accrual	607,119	1,764,365
	866,291,526	1,306,677,308

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20. Borrowings

At amortised cost

NEDBANK 69,078,243 85,096,463

An unsecured fixed-term loan bearing interest at a fixed rate of 9.21% per annum, repayable monthly in equal instalments. This loan will be fully paid on 31 December 2027.

DBSA 87,189,570 103,286,105

L239DBSA2029

An unsecured fixed-term loan bearing interest at a fixed rate of 9.875% per annum, repayable monthly for a period of 15 years. This loan will be fully paid on 30 November 2029.

Financial liabilities

156,267,813 188,382,568

2024

During the year under review Mogale City did not source new loan financing.

2023

During the previous financial year, Mogale City did not source loan financing.

Non-current liabilities

At amortised cost 122,669,165 139,659,990

Current liabilities

At amortised cost 33,598,649 48,722,579

21. Long-term trade and other payables

Municipal Debt Relief

Opening balance - -

Short-term trade and other payables 72,128,221 -

Long-term trade and other payables 103,623,306 -

175,751,527 -

During the financial year review, National Treasury approved a debt relief package for Eskom in August 2023 aimed at addressing the financial challenges faced by the utility. This debt relief package has implications for the municipality's obligations to Eskom, particularly regarding outstanding debt owed for electricity supply.

Details of Debt Relief

The approved debt relief includes the following key components:

Debt Write-off: The National Treasury has agreed to write off a portion of the municipality's outstanding debt to Eskom.

Conditions for Debt Relief: The debt relief is conditional upon the municipality's compliance with certain criteria, including timely payments of current electricity bills, implementation of energy efficiency measures, and maintaining a balanced budget. The municipality has complied with the conditions and NT to assess the first write off in August 2025.

22. Sundry deposits

Sundry deposits 12,605,276 12,838,245

Sundry deposits consists of hall, kerb, builder's water and key deposits.

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Figures in Rand	2024	2023
23. Consumer deposits and guarantees		
Electricity	44,863,904	44,301,195
Water	29,743,401	25,655,018
	74,607,305	69,956,213

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24. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions (refer to note 4)	-	821,494,148	821,494,148
Cash and cash equivalents (refer to note 5)	-	105,566,620	105,566,620
Call accounts (refer to note 5)	-	44,041,009	44,041,009
Investment in shares (refer to note 13)	789,780	-	789,780
	789,780	971,101,777	971,891,557

Financial liabilities

	At amortised cost	Total
Payables from non-exchange transactions (refer to note 18)	101,986,085	101,986,085
Payables from exchange transactions (refer to note 19 excluding third party payments, overtime accrual, leave accrual, 13th cheque accrual and salary accrual)	746,486,824	746,486,824
Current borrowings (refer to note 20)	33,598,649	33,598,649
Non-current borrowings (refer to note 20)	122,669,165	122,669,165
Sundry deposits (refer to note 21)	12,605,276	12,605,276
Consumer deposits (refer to note 22)	74,607,305	74,607,305
	1,091,953,304	1,091,953,304

2023

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions (refer to note 4)	-	567,081,248	567,081,248
Cash and cash equivalents (refer to note 5)	-	56,081,155	56,081,155
Call accounts (refer to note 5)	-	88,420,557	88,420,557
Investment in shares (refer to note 13)	569,496	-	569,496
	569,496	711,582,960	712,152,456

Financial liabilities

	At amortised cost	Total
Current and non-current finance lease obligation (refer to note 15)	950,223	950,223
Payables from non-exchange transactions (refer to note 18)	65,637,691	65,637,691
Payables from exchange transactions (refer to note 19 excluding third party payments, overtime accrual, leave accrual, 13th cheque accrual and salary accrual)	1,194,515,587	1,194,515,587
Current borrowings (refer to note 20)	48,722,579	48,722,579
Non-current borrowings (refer to note 20)	139,659,990	139,659,990
Sundry deposits (refer to note 21)	12,838,245	12,838,245
Consumer deposits (refer to note 22)	69,956,213	69,956,213
	1,532,280,528	1,532,280,528

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Figures in Rand	2024	2023
25. Service charges		
Sale of electricity	1,360,226,327	1,150,357,811
Sale of water	526,776,690	437,152,858
Sewerage and sanitation charges	360,382,319	288,135,174
Refuse removal	146,805,804	138,544,161
Less: Income foregone & Indigent subsidies)	(26,181,903)	(36,744,691)
	2,368,009,237	1,977,445,313
26. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	4,573,474	7,120,676
Rental of laps and carports	31,263	54,994
Rental of halls	191,711	340,827
Other rentals	203,089	46,941
	4,999,537	7,563,438
27. Income from agency services		
Agency Services	54,006,505	23,220,916
Income from agency services is recognised on a monthly basis once the income collected on behalf of the Provincial Department of Transport (DOT) has been quantified. The income recognised is for commission receivable in terms of the agreement between MCLM and DOT.		
28. Operational revenue from exchange transactions		
Administration fees	58,922	63,460
Advertising	319,071	290,584
Application fees	755,105	605,422
Building plan fees	6,539,421	5,292,252
Bulk service connections and service connections	6,568,523	17,498,493
Cemetery fees	3,028,107	2,597,857
Contributions Developers	1,355,119	2,771,179
Insurance claims	-	1,613,355
Other income	(1,029,603)	2,152,689
Training grant	1,242,817	1,195,237
	18,837,482	34,080,528
29. Interest received - Outstanding debtors		
Interest received	171,785,131	87,748,396

Interest is charged to debtors whose accounts have not been paid by due date in line with the Credit Control policy.

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Figures in Rand	2024	2023
30. Investment revenue		
Dividend revenue		
Dividends	31,232	28,109
Interest revenue		
Interest on investment	11,930,188	6,606,690
Interest on favourable balances	831,238	848,053
	12,761,426	7,454,743
Total revenue from investments	12,792,658	7,482,852
31. Statutory income: Property rates		
Rates received		
Residential	614,983,912	585,635,921
Commercial & Educational Institutions	334,924,215	340,730,415
Small holdings and farms	38,440,532	36,410,125
Less: Income foregone (Rebates & subsidies)	(338,355,376)	(348,654,224)
	649,993,283	614,122,237

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Figures in Rand	2024	2023
32. Transfers and subsidies		
Operating grants		
Equitable share	603,436,000	539,525,000
Integrated Urban Developmet Grant (IUDG)	4,215,000	10,437,050
Expanded public works programme (EPWP)	6,366,000	8,123,000
WRDM: HIV/AIDS Grant	5,376,632	5,305,088
Sport, Arts, Culture and Recreation (SRAC)	18,981,464	16,130,000
Finance Management Grant (FMG)	1,700,000	1,544,068
Expanded Public Works Programme (EPWP) COGTA	419,000	540,000
	640,494,096	581,604,206
Capital grants		
Intergrated National Electrification Programme (INEP)	13,493,000	4,600,000
Water Services Infrastructure grant (WSIG)	46,782,000	48,748,261
Integrated Urban Development Grant (IUDG)	153,792,000	133,793,949
Human Settlement Development Grant (HSDG)	143,036,843	86,701,881
Sport, Arts, Culture and Recreation (SRAC)	1,813,102	6,313,263
Neighbourhood Development Partnership Grant (NDPG)	75,357,000	28,711,000
Finance Management Grant (FMG)	-	105,932
	434,273,945	308,974,286
	1,074,768,041	890,578,492
Intergrated Urban Development grant (IUDG)		
Current-year receipts	158,007,000	144,231,000
Conditions met - transferred to revenue	(158,007,000)	(144,231,000)
	-	-
Neighbourhood Development Partnership grant (NDPG)		
Current-year receipts	75,357,000	28,711,000
Conditions met - transferred to revenue	(75,357,000)	(28,711,000)
	-	-
Department of Human Settlements		
Balance unspent at beginning of year	13,336,342	-
Current-year receipts	129,700,500	100,038,223
Conditions met - transferred to revenue	(143,036,842)	(86,701,881)
	-	13,336,342
Conditions still to be met - remain liabilities (see note 16).		
Water Services Infrastructure grant (WSIG)		
Balance unspent at beginning of year	-	3,588,261
Current-year receipts	46,782,000	45,160,000
Conditions met - transferred to revenue	(46,782,000)	(48,748,261)
	-	-
Department of Sports, Arts, Culture & Recreation (SRAC)		

Mogale City Local Municipality

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Figures in Rand	2024	2023
32. Transfers and subsidies (continued)		
Balance unspent at beginning of year	1,624,803	2,268,066
Current-year receipts	23,012,000	21,800,000
Conditions met - transferred to revenue	(20,794,548)	(22,443,263)
Transfer to Payables from Non-Exchange Transactions	(320,115)	-
	3,522,140	1,624,803
Conditions still to be met - remain liabilities (see note 16).		
Finance Management Grant (FMG)		
Current-year receipts	1,700,000	1,650,000
Conditions met - transferred to revenue	(1,700,000)	(1,650,000)
	-	-
West Rand District Municipality (WRDM)		
Balance unspent at beginning of year	733,641	995,049
Current-year receipts	4,642,991	5,250,080
Conditions met - transferred to revenue	(5,376,632)	(5,305,088)
Transfer to Payables from Non-Exchange Transactions	-	(206,400)
	-	733,641
Conditions still to be met - remain liabilities (see note 16).		
Integrated National Electrification programme (INEP)		
Current-year receipts	13,493,000	4,600,000
Conditions met - transferred to revenue	(13,493,000)	(4,600,000)
	-	-
Expanded Public Works Programme (EPWP)		
Current-year receipts	6,366,000	8,123,000
Conditions met - transferred to revenue	(6,366,000)	(8,123,000)
	-	-
Expanded Public Works Programme (EPWP) - CoGTA		
Current-year receipts	419,000	540,000
Conditions met - transferred to revenue	(419,000)	(540,000)
	-	-
33. Donations		
Donations/Assets transferred (Assets aquired at no cost)	7,011,743	49,559,341

2024

A donation of tablets was received for the current financial year.

2023

During the prior financial year, the following assets were received as donations: substation and developer created assets.

Mogale City Local Municipality

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34. Fines, Penalties and Forfeits

Statutory income: Traffic fines	29,960,710	26,356,900
Penalties and Admin fees	33,420,374	45,527,112
Library Fines	5,756	3,284
	63,386,840	71,887,296

Revenue from traffic fines is recognised on the accrual basis.

Revenue from penalties and admin fees is income for serving final demand notices and for disconnection of water and electricity for credit control purposes.

35. Fair value adjustment

Shares fair value adjustment	220,283	53,485
Investment property fair value adjustment	10,109,384	10,403,487
	10,329,667	10,456,972

Fair value adjustment

Investment property fair value adjustment

The investment property of the municipality was fair valued by an independent valuer (Bigen Africa) using the direct comparison method of valuation.

