



MARULENG LOCAL MUNICIPALITY
(Registration number LIM 335)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Annual Financial Statements for the year ended 30 June 2022

General Information

Nature of business and principal activities

South African Grade 3 Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998) within the Mopani District Municipal Area of Jurisdiction

Mayor

Cllr TC Musolwa
Cllr HM Thobejane (Term ended in October 2021)

Chief Whip

Cllr HM Thobejane

Speaker

Cllr B Raganya

Councillors

Cllr B Mohlabe (Exco Member)
Cllr MT Tshetlha (Exco Member)
Cllr MA Mathaba (Exco Member)
Cllr MM Komane (Exco Member)
Cllr MS Monashane
Cllr TJ Mokgahla
Cllr SP Letebele
Cllr BT Mabilo
Cllr KJ Sekgobela
Cllr MJ Rakgoale
Cllr MS Ntemana
Cllr MF Madike
Cllr LP Moropane
Cllr EC Du Preez
Cllr D Mokgotho
Cllr MR Maakamela
Cllr BE Masete
Cllr TI Shai
Cllr PW Gerber
Cllr JT Morema
Cllr PS Malepe
Cllr MMS Rammala
Cllr DI Mathole

Chief Finance Officer (CFO)

MF Sekgobela (acting from February 2022 to present)
F Nchabeleng (resigned in February 2022)

Registered office

Maruleng Municipal Offices
65 Springbok Street
Hoedspruit

Business address

65 Springbok Street
Hoedspruit
1380

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Annual Financial Statements for the year ended 30 June 2022

General Information

Postal address	PO Box 627 Hoedspruit
Telephone Number	015-793 2409
Website	www.maruleng.gov.za
Auditors	Auditor-General of SA (AGSA)
Audit Committee members	Mr L Lankalubalela (Chairperson) Mr K Mosupa Ms MP Ramutsheli Mr T Nonyane Ms JM Mabuza

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

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COID	Compensation for Occupational Injuries and Diseases
Cllr	Councillor
AGSA	Auditor General of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
SALGA	South African Local Government Association
UIF	Unemployment Insurance Fund
mSCOA	Municipal Standard Charts of Accounts
SARS	South African Revenue Services
MBRR	Municipal Budget and Reporting Regulations
BCEA	Basic Conditions of Employment Act
ASB	Accounting Standards Board
WIP	Work In Progress
Dept	Department
MIG	Management Infrastructure Grant
IPSAS	International Public Sector Accounting Standards
EPWP	Expanded Public Works Programme
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSCOA	Municipal standard chart of accounts
LSA	Long service awards
PEMA	Post Employment Medical Aid

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Annual Financial Statements for the year ended 30 June 2022

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

Although the accounting officers are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The annual financial statements set out on pages 6 to 102, which have been prepared on the going concern basis, were approved by the accounting officers on 31 August 2022 and were signed on its behalf by:

ACCOUNTING OFFICER - Municipal Manager

MARULENG LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2022

Accounting Officers' Report

The accounting officers submit their report under review.

1. Review of activities

Main business and operations

The municipality is an investment and management entity with trading controlled entities engaged in south african grade 3 municipality (local municipality) as defined by the municipal structures act. (act no 117 of 1998) within the mopani district municipal area of jurisdiction. The municipality operates principally in South Africa and [state other countries].

Net surplus of the municipality was R 132 731 685 (2021: surplus R 131 417 146).

2. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus (deficit) of R 937 478 167 and that the municipality's total assets exceed its liabilities by R 937 478 167.

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.

3. Subsequent events

The accounting officers are not aware of any matter or circumstance arising since the end of the period under review.

4. Accounting Officers' interest in contracts

The accounting officer declares not to have any interest in contracts of the municipality.

5. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

The impact on the results of the municipality in adopting the above policies is reflected in note - to the annual financial statements.