Shares fair value adjustment

The shares held by Sanlam Pty Ltd on behalf of the municipality at a market value of R80.92: 2024 (R58.35: 2023) has appreciated.

36. Employee related costs

Basic salaries	548,333,969	590,790,047
Bonus	42,338,601	39,933,802
Medical aid - company contributions	50,476,122	37,746,623
UIF	3,495,498	3,261,500
Industrial council levy	210,120	193,999
Employee Benefit Obligation - Net Interest Expense	29,320,292	27,277,800
Other employee related costs	106,951,800	2,062,679
Skills Development Levy	12,554,719	6,990,292
Defined contribution plans	108,248,521	99,397,427
Overtime payments	42,347,787	42,359,031
Long-service awards	2,397,251	323,382
Acting allowances	1,834,294	3,964,636
Car allowance	58,999,244	52,674,281
Housing subsidy	4,443,399	4,193,126
Accounting Officer and Senior Managers	16,465,274	16,276,756
	1,028,416,891	927,445,381

37. Remuneration of councillors

Executive Mayor	1,211,967	1,214,229
Chief Whip	919,629	838,589
Speaker	969,315	990,484
Municipal Public Accounts Committee (MPAC)	885,990	812,711
Mayoral Committee Members	9,153,938	8,603,530
Part time councillors	26,347,278	26,300,695
	39,488,117	38,760,238

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
38. Depreciation and amortisation		
Property, plant and equipment	239,207,535	251,390,419
Intangible assets	954,158	1,466,560
	240,161,693	252,856,979

Mogale City Local Municipality

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Figures in Rand	2024	2023
39. (Impairment loss)/Reversal of impairments		
Impairments		
Impairments	14,048,943	10,645,604
Property, plant and equipment		
40. Interest costs		
Interest paid	22,965,599	22,305,730
Overdue accounts	-	41,347,093
	22,965,599	63,652,823
41. Debt impairment		
Debt impairment	393,975,722	331,114,214
Impairment on receivables is accounted for in terms of the approved methodology for impairment of receivables.		
42. Collection costs		
Collection cost	24,095,585	46,172,597
Collection costs entails commission payable for credit control actions, debt collection fees, prepaid vending services fees and third party bill payments processing service.		
43. Bulk purchases		
Electricity - Eskom	1,109,643,584	944,762,035
Water - Rand Water	517,553,275	443,870,549
Wastewater sewer discharge: Johannesburg Water	4,921,069	15,192,436
	1,632,117,928	1,403,825,020

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43. Bulk purchases (continued)

2024

Electricity Losses

During the year under review Mogale City Local Municipality had unaccounted electricity of 9.65% which amounts to 59,704,350.50kwh. The total rand value of these losses was R 109,581,563.77. The electricity tariffs are structured in such a manner that it makes provision for the recovery of technical system losses. This is a prerequisite from the National Electricity Regulator before they can approve any electricity tariffs. The NERSA Benchmark for system losses is 10% and the Financial Benchmark (tolerable range) is between 7-10%.

The electricity losses in the 2023/24 financial year were due to unmetered supplies, faulty meters, dysfunctional and old technology meters measuring inaccurate usage, tampered meters for electricity theft, illegal connections, heat losses due to distribution and reticulation of electricity.

Mitigations:

Non-technical losses

- Faulty meters & Unmetered supplies: Conduct Inspection on a daily basis and install new meters on operational budget.
- Tampered meters for electricity theft: Conduct Inspection on a daily basis, correct and restore the installation and issue fines.
- Dysfunctional and old technology meters measuring inaccurate usage: Initiated an Analogue to Digital Meter Project
- Illegal connections: Reduce informal settlement that do not have formal electricity supply.

Technical losses

- Heat losses due to distribution and reticulation of electricity: Refurbishment and Upgrade Projects of electrical network is required.

Mogale City Local Municipality

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Figures in Rand	2024	2023
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43. Bulk purchases (continued)

2023

Electricity Losses

During the previous financial year Mogale City Local Municipality had unaccounted electricity of 11,64% which amounts to 71,948,764.80kwh. The total rand value of these losses was R 112,911,325.28. The electricity tariffs are structured in such a manner that it makes provision for the recovery of technical system losses. This is a prerequisite from the National Electricity Regulator before they can approve any electricity tariffs. The NERSA Benchmark for system losses is 10% and the Financial Benchmark (tolerable range) is between 7-10%.

The electricity losses in the 2022/23 financial year were due to unmetered supplies, faulty meters, dysfunctional and old technology meters measuring inaccurate usage, tampered meters for electricity theft, illegal connections, heat losses due to distribution and reticulation of electricity.

Mitigations:

1. Replace old meters that are not accurate with new digital/smart meters.
2. Electrify informal settlements to reduce illegal connections. There is currently an outstanding of 400 households to be inspected, the project is funded by INEP
3. Electricians are doing frequent inspections of meters to find consumers who are tampering with meters, as when culprits are found the municipality issues fines and fixes the tampering
4. Community outreach
5. Upgrade the electricity distribution network used for bulk distribution for electricity is not efficient as its operating at a low voltage

2024

Water Losses

During the year under consideration Mogale City Local Municipality had unaccounted water of 17.56% (non-technical losses), 6,939,997.01 kl. The total rand value of these non-technical losses were R 88,491,897.76.

Identified causes of water losses:

1. Prepaid and Conventional Water Meter Audits, Repairs and Replacement
2. Non-functional bulk water meters
3. Leaking reservoirs
4. Aged Asbestos Pipe Infrastructure, which frequently collapse due to high pressure in the system as well as age of the pipeline system
5. Faulty and leaking water meters
6. Frequent Burst Pipes contributing to high water loss
7. High Pressure in the Distribution System

Corrective measures to be implemented

Implementation of the Water Conservation & Demand strategy; which includes but not limited to:

Mogale City Local Municipality

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Figures in Rand	2024	2023
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43. Bulk purchases (continued)

1. Drafting of Business plans to request external funding;
2. Reduce the turnaround time of attending to burst pipe & other reported water disruption activities;
3. Replacement of non-functional bulk and residential water meters;
4. Metering of municipal facilities and informal settlements;
5. Installation of check meters on reservoirs and take off points from Rand Water & Joburg Water;
6. Implementation of the Pressure management Plan;
7. Repair of leaking reservoirs.

During the year under review the technical losses which the municipality does not have control over was determined as 15%, 5,921,980.50 kl amounting to R75,572,053.33.

2023

Water Losses

During the previous financial year Mogale City Local Municipality had unaccounted water of 15,79% (non-technical losses), 5,961,124.85 kl. The total rand value of these non-technical losses were R 69,599,516.81.

Identified causes of water losses:

1. Prepaid and Conventional Water Meter Audits, Repairs and Replacement
2. Non-functional bulk water meters
3. Leaking reservoirs
4. Aged Asbestos Pipe Infrastructure, which frequently collapse due to high pressure in the system as well as age of the pipeline system
5. Faulty and leaking water meters
6. Frequent Burst Pipes contributing to high water loss
7. High Pressure in the Distribution System

Corrective measures to be implemented

Implementation of the Water Conservation & Demand strategy; which includes but not limited to:

1. Drafting of Business plans to request external funding;
2. Reduce the turnaround time of attending to burst pipe & other reported water disruption activities;
3. Replacement of non-functional bulk and residential water meters;
4. Metering of municipal facilities and informal settlements;
5. Installation of check meters on reservoirs and take off points from Rand Water & Joburg Water;
6. Implementation of the Pressure management Plan;
7. Repair of leaking reservoirs.

During the previous financial year the technical losses which the municipality did not have control over was determined as 15%, 5,664,571.50 kl amounting to R66,193,161.12.

44. Contracted services

Presented previously

Information Technology Services	40,312,655	9,402,682
Fleet Services	6,321,842	30,732,016
Operating Leases	4,693,625	11,047,736
Specialist Services	23,556,996	6,776,818
Repairs and maintenance	48,800,433	90,438,293
Other Contractors	217,408,789	274,036,388
	341,094,340	422,433,933

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Figures in Rand	2024	2023
45. Operational costs		
Advertising	2,920,696	935,906
Assets written off	9,088,593	10,937,049
Audit and Risk committee remuneration	513,564	450,264
Bank charges	1,678,181	1,644,436
Bursary scheme internal and external	424,049	356,069
Compensation Occupational Injuries and Diseases Act	8,198,924	4,141,315
Conferences and seminars	224,761	135,401
Fuel and oil	21,339,036	20,092,585
Insurance	9,879,226	7,338,824
Internet fees	456,676	992,583
Magazines, books and periodicals	500,767	14,421
Other expenses	37,226,338	33,714,312
Postage and courier	4,531,638	4,344,011
Printing and stationery	2,042,014	1,736,195
Electricity purchases for consumption	12,798,793	18,661,588
Refreshments general and meetings	640,375	29,626
Royalties and licence fees	13,101,206	6,004,606
Safety equipment/Protective clothing	2,076,612	2,108,161
Settlement and legal fees	22,181,083	24,906,710
Stores and materials (inventory items)	2,216,126	3,184,710
Subscriptions and membership fees	10,913,216	10,343,694
Telephone and fax	3,366,808	5,644,918
Training	685,234	420,748
Travel - local	3,277,209	192,509
	170,281,125	158,330,641
46. Gains and losses		
Gains	16,709,153	26,098,480

Remeasurements are attributable to gains and losses obtained for the calculations of the employee benefit obligation.

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
47. Net cash flows from operating activities		
Surplus	584,474,376	144,043,545
Adjustments for:		
Depreciation and amortisation	240,161,693	252,856,979
Gain on fair value adjustment - Investment Property	(10,109,384)	(10,456,972)
Non-exchange interest (debt relief)	(39,270,818)	-
Impairment loss/reversal	14,048,943	10,645,604
Debt impairment	393,975,722	331,114,214
Movements in operating lease assets and accruals	22,899	6,414
Movements in retirement benefit	32,436,327	(3,564,947)
Movements in provisions	5,865,967	2,180,279
Social Responsibility	10,830,640	8,786,664
Financial assets - Loss on fair value adjustment	(220,383)	-
Gains/Losses	(16,709,153)	(26,098,480)
Assets written off	9,088,593	10,937,049
Donation of assets - gain	(7,011,743)	-
Inventories	2,231,690	278,949
Receivables from exchange transactions	(677,848,065)	(328,237,055)
Receivables from non-exchange transactions	12,250,682	(75,271,900)
Provision landfillsite	20,243,551	1,711,015
Trade and other payables movement	215,022,345	-
Payables from exchange transactions	(440,385,783)	80,280,270
VAT	34,917,247	(12,805,406)
Unspent conditional grants and receipts	(12,176,278)	8,843,411
Consumer deposits and guarantees	4,651,090	2,693,923
Sundry deposits	(232,969)	(23,150)
Payables from non-exchange transactions	36,348,394	(44,793,440)
	412,605,583	353,126,966

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48. Budget differences

Material differences between budget and actual amounts

The differences between the approved and final budget is as a result of reallocation of funds in line with the virement policy.