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Annual Financial Statements for the year ended 30 June 2022

Accounting Officers' Report

6. Accounting Officers

The position of the accounting officers of the municipality during the financial period under review were held by:

7. Corporate governance

General

The accounting officers is committed to business integrity, transparency and professionalism in all municipal activities. As part of this commitment, the accounting officers supports the highest standards of corporate governance and the ongoing development of best practice.

Councillors

The council:

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;
- is of a unitary structure comprising;
 - Mayor
 - Speaker
 - Executive committee
 - Ordinary councillors.

Mayor and Municipal Manager

The roles of the Mayor and Municipal Manager are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion. The mayor and council perform their oversight role and duties in terms of the prescribed legislation and delegated authorities.

Audit committee

Mr L. Lankalebalele was the Chairperson of the audit committee. The audit committee met during the period under review to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, the municipality must appoint members of the Audit Committee. National Treasury policy requires that municipalities should appoint further members of the municipality's audit committee who are not councillors onto the audit committee.

8. Bankers

The municipality banks with Standard Bank of South Africa and Investec Bank.

9. Auditors

The Auditor-General of SA (AGSA) will continue as the municipality's external auditors as prescribed by the Auditor-General Act (Act no 12 of 1995).

MARULENG LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021
Assets			
Current Assets			
Inventories	3	149 103	104 360
Receivables from exchange transactions	4	1 729 672	2 585 627
Receivables from non-exchange transactions	5	31 328 684	31 046 244
VAT receivable	6	17 954 585	29 055 178
Prepayments		-	17 000 000
Other receivables	7	2 346 124	1 654 649
Cash and cash equivalents	8	154 748 530	123 898 082
		208 256 698	205 344 140
Non-Current Assets			
Investment property	9	10 135 954	8 400 000
Property, plant and equipment	10	800 573 502	646 369 041
Intangible assets	11	114 278	137 932
Heritage assets	12	372 500	372 500
		811 196 234	655 279 473
Total Assets		1 019 452 932	860 623 613
Liabilities			
Current Liabilities			
Finance lease obligation	13	666 919	752 586
Trade payables from exchange transactions	14	37 486 021	30 996 295
Trade and other payables from non-exchange transactions	15	5 973 781	4 367 778
Employee benefit obligation	16	750 000	456 000
Unspent conditional grants and receipts	17	15 081 652	32 058
Provisions	18	10 183 849	10 634 442
		70 142 222	47 239 159
Non-Current Liabilities			
Finance lease obligation	13	1 206 540	-
Employee benefit obligation	16	10 626 000	8 638 000
		11 832 540	8 638 000
Total Liabilities		81 974 762	55 877 159
Net Assets		937 478 170	804 746 454
Accumulated surplus		937 478 167	804 746 445

* See Note 47

MARULENG LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021
Revenue			
Revenue from exchange transactions			
Service charges	26	4 366 866	3 979 418
Rental of facilities and equipment	20	244 875	836 506
Interest on receivables	24	314 354	380 308
Agency services	21	2 862 159	2 587 946
License and permits	22	2 237 168	2 452 458
Other revenue	25	3 240 344	2 262 505
Interest received - investment	19	4 409 385	4 163 418
Gain on disposal of assets and liabilities	35	-	623 785
Total revenue from exchange transactions		17 675 151	17 286 344
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	117 420 415	106 888 268
Donation of assets	29	18 561 629	-
Fines, Penalties and Forfeits	23	320 916	2 949 584
Gains from fair-valuing of assets		1 735 954	-
Interest on receivables	24	13 756 078	11 736 215
Transfer revenue			
Government grants & subsidies - Operating	28	142 768 000	162 391 000
Government grants & subsidies - Capital	28	33 659 405	46 295 943
Total revenue from non-exchange transactions		328 222 397	330 261 010
Total revenue		345 897 548	347 547 354
Expenditure			
Employee related costs	30	(78 733 180)	(75 480 918)
Remuneration of councillors	44	(11 097 327)	(11 119 712)
Depreciation and amortisation	31	(25 000 241)	(21 880 371)
Impairment loss	32	-	(421 257)
Finance costs	33	(1 020 945)	(744 067)
Debt Impairment	4&5	(20 575 432)	(37 962 928)
Bad debts written off	5	(539 067)	(823 220)
Contracted services	45	(27 360 166)	(24 706 224)
Loss on disposal of assets and liabilities	35	(183 207)	-
General Expenses	34	(47 673 834)	(44 765 259)
Total expenditure		(212 183 399)	(217 903 956)
Actuarial Gains / (Losses)	16	(982 464)	(554 098)
Surplus for the year		132 731 685	129 089 300

* See Note 47

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	675 680 675	675 680 675
Adjustments		
Prior year adjustments	(23 530)	(23 530)
Balance at 01 July 2020 as restated*	675 657 145	675 657 145
Changes in net assets		
Surplus for the year	129 089 300	129 089 300
Total changes	129 089 300	129 089 300
Opening balance as previously reported	807 097 867	807 097 867
Prior year adjustments	(2 351 385)	(2 351 385)
Restated* Balance at 01 July 2021 as restated*	804 746 482	804 746 482
Changes in net assets		
Surplus for the year	132 731 685	132 731 685
Total changes	132 731 685	132 731 685
Balance at 30 June 2022	937 478 167	937 478 167
Note(s)	Correction of prior year errors ⁴⁷	

* See Note 47

MARULENG LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021
Cash flows from operating activities			
Receipts			
Property rates and service charges		122 032 156	48 759 421
Grants and subsidies		191 476 999	208 719 000
Interest income		18 479 817	16 279 941
Other receipts		8 660 587	4 850 451
		340 649 559	278 608 813
Payments			
Employee costs		(89 830 507)	(85 774 321)
Suppliers		(59 265 937)	(65 431 395)
Finance costs		-	-
Interest paid		(1 020 945)	(1 462 114)
Other payments		-	(17 000 000)
		(150 117 389)	(169 667 830)
Net cash flows from operating activities	36	190 532 170	108 940 983
		190 532 170	108 940 983
Cash flows from investing activities			
Purchase of property, plant and equipment and other assets	10	(160 888 262)	(129 392 993)
Proceeds from sale of property, plant and equipment	10	1	-
Movement intangible assets	11	-	-
Net cash flows from investing activities		(160 888 261)	(129 392 993)
Cash flows from financing activities			
Financial liability		1 206 540	(1 700 942)
Net increase/(decrease) in cash and cash equivalents		30 850 449	(22 152 952)
Cash and cash equivalents at the beginning of the year		123 898 099	146 051 051
Cash and cash equivalents at the end of the year	8	154 748 548	123 898 099