Management considers 10% or more of variance as material. A detailed description of the variance is provided below.

The current financial year has material differences on revenue, expenditure has no material differences with a variance of more than 10%.

Material differences between budget and actual amounts

The differences between the approved and final budget is as a result of reallocation of funds within in line with the virement policy.

Management considers 10% or more of variance as material. A detailed description of the variance is provided below. The current financial year has material differences on revenue, and expenditure.

Statement of Financial Performance

Revenue

48.1 Interest received (Outstanding services)

The higher the debtors book results in a higher interest charged due to a high unemployment rate and economic challenges.

48.2 Income from Agency Services

This is due to increased revenue for vehicle registration and testing attributable to increased efficiency in the systems utilised.

48.3 Licenses and permits

This is due to an increase in individuals venturing into small businesses to sustain their livelihood.

48.4 Operational Revenue

This revenue item consists of various small items, many of which under collected. The main ones that show under collection are service connections(small) and developers' contribution.

48.5 Investment revenue - Interest revenue.

The municipality invested grant funding as part of the budget support plan pillar of Ring Fencing of Conditional Grants as per the National Treasury pillars.

48.6 Donations

The willing giver donated the property to the municipality; Therefore, the municipality could not foresee the donation during the budgeting process.

48.7 Fines, Penalties and Forfeits

This is due to a delay in the service provider implementing the speed cameras.

48.8 Fair Value

The non-cash item was not budgeted for as it depends on the market for the valuation of properties.

Expenditure

Mogale City Local Municipality

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Notes to the Annual Financial Statements

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48. Budget differences (continued)

48.9 Impairment Loss

The under expenditure is because of a reduction in vandalism. Vandalism was high during load-shedding and has since decreased when load shedding stopped.

48.10 Debt Impairment

This is because of traffic fines impaired.

48.11 Contracted Services

There has been implementation of control measures to reduce expenditure on contracted services.

48.12 Transfers and Subsidies (operational expenditure).

The underspending is due to spending on grants in aid, these are grants transfers allocated to the community as part of community development initiatives drive by the municipality, they include social responsibility, and discretionary grants as part of cost cutting measures implemented by the municipality.

48.13 Operational Costs

The costs under this item are normally grouped under other general expenses including but not limited to Audit Fees, Oil and Fuel, Membership Fees, and water and electricity cut/off management.

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49. Prior period adjustments

Statement of Financial Position

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Assets				
Current Assets				
Inventories	5,595,483	-	-	5,595,483
Receivables from non-exchange transactions	308,269,500	-	(83,204,645)	225,064,855
Receivables from exchange transactions	483,876,603	-	83,204,645	567,081,248
Cash and cash equivalents	144,501,712	-	-	144,501,712
Operating lease asset	49,297	-	-	49,297
VAT receivable	55,155,023	-	-	55,155,023
	997,447,618	-	-	997,447,618
Non-Current Assets				
Living resources	3,063,550	-	-	3,063,550
Investment property	668,196,700	-	-	668,196,700
Property, plant and equipment	5,853,860,040	(63,232,476)	-	5,790,627,564
Intangible assets	2,296,159	(201,267)	-	2,094,892
Heritage assets	2,450,275	-	-	2,450,275
Investment in shares	569,496	-	-	569,496
	6,530,436,220	(63,433,743)	-	6,467,002,477
Total Assets	7,527,883,838	(63,433,743)	-	7,464,450,095
Liabilities				
Current Liabilities				
Operating lease liability	2,728	-	-	2,728
Employee benefit obligation	13,088,071	-	-	13,088,071
Finance lease obligation	1,510	-	-	1,510
Unspent conditional grants and receipts	15,694,787	-	-	15,694,787
Provisions	2,041,724	-	-	2,041,724
Payables from non-exchange transactions	138,388,042	-	(72,750,351)	65,637,691
Payables from exchange transactions	1,233,926,957	-	72,750,351	1,306,677,308
Borrowings	48,722,579	-	-	48,722,579
Sundry deposits	12,838,245	-	-	12,838,245
Consumer deposits and guarantees	69,956,213	-	-	69,956,213
	1,534,660,856	-	-	1,534,660,856
Non-Current Liabilities				
Employee benefit obligation	225,341,582	-	-	225,341,582
Finance lease obligation	948,713	-	-	948,713
Provisions	97,894,817	-	-	97,894,817
Borrowings	139,659,990	-	-	139,659,990
Operating lease liability	88	-	-	88
	463,845,190	-	-	463,845,190
Total Liabilities	1,998,506,046	-	-	1,998,506,046
Net Assets	5,529,377,792	(63,433,743)	-	5,465,944,049

Mogale City Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
49. Prior period adjustments (continued)		
Social Responsibility Fund	50,434,216	- 50,434,216
Accumulated surplus	5,478,943,576 (63,433,743)	- 5,415,509,833
Total Net Assets	5,529,377,792 (63,433,743)	- 5,465,944,049

Mogale City Local Municipality

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Figures in Rand

2024

2023

49. Prior period adjustments (continued)

Statement of Financial Performance

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Revenue				
Revenue from exchange transactions				
Service charges	1,977,445,313	-	-	1,977,445,313
Rental of facilities and equipment	7,563,438	-	-	7,563,438
Income from agency services	23,220,916	-	-	23,220,916
Licences and permits	68,228	-	-	68,228
Operational revenue from exchange transactions	34,080,528	-	-	34,080,528
Interest received - Outstanding debtors	87,748,396	-	-	87,748,396
Investment revenue - Interest revenue	7,454,743	-	-	7,454,743
Investment revenue - Dividends revenue	28,109	-	-	28,109
Total revenue from exchange transactions	2,137,609,671	-	-	2,137,609,671
Revenue from non-exchange transactions				
Property rates	614,122,237	-	-	614,122,237
Transfers & subsidies	890,578,492	-	-	890,578,492
Donations	37,559,341	12,000,000	-	49,559,341
Fines, Penalties and Forfeits	71,887,296	-	-	71,887,296
Fair value adjustments investment property	10,456,972	-	-	10,456,972
Total revenue from non-exchange transactions	1,624,604,338	12,000,000	-	1,636,604,338
Total revenue	3,762,214,009	12,000,000	-	3,774,214,009
Expenditure				
Employee related costs	(927,445,381)	-	-	(927,445,381)
Remuneration of councillors	(38,760,238)	-	-	(38,760,238)
Depreciation and amortisation	(256,689,795)	3,832,816	-	(252,856,979)
Impairment loss/Reversal of impairments	(10,645,604)	-	-	(10,645,604)
Interest costs	(63,652,823)	-	-	(63,652,823)
Debt impairment	(331,114,214)	-	-	(331,114,214)
Collection costs	(46,172,597)	-	-	(46,172,597)
Bulk purchases	(1,403,825,020)	-	-	(1,403,825,020)
Contracted services	(390,642,783)	(31,791,150)	-	(422,433,933)
Transfers and subsidies (operational expenditure)	(1,031,514)	-	-	(1,031,514)
Operational costs	(158,118,317)	(212,324)	-	(158,330,641)
Total expenditure	(3,628,098,286)	(28,170,658)	-	(3,656,268,944)
	134,115,723	(16,170,658)	-	117,945,065
Gains and losses	26,098,480	-	-	26,098,480
Surplus for the year	160,214,203	(16,170,658)	-	144,043,545

Mogale City Local Municipality

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Notes to the Annual Financial Statements

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49. Prior period adjustments (continued)

49.1 Prior period error

Reasons for prior year changes

Assets

A Farm was Donated to Mogale City Local Municipality From Department of Agriculture, Land Reform And Rural Development Located at Hekpoort 504.

Projects were Capitalised In the Prior Period, Brickvale Construction Of Internal Infrastructure Project and PR4 Roads Rehabilitation And Resurfacing Projects

Receivables and Payables

Reclassification of debtors credit balances between receivables and payables from exchange and non-exchange.

Mogale City Local Municipality

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49. Prior period adjustments (continued)

Cash flow statement

Cash Flow Statement

	Audited	Prior year adjustment	Reclassifying adjustments	Restated
Cash flows from operating activities				
Receipts				
Property rates	531,307,586	440,915	-	531,748,501
Sale of goods and services	1,773,505,293	(7,606,183)	-	1,765,899,110
Interest income	95,203,139	-	-	95,203,139
Dividends received	28,109	-	-	28,109
Grants	899,421,902	-	-	899,421,902
Other receipts	9,987,177	-	-	9,987,177
	3,309,453,206	(7,165,268)	-	3,302,287,938
Payments				
Employee costs	(944,132,056)	(21,705,813)	-	(965,837,869)
Suppliers	(1,942,335,497)	(34,003,704)	-	(1,976,339,201)
Interest costs	(63,652,823)	-	-	(63,652,823)
Other payments	-	-	-	-
	(2,950,120,376)	(55,709,517)	-	(3,005,829,893)
Net cash flows from operating activities	359,332,830	(62,874,785)	-	296,458,045
Cash flows from investing activities				
Purchase of property, plant and equipment	(325,878,707)	6,205,775	-	(319,672,932)
Derecognition of property, plant and equipment	-	-	-	-
Purchase of investment property	-	51,115	-	51,115
Derecognition of investment property	-	-	-	-
Net cash flows from investing activities	(325,878,707)	6,256,890	-	(319,621,817)
Cash flows from financing activities				
Repayment of borrowings	(30,695,663)	-	-	(30,788,853)
Net cash flows from financing activities	(30,788,853)	93,190	-	(30,788,853)
Net increase/(decrease) in cash and cash equivalents	2,665,270	(56,524,705)	-	(53,952,625)
Cash and cash equivalents at the beginning of the year	141,836,531	64,924,427	-	141,836,531
Cash and cash equivalents at the end of the year	144,501,801	8,399,722	-	87,883,906

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand	2024	2023
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50. Commitments

Authorised capital expenditure

Already contracted for

• Infrastructure	1,049,584,590	1,137,753,172
• Community	571,588,238	617,074,038
	1,621,172,828	1,754,827,210

Authorised operational expenditure

Already contracted for but not provided for

• Operational Expenditure	51,608,790	1,582,000
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Capital commitments represents future capital expenditure. The municipality has committed to utilise to spend these amount due to signed contracts with suppliers and approval per the Medium Term Revenue and Expenditure Framework. The commitments disclosed above include obligations that the municipality has for more than one year.

As and when contracts

The municipality has 35 contracts that are on an as and when required basis. The contracts year to date expenditure amount to R375 603 828: 2024, R162 595 352: 2023. The contracts remain valid as at the end of the financial year. The values of these contracts cannot be reliably measured as the obligation to the service provider is realised when the need for their service is required by the municipality thus the obligations and their related expenditures cannot be fairly presented due to the nature of the contracts.

Unable to quantify

The municipality has 18 contracts that are unquantifiable due to the nature of the contracts. The expenditure of these contracts from inception to the current financial year amounts to R277 657 362.

Deviations

The municipality did not award any deviations for the current financial year. However, there were deviations identified during the audit which resulted from the contract extensions approved during the financial year but were declared as not justifiable and irregular. The correction for the irregular expenditure incurred on those contracts was made to note 54 - irregular expenditure disclosure note.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	5,974,329	5,905,481
- in second to fifth year inclusive	4,505,241	10,312,746
	10,479,570	16,218,227

Operating lease payments represent rentals payable by the municipality for certain of its offices, trucks, motor vehicles and cellphones. Leases are negotiated for an average term of 36-120 months. Most of the rentals in terms of these operating lease arrangements are fixed while some rentals escalate on average by 10% or at prime lending rate per annum . .

Rental expenses relating to operating leases

Minimum lease payments	966,667	966,667
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Operating leases - as lessor (income)

Minimum lease payments due

- within one year	410,873	547,131
- in second to fifth year inclusive	318,875	1,028,045

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
50. Commitments (continued)	729,748	1,575,176
<p>Certain of the municipality's property is held to generate rental income. The Lease terms are negotiated ranging from 6 months to 25 years. The rental levied escalates at 10% on average per annum.</p>		
51. Contingencies		
Contingent liabilities		
Category A		
Karel Du Plessis	-	147,072
Summons issued against the Municipality demanding overpaid amounts arising from the application made in terms of Section 118.		
Gerhad Human	-	29,552
Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.		
Palmetto Gate	-	111,585
Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.		
Yolande Strydom	-	124,180
Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118..		
Dumisani Amos Mnisi	-	654,000
Summons issued against the municipality for vicarious liability.		
Madelein van Rooyen	-	122,365
The Plaintiff alleges that the municipality was partly negligent in ensuring that the Bungee jumping is safe.		
Alfa Transportation	15,275	15,275
Summons issued against the municipality for overpayment of services.		
Camel friends CC	-	50,244
Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.		
Mvuyisi Mfebe	10,000,000	10,000,000
Summons issued against the municipality for alleged infringement of copyrights.		
Dartingo Trading 356 (Pty) Ltd	-	2,400,000
The municipality is being sued for damages as they alleged that a potential purchaser cancelled an offer to purchase their property after the municipality relocated people to a property adjacent to their property.		
Nzambi Aubin Biasua & Nzambi Makala Biausua	-	499,633
The municipality is being sued for damages as the plaintiff alleges that the municipality failed to ensure that they were safe during the riots.		
Nobuhle Mhlanga	60,000	60,000
Summons issued against the municipality for vicarious liability.		
Telkom SA SOC Limited	37,175	37,175
Summons issued against the municipality for damages.		
Pro-Plan Consulting Engineers (Pty) Ltd	2,343,112	-
Summons issued against the municipality for breach of contract		
	12,455,562	14,251,081

Mogale City Local Municipality

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52. Related parties

Relationships

Political Office Bearers consist of:

Executive Mayor

Chief Whip

Speaker

MPAC

Councillors (MMC)

Cllr D. Thupane

Cllr T. Ramaisa

Cllr L. Sele

Cllr M. Lephadi

Cllr D. David

Cllr W. Segolodi

Cllr M. Mogoje

Cllr N. Segapela

Cllr P. Modise

Cllr F. Makgatho

Cllr J. Koboekae

Cllr K. Mandyu

Cllr D. Modiko

Cllr X. Mkruquli

Part time councillors (Full list detailed below)

Mr M.A. Msezana

Ms B.V. Monkwe

Mr. D.Ngutshana

Mr B.M. Dube

Ms L.A. Modiba

Mr M.C. Thenga

Mr N.N. Fani

Mr T. Legodi (Acting)

Mr A. Botes (Acting)

Accounting Officer

Members of key management

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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52. Related parties (continued)

Remuneration of management

Mayoral committee members

2024

	Annual Remuneration	Cellphone Allowance	Data Card Allowance	Car Allowance	Contribution to Medical, Pension & SDL	Total
Name						
D.M. Thupane	751,101	45,593	4,007	287,922	123,346	1,211,969
Chief Whip						
T. Ramaisa	558,052	45,593	4,007	213,920	92,499	914,071
J. Miller	3,842	400	34	1,281	-	5,557
Speaker						
L.G. Sele	593,746	45,600	4,008	228,083	97,879	969,316
Section 79 Chair Person						
M.R. Lephadi	540,869	45,600	4,008	207,333	88,180	885,990
MMC: Finance						
D.S. David	557,432	45,600	4,008	213,682	91,875	912,597
MMC: Public Safety						
F. Makgatho	545,578	46,500	4,085	214,898	106,901	917,962
MMC: Intergrated Environment Management						
X.L. Mkruquli	571,605	45,440	3,994	219,115	93,751	933,905
MMC: Health and Social Development						
W. Segolodi	557,432	45,600	4,008	213,682	91,867	912,589
MMC: Sports, Recreation, Arts and Culture						
D.M. Modiko	557,432	45,600	4,008	213,682	91,867	912,589
MMC: Roads and Transport						
M.J. Koboekae	557,432	45,600	4,008	213,682	91,960	912,682
MMC: Utility Management						
P.K. Modise	557,432	45,600	4,008	213,682	91,867	912,589
MMC: Human Settlement and Rural Development						
M.M. Mogoje	554,927	45,600	4,008	213,682	94,350	912,567

Mogale City Local Municipality

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52. Related parties (continued)

MMC: Economic Development Services

N.G. Segapela

557,432 45,600 4,008 213,682 91,960 912,682

MMC: Corporate Support and Strategic Planning

K. Mandyu

641,575 45,600 4,008 213,682 8,909 913,774

8,105,887 639,526 56,207 3,082,008 1,257,211 13,140,839

2023

Name	Annual Remuneration	Cellphone Allowance	Data card Allowance	Car Allowance	Contribution to Medical, Pension & SDL	Total
F.M. Makgatho (term ended)	15,820	-	-	6,371	3,516	25,707
T.M. Gray (term ended)	612,302	34,000	2,900	232,637	100,734	982,573
D.M. Thupane	128,940	7,480	660	49,427	19,441	205,948
Chief Whip						
S.I. Dube (term ended)	17,724	-	-	2,670	-	20,394
J. Miller (term ended)	129,568	6,800	600	39,496	13,520	189,984
L.L. Lekoto (term ended)	284,976	22,667	2,000	116,521	49,931	476,095
T. Ramaisa	92,995	6,800	600	35,648	16,072	152,115
Speaker						
N.C. Mangole (term ended)	19,061	-	-	5,097	-	24,158
J.L. Pannall (term ended)	489,169	34,000	3,000	187,030	91,798	804,997
L.G. Sele	99,442	6,800	600	38,120	16,366	161,328
Section 79 Chair Person						
X.L. Mkruquli (term ended)	457,119	34,000	3,000	173,214	74,460	741,793
M.R. Lephadi	43,446	3,400	300	16,653	7,118	70,917
MMC: Corporate Support & Strategic Planning						
M. Khuzwayo (term ended)	17,725	-	-	2,670	-	20,395
A. Van Loggerenberg (term ended)	462,078	34,000	3,000	175,290	77,609	751,977
K. Mandyu	65,226	4,387	387	21,742	917	92,659
MMC: Community Safety						
A.K. Setswalo-Moja (term ended)	17,725	-	-	2,670	-	20,395

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52. Related parties (continued)

S.L. Lebesa (term ended)	456,840	34,000	3,000	171,795	76,358	741,993
T.J. Steenkamp (term ended)	356,131	23,800	2,100	141,599	58,360	581,990
MMC: Health & Social Services						
L.L. Lekoto (term ended)	180,128	10,200	900	47,190	26,652	265,070
W. Segolodi	58,633	4,387	387	21,742	7,445	92,594
T. Ntando (term ended)	261,718	20,400	1,800	99,392	44,195	427,505
MMC: Intergrated Environment Management						
M.F. Chohledi (term ended)	17,725	-	-	2,670	-	20,395
E. Mahne (term ended)	170,295	10,200	900	-	20,280	201,675
X.L. Mkruquli	87,290	6,800	600	33,461	14,375	142,526
MMC: Sports & Recreation						
C.M. Ntlatlane (term ended)	17,725	-	-	2,670	-	20,395
B.E. Nkosi (term ended)	458,064	34,000	3,000	176,573	91,461	763,098
D.M. Modiko	57,071	3,400	300	21,877	9,387	92,035
MMC: Finance						
N.M. Sedumedi (term ended)	17,725	-	-	2,670	-	20,395
J.J. Holtzhausen (term ended)	462,078	34,000	3,000	178,537	77,609	755,224
D.S. David	57,071	3,400	300	21,877	9,387	92,035
MMC: Roads & Transport						
M.B. Mdlane (term ended)	17,725	-	-	2,670	-	20,395
L.W. Moleba (term ended)	462,078	34,000	3,000	175,290	77,609	751,977
M.J. Koboekae	57,071	3,400	300	21,877	9,387	92,035
MMC: LED & Rural Development						
T.P. Moeketsi (term ended)	19,005	-	-	1,390	-	20,395
Z. Wehinger-Maguire (term ended)	462,078	34,000	3,000	175,290	77,609	751,977
M.M. Mogoje	57,071	3,400	300	21,877	9,387	92,035
MMC: Utilities						
I.T. Nzwane (term ended)	17,725	-	-	2,670	-	20,395
K.E. Lekgane (term ended)	462,078	34,000	3,000	175,290	77,609	751,977
P.K. Modise	57,071	3,400	300	21,877	9,387	92,035
MMC: Human Settlement						
D.M. Thupane	449,425	32,867	2,900	168,952	76,323	730,467
MMC: Public Safety						
F. Makgatho	51,073	3,400	300	20,290	10,392	85,455
MMC: Local Economic Development						

Mogale City Local Municipality

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52. Related parties (continued)

N. Segapela

57,071	3,400	300	21,877	9,387	92,035
7,781,281	530,788	46,734	2,836,659	1,264,081	12,459,543