* See Note 47

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Statements 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						
Statement of Financial Performance						
Revenue						
Revenue by source						
Service charges-refuse revenue	4 450 000	-	4 450 000	4 366 866	(83 134)	
Rental of facilities and equipment	424 213	-	424 213	244 875	(179 338)	A
Interest on receivables	-	-	-	314 354	314 354	B
Agency services	14 267 000	(1 500 062)	12 766 938	2 862 159	(9 904 779)	C
License and permits	2 968 000	(568 000)	2 400 000	2 237 168	(162 832)	D
Other revenue	3 462 000	372 795	3 834 795	3 240 344	(594 451)	E
Interest earned - external investments	5 500 000	-	5 500 000	4 409 385	(1 090 615)	F
Total revenue (excluding capital transfers and contributions)	31 071 213	(1 695 267)	29 375 946	17 675 151	(11 700 795)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	103 320 000	6 283 977	109 603 977	117 420 415	7 816 438	G
Donation of other assets	-	-	-	18 561 629	18 561 629	H
Traffic fines	432 000	226 000	658 000	320 916	(337 084)	I
Interest on receivables	16 419 723	-	16 419 723	13 756 078	(2 663 645)	J
Transfer revenue						
Government grants & subsidies - Operating	142 768 000	-	142 768 000	142 768 000	-	
Government grants & subsidies - Capital	28 150 000	20 591 057	48 741 057	33 659 405	(15 081 652)	K
Total revenue from non-exchange transactions	291 089 723	27 101 034	318 190 757	326 486 443	8 295 686	
Total revenue	322 160 936	25 405 767	347 566 703	344 161 594	(3 405 109)	
Expenditure by type						
Employee related costs	(85 389 000)	(3 287 695)	(88 676 695)	(78 733 180)	9 943 515	L
Remuneration of councillors	(12 290 000)	138 126	(12 151 874)	(11 097 327)	1 054 547	M
Depreciation, amortisation and impairment of assets	(28 922 587)	-	(28 922 587)	(25 000 241)	3 922 346	N
Finance charges	(800 000)	-	(800 000)	(1 020 945)	(220 945)	O
Debt impairment	(21 500 000)	(19 400 000)	(40 900 000)	(20 575 432)	20 324 568	
Bad debts written off	-	-	-	(539 067)	(539 067)	P
Contracted services	(38 590 000)	(1 900 000)	(40 490 000)	(27 360 166)	13 129 834	Q
Other expenditure	(50 885 000)	2 086 726	(48 798 274)	(45 937 181)	2 861 093	R
Bulk purchases	(1 000 000)	-	(1 000 000)	(721 023)	278 977	T
Inventory consumed	(3 950 000)	300 000	(3 650 000)	(1 015 630)	2 634 370	U
Total expenditure	(243 326 587)	(22 062 843)	(265 389 430)	(212 000 192)	53 389 238	
Surplus/ (Deficit)	78 834 349	3 342 924	82 177 273	132 161 402	49 984 129	
Loss on disposal of assets and liabilities	(550 000)	-	(550 000)	(183 207)	366 793	V

MARULENG LOCAL MUNICIPALITY

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Statements 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						
Fair value adjustments	-	-	-	1 735 954	1 735 954	W
Actuarial gains/losses	-	-	-	(982 464)	(982 464)	X
	(550 000)	-	(550 000)	570 283	1 120 283	
Surplus/ (Deficit) for the year	78 284 349	3 342 924	81 627 273	132 731 685	51 104 412	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	78 284 349	3 342 924	81 627 273	132 731 685	51 104 412	

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Statements 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	813 000	251 509	1 064 509	149 103	(915 406)	CC
Receivables from exchange transactions	6 306 000	52 886 000	59 192 000	1 729 673	(57 462 327)	Y
Receivables from non-exchange transactions	22 308 000	122 952 000	145 260 000	51 629 395	(93 630 605)	Z_AA_BB
Cash and cash equivalents	76 767 000	417 000	77 184 000	154 748 530	77 564 530	DD
	106 194 000	176 506 509	282 700 509	208 256 701	(74 443 808)	

Non-Current Assets

Investment property	8 950 000	-	8 950 000	10 135 954	1 185 954	EE
Property, plant and equipment	544 341 235	257 735 765	802 077 000	800 573 502	(1 503 498)	FF
Intangible assets	534 000	(641 000)	(107 000)	114 278	221 278	GG
Heritage assets	372 500	-	372 500	372 500	-	HH
	554 197 735	257 094 765	811 292 500	811 196 234	(96 266)	

Total Assets	660 391 735	433 601 274	1 093 993 009	1 019 452 935	(74 540 074)	
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Liabilities

Current Liabilities

Finance lease obligation	1 354 000	(1 934 121)	(580 121)	666 919	1 247 040	
Trade payables from exchange transactions	958 000	393 276	1 351 276	37 486 021	36 134 745	FF
Trade and other payables from non exchange transactions	25 528 000	139 622 000	165 150 000	5 973 781	(159 176 219)	GG
Employee benefit obligation	-	-	-	750 000	750 000	
Unspent conditional grants and receipts	-	-	-	15 081 652	15 081 652	HH
Provisions	9 822 230	9 597 923	19 420 153	10 183 849	(9 236 304)	II
	37 662 230	147 679 078	185 341 308	70 142 222	(115 199 086)	