Councillors

2024

Name	Annual Remuneration	Cellphone Allowance	Data Card Allowance	Locomotion Allowance	Contribution to Medical, Pension & SDL	Total
T.J. Steenkamp	248,820	45,600	4,008	88,001	41,038	427,467
J.L. Pannall	238,536	46,640	4,096	89,819	56,759	435,850
B.A. Kubayi	239,487	45,600	4,008	91,803	39,567	420,465
C.A. Kotze	162,477	31,200	2,740	62,283	26,959	285,659
B.V. Molefe	224,461	45,600	4,008	91,803	54,507	420,379
M.B. Mdlane	203,082	37,974	3,344	77,848	33,520	355,768
L.S. Resha	224,461	45,600	4,008	91,803	54,507	420,379
L.W. Zwankhuizen	239,487	45,600	4,008	91,803	39,567	420,465
E. Mahne	331,290	45,600	4,008	-	39,626	420,524
A. van Loggerenberg	248,820	45,600	4,008	88,001	41,038	427,467
J.J. Holtzhausen	248,820	45,600	4,008	88,001	41,038	427,467
V.B. Khumalo	224,461	45,600	4,008	91,803	54,507	420,379
B.E. Nkosi	233,794	45,600	4,008	88,001	55,978	427,381
T.M. Gray	254,202	45,600	4,008	90,064	42,201	436,075
L.W. Moleba	248,820	45,600	4,008	88,001	41,038	427,467
C.J. van der Westhuizen	239,487	45,600	4,008	84,423	39,567	413,085
S. Govindasamy	224,461	45,600	4,008	91,803	54,507	420,379
Z. Wehinger-Maguire	210,316	38,400	3,374	80,621	34,733	367,444
M.C.G. Naude	224,461	45,600	4,008	91,803	54,507	420,379
K.E. Lekagane	248,820	45,600	4,008	88,001	41,038	427,467
S.A. Dabhelia	239,487	45,600	4,008	91,803	39,567	420,465
L.L. Lekoto	248,820	45,600	4,008	88,001	41,038	427,467

Mogale City Local Municipality

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52. Related parties (continued)

O.S.S. Moralo	239,487	45,600	4,008	91,803	39,567	420,465
L.E. du Toit	239,487	45,600	4,008	91,803	39,567	420,465
T. Ntando	247,082	45,600	4,008	87,002	39,786	423,478
L.T. Tshose	230,722	45,600	4,008	91,803	48,277	420,410
M.V. Khol	239,487	45,600	4,008	91,803	39,567	420,465
L.R. Moeketsi	239,487	45,600	4,008	91,803	39,567	420,465
M.L. Trump	239,487	45,600	4,008	91,803	39,567	420,465
T.G. Koto	239,487	45,600	4,008	91,803	39,567	420,465
M.A. Hleza	239,487	45,600	4,008	91,803	39,567	420,465
K.C. Ntshangas	239,487	45,600	4,008	91,803	39,575	420,473
F. Ngobeni	239,487	45,600	4,008	91,803	39,567	420,465
N.A. Sithole	239,487	45,600	4,008	91,803	39,567	420,465
D. Toerien	239,487	45,600	4,008	91,803	39,567	420,465
L.J. Gouws	239,487	45,600	4,008	91,803	39,567	420,465
T.J. Tapani	239,487	45,600	4,008	91,803	39,567	420,465
E.L.L. Lesuthu	239,487	45,600	4,008	91,803	39,567	420,465
N.D. Witbooi	239,487	45,600	4,008	91,803	39,567	420,465
W. Mnyaji	239,487	45,600	4,008	91,803	39,567	420,465
J.O. Muravha	239,487	45,600	4,008	91,803	39,567	420,465
R.J. Mokoto	239,487	45,600	4,008	91,803	39,567	420,465
S.L.A. Cochrane	239,487	45,600	4,008	91,803	39,567	420,465
M.H. Taunyane	239,487	45,600	4,008	91,803	39,567	420,465
A. Steyn	224,461	45,600	4,008	91,803	54,507	420,379
A.M. Badenhorst	239,487	45,600	4,008	91,803	39,567	420,465
L.P. Pii	239,487	45,600	4,008	91,803	39,567	420,465
K. Motlhophe	239,487	45,600	4,008	91,803	39,567	420,465
P.S. Tabiwa	239,487	45,600	4,008	91,803	39,567	420,465
G.K. Morake	181,730	34,800	3,057	69,663	30,111	319,361
R.E. Munyai	239,487	45,600	4,008	91,803	39,567	420,465
C.M Mankazana	239,487	45,600	4,008	91,803	39,567	420,465
N. Nhlapo	239,487	45,600	4,008	91,803	39,567	420,465
N.T. Xhale	239,487	45,600	4,008	91,803	39,567	420,465
M.C. Mosala	224,461	45,600	4,008	91,803	54,507	420,379
L.L. Ntshabele	239,487	45,600	4,008	91,803	39,567	420,465
P.L. Matshaba	239,487	45,600	4,008	91,803	39,567	420,465

Mogale City Local Municipality

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52. Related parties (continued)

M.M. Nqosa	239,487	45,600	4,008	91,803	39,567	420,465
J.B. Seleke	231,974	45,600	4,008	91,803	47,069	420,454
J.P.J. Liebenberg	239,487	45,600	4,008	91,803	39,567	420,465
S.L. Lebasa	248,820	45,600	4,008	88,001	41,036	427,465
M. Ndamase	29,084	6,000	521	10,622	3,083	49,310
A. Jooste	297,550	45,600	4,008	84,423	4,109	435,690
D.C. Nieuwenhuyzen	275,410	45,600	4,008	84,423	4,109	413,550
G. Britz	41,836	7,200	634	14,760	7,606	72,036
	15,103,584	2,847,014	250,230	5,579,291	2,567,159	26,347,278

2023

Name	Annual Remuneration	Cellphone Allowance	Data Card Allowance	Car Allowance	Contribution to Medical, Pension & SDL	Total
G.I. Moilwanyane	6,049	-	-	2,016	-	8,065
F.O. Bhayat	6,049	-	-	2,016	-	8,065
S.D. Letsie	6,049	-	-	2,016	-	8,065
P.T. Molapo	6,049	-	-	2,016	-	8,065
E. Modise	6,049	-	-	2,016	-	8,065
T.J. Steenkamp	84,804	17,000	1,500	32,508	14,714	150,526
J.L. Pannall	34,591	6,800	600	14,220	8,565	64,776
M. Mohube	6,049	-	-	2,016	-	8,065
I.T. Nzwane	17,725	-	-	2,670	-	20,395
D.S. David	230,457	37,400	3,300	86,502	37,425	395,084
M.J. Selibo	6,049	-	-	2,016	-	8,065
M.P. Madumo	6,049	-	-	2,016	-	8,065
B.A. Kubayi	242,165	40,800	3,600	90,990	39,380	416,935
M.L. Agondo	6,049	-	-	2,016	-	8,065
M.D. Sithole	6,049	-	-	2,016	-	8,065
P.T. Molapo	6,049	-	-	2,016	-	8,065
M.O. Ramadi	6,049	-	-	2,016	-	8,065

Mogale City Local Municipality

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52. Related parties (continued)

S. Silaule	6,049	-	-	2,016	-	8,065
J.S. Hoon	6,049	-	-	2,016	-	8,065
G.K. Gaselebelwe	6,049	-	-	2,016	-	8,065
B.N. Ngakane	6,049	-	-	2,016	-	8,065
J.N. Kotze	242,165	40,800	3,600	90,990	39,380	416,935
P.C. Orpen	6,049	-	-	2,016	-	8,065
B.V. Molefe	227,138	40,800	3,600	90,990	54,256	416,784
L. Modise	6,049	-	-	2,016	-	8,065
W. Ngwako	6,049	-	-	2,016	-	8,065
L.G. Resha	227,138	40,800	3,600	90,538	54,256	416,332
L.W. Zwankhuizen	242,165	40,800	3,600	90,990	39,380	416,935
E. Mahne	233,178	30,600	2,700	8,870	32,447	307,795
A. van Loggerenberg-Wentzel	37,095	6,800	600	14,220	6,093	64,808
J.J. Holtzhausen	37,095	6,800	600	14,220	6,093	64,808
M.J. Koboekae	223,617	37,400	3,300	83,880	36,304	384,501
V.B. Khumalo	227,138	40,800	3,600	90,990	54,256	416,784
T.E. Mokoena	6,049	-	-	2,016	-	8,065
T.M. Gray	43,278	7,933	700	16,590	7,084	75,585
P.J. Makokwe	6,049	-	-	2,016	-	8,065
I. Mangole	6,049	-	-	2,016	-	8,065
L.W. Moleba	37,095	6,800	600	14,220	6,093	64,808
C.J. van der Westhuizen	242,165	40,800	3,600	90,990	39,380	416,935
S. Govindasamy	227,138	40,800	3,600	90,990	54,256	416,784
Z. Wehinger-Maguire	37,095	6,800	600	14,220	6,093	64,808
M.C. Naude	227,138	40,800	3,600	90,990	54,256	416,784
K.E. Lekagane	37,095	6,800	600	14,220	6,093	64,808
M. Ndamase	242,165	40,800	3,600	90,990	39,380	416,935
A.G. Mutele	6,049	-	-	2,016	-	8,065
S.A. Dabhelila	242,165	40,800	3,600	90,990	39,380	416,935
L.L. Lekoto	43,278	7,933	700	16,590	7,118	75,619
R.B. Seemela	6,049	-	-	2,016	-	8,065
M.L. Khoza	6,049	-	-	2,016	-	8,065
J. Makgopa	6,049	-	-	2,016	-	8,065
G.A. Tsele	6,049	-	-	2,016	-	8,065
B.S. Tlapu	6,049	-	-	2,016	-	8,065

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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52. Related parties (continued)

O.S. Moralo	242,165	40,800	3,600	90,990	39,380	416,935
B.L. Shabalala	6,049	-	-	2,016	-	8,065
L.E. du Toit	242,165	40,800	3,600	90,990	39,380	416,935
A.S. Eksteen	54,478	6,800	600	19,891	5,747	87,516
K.E. Mapetla	6,049	-	-	2,016	-	8,065
H.H. Kruger	149,151	23,800	2,100	55,440	23,999	254,490
P.K. Modise	223,617	37,400	3,300	83,880	36,304	384,501
A.K. Molosiwa	6,049	-	-	2,016	-	8,065
G.A. Dalton	29,995	3,400	300	10,753	2,874	47,322
L.G. Sele	198,529	34,000	3,000	74,754	32,523	342,806
D.M. Modiko	217,077	37,400	3,300	81,864	35,430	375,071
T. Ntando	106,354	20,400	1,800	40,769	17,588	186,911
L.T. Tshose	235,624	40,800	3,600	88,973	38,506	407,503
M.V. Khol	235,624	40,800	3,600	88,973	38,505	407,502
L.R. Moeketsi	235,624	40,800	3,600	88,973	38,506	407,503
M.L. Trump	235,624	40,800	3,600	88,973	38,506	407,503
T.G. Koto	235,624	40,800	3,600	88,973	38,506	407,503
T. Ramaisa	198,529	34,000	3,000	74,754	32,354	342,637
M.A. Hleza	235,624	40,800	3,600	88,973	38,506	407,503
K.C. Ntshangase	235,624	40,800	3,600	88,973	38,506	407,503
M.R. Lephadi	217,077	37,400	3,300	81,864	35,430	375,071
N.D. Bhengu	205,410	35,097	3,097	77,047	32,458	353,109
F. Ngobeni	235,624	40,800	3,600	88,973	38,506	407,503
N.A. Sithole	235,624	40,800	3,600	88,973	38,506	407,503
E. Mdluli	205,410	35,097	3,097	77,047	32,458	353,109
D. Toerien	235,624	40,800	3,600	88,973	38,506	407,503
L.J. Gouws	235,624	40,800	3,600	88,973	38,506	407,503
M.M. Mogoje	217,077	37,400	3,300	81,864	35,430	375,071
N.G. Segapela	217,077	37,400	3,300	81,864	35,430	375,071
T.J. Tapani	235,624	40,800	3,600	88,973	38,506	407,503
E.L.L. Lesuthu	235,624	40,800	3,600	88,973	38,506	407,503
N.D. Witbooi	235,624	40,800	3,600	88,973	38,506	407,503
W. Mnyaji	235,624	40,800	3,600	88,973	38,506	407,503
J.O. Muravha	235,624	40,800	3,600	88,973	38,506	407,503
R.J. Mokoto	235,624	40,800	3,600	88,973	38,506	407,503

Mogale City Local Municipality

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Figures in Rand

52. Related parties (continued)

S.L.A. Cochrane	235,624	40,800	3,600	88,973	38,506	407,503
A. Jooste	268,270	40,800	3,600	88,973	4,016	405,659
M.H. Taunyane	235,624	40,800	3,600	88,973	38,506	407,503
A. Steyn	231,868	40,800	3,600	88,973	42,225	407,466
A.M. Badenhorst	235,624	40,800	3,600	88,973	38,506	407,503
L.P. Pii	235,624	40,800	3,600	88,973	38,506	407,503
K. Motlhophe	235,624	40,800	3,600	88,973	38,506	407,503
P.S. Tabiwa	235,624	40,800	3,600	88,973	38,506	407,503
G.K. Morake	235,624	40,800	3,600	88,973	38,506	407,503
R.E. Munyai	235,624	40,800	3,600	88,973	38,506	407,503
C.M. Mankazana	235,624	40,800	3,600	88,973	38,506	407,503
N. Nhlapo	235,624	40,800	3,600	88,973	38,506	407,503
N.T. Xhale	235,624	40,800	3,600	88,973	38,506	407,503
M.C. Mosala	220,598	40,800	3,600	88,973	53,381	407,352
L.L. Ntshabele	235,624	40,800	3,600	88,973	38,506	407,503
P.L. Matshaba	230,765	40,800	3,600	87,804	37,988	400,957
M.M. Nqosa	190,622	34,768	3,068	72,704	30,875	332,037
J.B. Seleke	170,668	31,167	2,750	65,174	27,768	297,527
D.C. Nieuwenhuyzen	169,926	27,087	2,390	56,642	2,560	258,605
J.P.J. Liebenberg	83,331	15,057	1,329	31,487	12,441	143,645
F.M. Makgatho	209,262	37,400	3,300	83,450	49,078	382,490
D.M. Thupane	3,706	453	40	1,421	241	5,861
S.L. Lebesa	37,095	6,800	600	14,220	6,093	64,808
B.E. Nkosi	34,591	6,800	600	14,220	8,572	64,783
	15,276,101	2,594,992	228,970	5,690,271	2,510,369	26,300,703

Executive management

2024

	Annual Remuneration	Non pensionable cash gratuity	Cell phone	Leave Resignation & Long Service Leave	Car Allowance	Contribution to UIF, Medical, Salgabc & Pension	Total
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Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

52. Related parties (continued)

Name							
M.A. Msezana	1,898,245	-	42,000	-	240,000	23,768	2,204,013
Chief Finance Officer							
B.V. Monkwe	1,535,362	-	-	150,322	240,000	45,794	1,971,478
Corporate Support Services							
B.M. Dube	1,717,940	-	30,000	-	-	19,268	1,767,208
Chief Audit Executive							
C.D. Ngutshana	1,568,360	-	30,000	-	240,000	82,994	1,921,354
Community Development Services							
L.A. Modiba	1,700,000	-	30,000	-	-	18,848	1,748,848
Integrated Environmental Management							
M.C. Thenga	1,470,622	(1,695)	30,000	-	180,000	51,623	1,730,550
Local Economic Development							
N.N. Fani	1,284,024	-	30,000	-	204,000	128,190	1,646,214
Acting EM: Infrastructure Development Services							
A. Botes	1,447,437	-	-	-	105,506	110,301	1,663,244
Acting EM: Operations Management							
T. Legodi	1,225,270	-	-	97,483	144,000	446,019	1,912,772
	13,847,260	(1,695)	192,000	247,805	1,353,506	926,805	16,565,681

2023

	Annual Remuneration	Non pensionable cash gratuity	Cell Phone	Car Allowance	Contribution to UIF, Medical, Salgabc & Pension	Leave Resignation & Long Service	Total
Municipal Manager							
M.P. Raedani (resigned)	13,604	9,090	-	-	-	-	22,694
M.A. Msezana	1,781,590	21,816	21,000	240,000	22,770	-	2,087,176
Chief Financial Officer							
B.V. Monkwe	881,354	22,035	-	140,000	79,443	-	1,122,832
Corporate Support Services							
T.R.R. Ramatlhape (contract ended)	22,715	18,645	-	-	-	300,188	341,548

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

52. Related parties (continued)							
B.M. Dube	945,407	11,865	15,000	-	10,981	-	983,253
Chief Audit Executive							
M.K.G. Ramorwesi (resigned)	9,980	8,475	-	-	-	-	18,455
C.D. Ngutshana	604,669	8,475	12,500	100,000	32,639	-	758,283
Utilities Management Services							
S.H. Mbanjwa (contract ended)	874,911	32,205	-	-	102,146	304,691	1,313,953
Public works, Roads & Transprtation							
M.E. Monakedi (contract ended)	23,951	20,340	-	-	-	300,188	344,479
Community Development Services							
A.R. Khuduge (contract ended)	154,791	22,035	-	-	5,693	58,345	240,864
L.A. Modiba	991,667	11,865	15,000	-	11,444	-	1,029,976
Integrated Environmental Management							
M.C. Thenga	629,360	8,475	12,500	75,000	12,113	-	737,448
Strategic Management Services							
M. Boihang (contract ended)	1,062,101	33,900	-	-	54,028	103,725	1,253,754
Local Economic Services							
N.N. Fani	535,833	8,475	12,500	85,000	52,305	-	694,113
Acting: Local Economic Services							
N.V. Bekwa	838,445	32,205	-	70,500	157,839	271,300	1,370,289
Acting: Chief Financial Officer							
B.V. Monkwe	518,536	-	-	100,000	53,606	209,641	881,783
Acting: Integrated Environmental Management							
S.P. Mdlalose	841,539	-	-	77,000	10,501	-	929,040
Acting: Corporate Support Service							
E. Segatlhe-Lesejane	584,426	10,170	-	55,000	31,174	-	680,770
Acting: Public Works, Roads and Transport							
A. Botes	578,751	5,085	-	43,961	43,498	-	671,295
Acting: Chief Audit Executive							
K. Vahed	695,928	-	-	18,000	80,823	-	794,751
	12,589,558	285,156	88,500	1,004,461	761,003	1,548,078	16,276,756

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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53. Unauthorised expenditure

Opening balance	232,520,067	232,520,067
Less: Amounts written off by council	(232,520,067)	-
	-	232,520,067

2024

During the year under review the municipality had no unauthorised expenditure.

Council item L(i) 2(11/2024)

Council wrote off unauthorised expenditure amounting to R232 520 067.

2023

During the previous financial year the municipality did not incur unauthorised expenditure.

54. Irregular expenditure

Opening balance	1,114,905,912	647,122,012
Add: Irregular Expenditure - current year	615,538,973	467,783,900
Less: Amounts written off by council	(1,476,085,711)	-
	254,359,174	1,114,905,912

2024

During the year under review the municipality incurred irregular expenditure of R 615,538,973

The quarterly Irregular expenditure was tabled in council for consideration and council referred the reports to MPAC for investigation.

Council item L(i) 2(11/2024)

Council wrote off irregular expenditure amounting to R1 476 085 711.

2023

During the previous financial year the municipality incurred irregular expenditure amounting to R467 783 900.

The quarterly Irregular expenditure was tabled at council for consideration and council referred the reports to MPAC for investigation.

55. Fruitless and wasteful expenditure

Opening balance	98,228,068	56,711,871
Fruitless and wasteful expenditure - current year	-	41,516,197
Interest reduction - Credit note	(18,809,908)	-
Less: Amounts written off by council	(79,418,160)	-
	-	98,228,068

2024

The municipality has an approved National Treasury Debt Relief Agreement to pay off the historical Eskom debt on condition that the current account is kept to date. The municipality also has a payment arrangement with Rand Water to pay the account outside the regular payment terms as stipulated in the MFMA. Due to the timeous payments of the Rand Water and Eskom accounts the municipality did not incur any interest on overdue payments of these accounts. The municipality had recieved a credit note to the value of R18 809 908 from Eskom on interest previously charged.

The quarterly Fruitless and Wasteful expenditure was tabled at council for consideration and council referred the reports to MPAC for investigation.

Council item L(i) 2(11/2024)

Council wrote off fruitless and wasteful expenditure amounting to R79 418 160.

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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55. Fruitless and wasteful expenditure (continued)

2023

The municipality incurred fruitless and wasteful expenditure during the previous financial year for interest paid on bulk purchases (Eskom and Rand Water) and an erroneous payment to a service provider. Eskom charged interest of R41 347 093, Rand Water charged interest of R93 235 and interest incurred on a creditor's overdue account of R 75 869; totaling to R41 516 197. The delay in these payments was due to the unfavourable payment terms of Eskom, the current instability of the South African economy, high electricity tariffs and tariffs that are not cost reflective.

The quarterly Fruitless and Wasteful expenditure was tabled at council for consideration and council referred the reports to MPAC for investigation.

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand	2024	2023	
56. Additional disclosure in terms of Municipal Finance Management Act			
Contributions to South African Local Government Association			
Opening balance	5,098,440	-	
Current year fees	10,615,886	10,196,880	
Amount paid - current year	(15,714,326)	(5,098,440)	
	-	5,098,440	
Audit fees			
Current year fees	11,667,464	7,253,567	
Amount paid - current year	(11,667,464)	(7,253,567)	
	-	-	
PAYE and UIF			
Opening balance	11,695,125	11,023,225	
Current year expense	159,865,026	154,055,259	
Amount paid - current year	(145,886,554)	(142,360,134)	
Amount paid - previous years	(11,695,126)	(11,023,225)	
	13,978,471	11,695,125	
Pension and Medical Aid Deductions			
Opening balance	18,353,464	17,476,557	
Current year expense	231,566,408	270,196,516	
Amount paid - current year	(229,338,837)	(269,319,608)	
	20,581,035	18,353,465	
Councillors' arrear consumer accounts			
June 30, 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor S. Govindasamy	4,065	-	4,065
Councillor D. Segolodi	76	4,836	4,912
Councillor M.S. Senne	2,885	72,051	74,936
Councillor M. Nqosa	1,673	37,167	38,840
Councillor M. Mogoje	1,069	2,988	4,057
Councillor D. Toerien	6,266	-	6,266
Councillor J.H. Holtzhausen	2,042	7,701	9,743
Councillor R. Moeketsi	1,198	31,115	32,313
Councillor M.K. Nhlapo	1,365	1,634	2,999
Councillor M.B. Mdlane	1,955	27,267	29,222
Councillor S.L.A. Cochrane	3,198	93,144	96,342
Councillor D.E. Njangase	1,690	2,264	3,954
Councillor L.L. Lesuthu	3,204	83,329	86,533
Councillor M. Pii	1,949	7,765	9,714
Councillor L. Ntshabele	2,115	26,495	28,610
Councillor N. Segapela	2,211	45,980	48,191
Councillor M. Lebesa	1,541	32,405	33,946
Councillor M. Naude	2,106	356	2,462
Councillor L. Miller	2,788	-	2,788
Councillor N.D. Witbooi	1,284	43,048	44,332

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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

Councillor N. Segapela	-	22,118	22,118
Councillor J. Seleke	-	361	361
	44,680	542,024	586,704

June 30, 2023

	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor M.V. Khol	1,150	365	1,515
Councillor L. Lesuthu	4,025	90,052	94,077
Councillor J.J. Holtzhausen	10,314	10,208	20,522
Councillor M.A. Lebasa	4,353	54,128	58,481
Councillor T. Ntando	1,946	15,290	17,236
Councillor D&M Thupane & Kooko	4,832	2,030	6,862
Councillor D. Thupane	3,643	18,714	22,357
Councillor P.L. & P.H. Matshaba	19,660	92,511	112,171
	49,923	283,298	333,221

57. Audit committee, Performance Audit committee and Risk committee remuneration

Fees	513,564	450,264
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58. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	156,267,814	188,382,569
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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59. Supply Chain Management Regulations

Bids awarded to family of employees in service of the State

In terms of section 45 of the Municipal SCM regulation, any award above R2 000 to the family of the employees in the service of the state must be disclosed in the annual financial statements.

1. Noxolo Lungu Lesiela
2. Setlatlapi Business Enterprise
3. SABS

Deviations from and ratification of minor breaches of procurement process

Regulation 36(a) of Supply Chain Management Policy, the deviations from and ratifications of minor breaches of procurement per directive. There are no deviations for the current financial year.

60. Risk management

In rendering service delivery Mogale City Local Municipality is exposed to a wide range of risks and also opportunities. Risk Management is a process of managing risk exposures with the objective of preventing a loss from occurring or minimising the effect should an event occur.

The municipality has exposure to the following financial risks:

Capital Risk Management
Financial Risk Management
Liquidity Risk Management
Interest Rate Risk
Credit Risk

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 20, cash and cash equivalents disclosed in note 5, and equity as disclosed in the statement of changes in net assets.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total assets. Net debt is calculated as total borrowings (including 'current and non-current borrowings and finance liabilities' as shown in the statement of financial position). Total assets is calculated as 'total assets' as shown in the statement of financial position.

The municipality's strategy is to maintain a gearing ratio of between 5% to 10%.

The gearing ratio for the 2023/24 financial year is 2%

The results of the gearing ratio as calculated in the 2023/24 financial year indicates that the municipality is within the municipality's strategy. The municipality is still able to pay off its borrowings timeously, as and when required by the financial service providers.

The municipality has put the following measures in place to improve the gearing ratio:

1. Review of long-term financial plan.
2. Implementation of budget support plan
3. Review of the credit control and debt management policy of the municipality to ensure enhanced debt collection
4. The municipality has ensured that all capital repayments that were due for payment during the financial year were paid timeously.

The only externally imposed capital requirement from the borrowings that the municipality currently has is for the timeous payment of all the debt that the municipality has as per the terms outlined in the borrowings terms.

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

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand		2024	2023
60. Risk management (continued)			
Total borrowings			
Finance lease obligation	15	-	950,223
Borrowings	20	156,267,814	188,382,569
		156,267,814	189,332,792
Less: Cash and cash equivalents	5	149,607,629	144,501,712
Net debt		6,660,185	44,831,080
Total equity		6,061,249,689	5,465,944,049
Total capital		6,067,909,874	5,510,775,129

Financial risk management

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

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecast are prepared and adequate utilised borrowing facilities are monitored.

Management is ensuring that the debts of the municipality are paid timeously as required by the financial institutions.

At June 30, 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	33,598,649	122,669,165	-	-
Sundry deposits	12,605,276	-	-	-
Trade and other payables from exchange transactions	866,291,526	-	-	-
Trade and other payables from non-exchange transactions	101,986,085	-	-	-
Consumer deposits	74,607,305	-	-	-
At June 30, 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	48,722,579	123,563,454	16,096,536	-
Sundry deposits	12,838,245	-	-	-
Trade and other payables from exchange transactions	1,306,677,308	-	-	-
Trade and other payables from non-exchange transactions	65,637,691	-	-	-
Consumer deposits	69,956,213	-	-	-

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 100% of its borrowings in fixed rate instruments as per the approved borrowings policy. The municipality currently has 2 loans, all of which are at fixed interest rates.

Credit risk

Credit risk is the risk of financial loss to the municipality if a customer/counterparty to a financial instrument fails to meet its contracted obligations. Credit risk consists mainly of cash deposits, cash equivalents, trade and other receivable from non exchange transactions and consumer debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.

Financial instruments	2024	2023
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Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
60. Risk management (continued)		
Investment in shares (note 13)	789,780	569,496
Receivables from exchange transactions (note 4)	821,494,148	567,081,248
Call accounts money market accounts (note 5)	44,041,009	88,420,557
Cash and cash equivalents (Overdraft) (note 5)	105,566,620	56,081,155

61. Accounting by principals and agents

The entity is a party to a principal-agent arrangement.

Municipality as agent

Resources (assets/liabilities) recognised by the municipality that are held/incurred on behalf of a principal	29,766,584	10,791,884
Revenue recognised as compensation for the transactions carried out on behalf of the principal	22,912,194	23,713,912
Receivables held on behalf of the principal		
Payables held on behalf of the principal		
Opening balance	29,766,584	10,791,884
Expenses incurred	75,562,563	77,824,271
Cash paid	(88,446,514)	(58,849,571)
Closing balance	16,882,634	29,766,584

Principal - Department of Roads and Transport in the Gauteng Provincial Government (Department)

Agent - Mogale City Local Municipality

The expected timing of the remittance of the resources from the municipality to the principal is on a monthly basis. The municipality receives a variable commission on revenue collected based on the rate stipulated by the Gauteng Provincial Treasury.

Description of the arrangement

In terms of the agreement, the municipality is assigned the Registering and Testing authority functions which includes the functions of Motor Vehicle Registration and Licensing and related functions, Driving license test centre functions and vehicle testing as a principal agent on behalf of the Department of Roads and Transport in the Gauteng Provincial Government

Significant Terms and Conditions

The obligations of the municipality with respect to the collection of fees and the paying over of fees to the Provincial Government shall be in accordance with the Act (i.e the Road Traffic Act No 29 of 1997, and the Provincial Road Traffic Circulars as may be amended from time to time), the Natis Financial Manual, Annex E to the Service Level Agreement and the Public Finance Management Act 1 of 1999 and in accordance with the Municipal Finance Management Act 56 of 2003.

Purpose of the relationship and significant risks

The purpose of the agreement is to enable the Department to provide greater access to clients to registering and testing functions through-out Mogale City in collaboration with the Municipality. The significant risks are fraud and corruption in the process.

Municipality as principal

Easypay Pty Ltd, Afican Utility Solutions Pty Ltd (AUS), MBL Smart Solution Pty Ltd and South African Post Office (SAPO)

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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61. Accounting by principals and agents (continued)

Resources (assets and liabilities) of the municipality that are under the custodianship of the agent	-	-
Fee paid as commission to the agent - Prepaid Water and Electricity Vending (Inclusive of VAT)	4,008,463	5,116,002
Fee paid as commission to the agent - Bill payments receipting (Inclusive of VAT)	3,809,380	7,573,168
	7,817,843	12,689,170

Description of the arrangement

The Municipality had a contractual arrangement with Easypay Pty Ltd which has expired during the financial year and is now contracted to MBL Smart Solution Pty Ltd in terms of which they act as an agent of the municipality by receiving payments of municipal account payments as well as vending of water and electricity to municipal customers.

Significant terms and conditions

The agent uses its infrastructure, resources and systems to process the transactions on behalf of the municipality and to then pay over the monies collected to the municipality.

Purpose, significant risks and benefits of arrangement

The arrangement enables municipal customers to have convenient 24/7 access to the agent's outlets throughout Mogale City to pay their municipal bills and to also buy prepaid electricity.

Resources (assets and liabilities) of the municipality that are under the custodianship of the agent	-	-
Fee paid as commission to the agent- Prepaid Water and Electricity Vending (inclusive of VAT)	592,792	1,674,610

Description of the arrangement

The municipality has a contractual arrangement with African Utility Solutions Pty Ltd (AUS) in terms of AUS act as an agent of the municipality by receiving payments for vending of prepaid water to municipal customers.

Significant terms and Conditions

The agent uses its infrastructure, resources and systems to process the transactions on behalf of the municipality and then pay over the monies collected to the municipality.

Purpose, Significant risks and benefits of arrangements

The arrangement enables municipal customers to have convenient 24/7 access to the agent's outlets throughout Mogale City to pay their municipal accounts.

Resources (assets and liabilities) of the municipality that are under the custodianship of the agent	-	-
Fee paid as commission to the agent - Bill payment receipting (Inclusive of VAT)	18,922	25,380

Description of the arrangement

The municipality has an arrangement with South African Post Office (SAPO) in terms of which SAPO act as agent of the municipality by receiving payments of municipal accounts from municipal customers

Significant terms and conditions

The agent uses its infrastructure, resources and systems to process the transactions on behalf of the municipality and then pay over the monies collected to the municipality.

Purpose, significant risks and benefits of arrangement

The arrangement enables municipal customers to have convenient 24/7 access to the agent's outlets throughout Mogale City to pay their municipal accounts

Fee paid as commission to the agent- Prepaid Water Vending (inclusive of VAT)	592,792	1,674,610
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Mogale City Local Municipality

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61. Accounting by principals and agents (continued)

Description of the arrangement

The municipality has a contractual arrangement with African Utility Solutions Pty Ltd (AUS) in terms of AUS act as an agent of the municipality by receiving payments for vending of prepaid water to municipal customers.

Significant terms and Conditions

The agent uses its infrastructure, resources and systems to process the transactions on behalf of the municipality and then pay over the monies collected to the municipality]

Purpose, Significant risks and benefits of arrangement

The arrangement enables municipal customers to have convenient 24/7 access to the agent's outlets throughout Mogale City to pay their municipal accounts.

Description of the arrangement

The municipality has an arrangement with South African Post Office(SAPO) in terms of which SAPO act as agent of the municipality by receiving payments of municipal accounts from municipal customers

Significant terms and conditions

The agent uses its infrastructure, resources and systems to process the transactions on behalf of the municipality and then pay over the monies collected to the municipality.

Purpose,significant risks and benefits of arrangement

The arrangement enables municipal customers to have convenient 24/7 access to the agent's outlets throughout Mogale City to pay their municipal accounts

62. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of four major functional areas: Community and Public Safety, Economic and Environmental services, Trading Service and others. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Reportable segments are identified based on activities performed of the municipality that generate economic benefits or service potential including internal services that contribute to achieving the municipality's objectives without necessarily generating net cash inflows.

Separate financial and other relevant information on geographical areas in which the municipality operates is not available as the municipality only operates in the Gauteng Province and within its demarcated boundaries.

The segment reporting information is derived directly from the Statement of Financial Performance, ensuring consistency and reliability in financial reporting. The revenue and expenditure figures presented in segment reporting align with those reported in the Statement of Financial Performance.

This alignment ensures that segment reporting adheres to the principle of comparability, providing stakeholders with coherent insights into how financial performance is distributed across different segments.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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62. Segment information (continued)

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Segment 1	Community and Public Safety
Segment 2	Economic and Environment Services
Segment 3	Trading Services
Segment 4	Other

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

62. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Community and public safety	Economic and environmental services	Trading Services	Other	Total
Revenue					
Revenue from exchange transactions	88,529,235	7,874,691	1,801,881,207	719,885,997	2,618,171,130
Revenue from non-exchange transactions	299,526,159	82,138,368	724,249,187	738,846,678	1,844,760,392
Interest revenue	-	-	-	12,761,426	12,761,426
Total segment revenue	388,055,394	90,013,059	2,526,130,394	1,471,494,101	4,475,692,948
Expenditure					
Total Segment Expenses	433,912,841	67,127,192	2,566,460,056	169,275,679	3,236,775,768
Depreciation and Amortisation	23,162,458	280,400	184,875,287	31,843,548	240,161,693
Impairment loss/Reversal of impairment	-	-	-	14,048,943	14,048,943
Debt impairment	45,424,179	-	188,822,071	159,729,473	393,975,723
Interest Expenses	-	-	-	22,965,599	22,965,599
Total segment expenditure	502,499,478	67,407,592	2,940,157,414	397,863,242	3,907,927,726
Total segmental surplus/(deficit) before gains and losses	(114,444,084)	22,605,467	(414,027,020)	1,073,630,859	567,765,222
Gains/(Losses)				16,709,153	16,709,153
Entity's surplus (deficit) for the period	(114,444,084)	22,605,467	(414,027,020)	1,090,340,012	584,474,375

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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62. Segment information (continued)

Total segment capital expenditure

	Actual Capital Expenditure
Governance and administration	111,977,829
Community and public safety	183,138,829
Economic and environmental services	1,071,580
Trading services	200,326,699
	496,514,937

2023

	Community and public safety	Economic and environmental services	Trading Services	Other	Total
Revenue					
Revenue from exchange transactions	17,894,813	5,925,230	2,069,227,815	37,107,070	2,130,154,928
Revenue from non-exchange transactions	273,341,570	41,719,205	431,443,918	890,099,646	1,636,604,339
Interest revenue	-	-	-	7,454,743	7,454,743
Total segment revenue	291,236,383	47,644,435	2,500,671,733	934,661,459	3,774,214,010
Expenditure					
Total segment expenses	431,178,447	63,860,254	1,903,147,380	599,813,243	2,997,999,324
Depreciation and amortisation	20,339,706	-	223,727,501	8,789,773	252,856,980
Impairment loss/Reversal of impairment	-	-	-	10,645,604	10,645,604
Debt impairment	23,134,611	-	166,281,268	141,698,335	331,114,214
Interest expenses	-	-	-	63,652,823	63,652,823
Total segment expenditure	474,652,764	63,860,254	2,293,156,149	824,599,778	3,656,268,945
Total segmental surplus/(deficit) before gains and losses	(183,416,381)	(16,215,819)	207,515,584	110,061,681	117,945,065

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

62. Segment information (continued)

Gains/(Losses)

26,098,480 26,098,480

Entity's surplus (deficit) for the period

(183,416,381) (16,215,819) 207,515,584 136,160,161 144,043,545

Total segment capital expenditure

Governance and administration

Actual Capital Expenditure

56,396,341

Community and public safety

36,445,221

Economic and environmental services

71,198,081

Trading services

191,923,774

355,963,417

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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63. Going concern

The ability of the municipality to continue as a going concern is based on liquidity factors in the absence of any other factors that pose a threat to the municipality's going concern.

We draw attention to the fact that at June 30, 2024, the municipality had an accumulated surplus (deficit) of 5,999,984,835 and that the municipality's total liabilities exceed its assets by 6,061,249,689.

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

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

The municipality has the authority to levy rates and taxes which will enable the municipality to be considered as a going concern. During the 2023/24 financial year the municipality billed rates and service charges amounting to 3,018,002,520

64. Events after the reporting date

Nature of event
The municipality is currently in the process of auctioning municipal land.

Financial effect
The estimated value of the land being disposed is R42 897 165.

Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Appendixes

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2024											
Financial Performance											
Property rates	647,121,486	2,246,108	649,367,594	-		649,367,594	649,993,283		625,689	100 %	100 %
Service charges	2,317,692,988	(4,520,824)	2,313,172,164	-		2,313,172,164	2,368,009,237		54,837,073	102 %	102 %
Investment revenue	4,128,127	11,895,181	16,023,308	-		16,023,308	12,792,658		(3,230,650)	80 %	310 %
Transfers recognised - operational	643,510,769	293,179	643,803,948	-		643,803,948	640,494,096		(3,309,852)	99 %	100 %
Other own revenue	330,190,601	(72,651,955)	257,538,646	-		257,538,646	379,827,139		122,288,493	147 %	115 %
Total revenue (excluding capital transfers and contributions)	3,942,643,971	(62,738,311)	3,879,905,660	-		3,879,905,660	4,051,116,413		171,210,753	104 %	103 %
Employee costs	(1,012,779,826)	(2,322,308)	(1,015,102,134)	-		(1,015,102,134)	(1,028,416,891)	-	(13,314,757)	101 %	102 %
Remuneration of councillors	(42,957,832)	-	(42,957,832)	-		(42,957,832)	(39,488,117)	-	3,469,715	92 %	92 %
Debt impairment	(351,265,350)	(19,749,782)	(371,015,132)			(371,015,132)	(393,975,722)	-	(22,960,590)	106 %	112 %
Depreciation and asset impairment	(271,047,319)	280,421	(270,766,898)			(270,766,898)	(254,210,636)	-	16,556,262	94 %	94 %
Interest costs	(24,208,312)	548,226	(23,660,086)	-		(23,660,086)	(22,965,599)	-	694,487	97 %	95 %
Materials and bulk purchases	(1,700,960,284)	100,904,459	(1,600,055,825)	-		(1,600,055,825)	(1,632,117,928)	-	(32,062,103)	102 %	96 %
Transfers and grants	(5,861,193)	(1,075,976)	(6,937,169)	-		(6,937,169)	(1,281,782)	-	5,655,387	18 %	22 %
Other expenditure	(657,522,658)	16,365,845	(641,156,813)	-		(641,156,813)	(535,471,050)	-	105,685,763	84 %	81 %
Total expenditure	(4,066,602,774)	94,950,885	(3,971,651,889)	-		(3,971,651,889)	(3,907,927,725)	-	63,724,164	98 %	96 %
Surplus/(Deficit)	(123,958,803)	32,212,574	(91,746,229)	-		(91,746,229)	143,188,688		234,934,917	(156)%	(116)%

Mogale City Local Municipality

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	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	375,768,000	58,649,798	434,417,798	-		434,417,798	368,045,850		(66,371,948)	85 %	98 %
Surplus (Deficit) after capital transfers and contributions	251,809,197	90,862,372	342,671,569	-		342,671,569	511,234,538		168,562,969	149 %	203 %
Surplus/(Deficit) for the year	251,809,197	90,862,372	342,671,569	-		342,671,569	511,234,538		168,562,969	149 %	203 %
Capital expenditure and funds sources											
Total capital expenditure	450,885,244	68,631,224	519,516,468	-		519,516,468	436,964,583		(82,551,885)	84 %	97 %
Sources of capital funds											
Transfers recognised - capital	375,768,000	58,649,798	434,417,798	-		434,417,798	368,045,850		(66,371,948)	85 %	98 %
Internally generated funds	75,117,244	9,981,426	85,098,670	-		85,098,670	68,918,733		(16,179,937)	81 %	92 %
Total sources of capital funds	450,885,244	68,631,224	519,516,468	-		519,516,468	436,964,583		(82,551,885)	84 %	97 %

Mogale City Local Municipality

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	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	501,602,855	(149,395,519)	352,207,336	-		352,207,336	412,605,583		60,398,247	117 %	82 %
Net cash from (used) investing	(450,885,244)	(11,201,326)	(462,086,570)	-		(462,086,570)	(374,434,688)		87,651,882	81 %	83 %
Net cash from (used) financing	(33,598,649)	1,483,893	(32,114,756)	-		(32,114,756)	(33,064,978)		(950,222)	103 %	98 %
Net increase/(decrease) in cash and cash equivalents	17,118,962	(159,112,952)	(141,993,990)	-		(141,993,990)	5,105,917		147,099,907	(4)%	30 %
Cash and cash equivalents at the beginning of the year	1,238,985	143,269,052	144,508,037	-		144,508,037	144,501,712		(6,325)	100 %	11,663 %
Cash and cash equivalents at year end	18,357,947	(15,843,900)	2,514,047	-		2,514,047	149,607,629		(147,093,582)	5,951 %	815 %