Non-Current Liabilities

Finance lease obligation	2 907 000	(2 319 000)	588 000	1 206 540	618 540	
Employee benefit obligation	14 014 000	(13 706 000)	308 000	10 626 000	10 318 000	JJ
	16 921 000	(16 025 000)	896 000	11 832 540	10 936 540	

Total Liabilities	54 583 230	131 654 078	186 237 308	81 974 762	(104 262 546)	
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Net Assets	605 808 505	301 947 196	907 755 701	937 478 173	29 722 472	
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Net Assets

Community Wealth/ Equity

Accumulated surplus	605 808 505	301 947 196	907 755 701	937 478 173	29 722 472	
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MARULENG LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2022

Statements 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	99 874 000	-	99 874 000	47 925 725	(51 948 275)	KK
Service charges	4 440 000	-	4 440 000	-	(4 440 000)	LL
Other revenue	21 564 000	(1 695 000)	19 869 000	4 850 451	(15 018 549)	
Government grants - Operating	142 768 000	-	142 768 000	-	(142 768 000)	
Government grants - capital	28 150 000	20 591 000	48 741 000	-	(48 741 000)	
Interest	5 500 000	-	5 500 000	16 279 941	10 779 941	MM
	302 296 000	18 896 000	321 192 000	69 056 117	(252 135 883)	

Payments

Suppliers and employees	(189 503 000)	100 000	(189 403 000)	(150 402 631)	39 000 369	NN
Finance costs	(800 000)	-	(800 000)	-	800 000	
	(190 303 000)	100 000	(190 203 000)	(150 402 631)	39 800 369	

Net cash flows from/ (used) operating activities **111 993 000** **18 996 000** **130 989 000** **(81 346 514)** **(212 335 514)**

Cash flows from investing activities

Capital assets	(167 381 000)	(17 877 000)	(185 258 000)	-	185 258 000	
Proceeds from disposal of property, plant and equipment	(550 000)	-	(550 000)	-	550 000	
Net cash flows from investing activities	(167 931 000)	(17 877 000)	(185 808 000)	-	185 808 000	

Cash flows from financing activities

Repayment of borrowings	(580 000)	-	(580 000)	-	580 000	
Net increase/(decrease) in cash and cash equivalents	(56 518 000)	1 119 000	(55 399 000)	(81 346 514)	(25 947 514)	
Cash and cash equivalents at the end of the year	(56 518 000)	1 119 000	(55 399 000)	(81 346 514)	(25 947 514)	

Material differences between budget and actual amount

Statement of financial performance

A. Rental of facilities and equipment

The billing escalation on the service level agreement was not implemented due to oversight and some of the facilities are not in use which led to the lower revenue.

B. Interest received on receivable exchange transaction

The msoa budget does not split between exchange and non- exchange transaction, they combined it as one. Most of the lodges are not paying their refuse removal hence there is high interest's rates on their accounts.

C. Agency services

The revenue and expenditure budgets for agencies is reflected on separate line items. People from neighbouring municipalities. Some of the motorists are renew their motor vehicle licences at the post office.

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Statements 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						

D. Licence and permits

The number of learners licence applicants has decreased due to the new comprised learners licence system.

E. Other revenue

Less application for town planning and building plans due to slow development in tourism industries affected by covid 19 pandemic.

F. Interest earned - external investments

The municipality made deposits into the investment account and as a result there was an increase in interest earned. The interest rates were too low as compared to what we have budgeted for due to the withdrawals and deposit on the investment account.

Revenue from non- exchange transactions

G. Property rates

The accumulated billing is due to monthly Supplementary Valuations that are inclusive of the following, Re-Zoning of properties, Market value adjustments of the under- valued properties, newly established properties, new developments, Improved properties, and illegal use.

H. Donation of assets

The municipality do not budget for donation, the donation received was for land which was donated by Zandspruit and the computer which was also donated by Limpopo Department of Economic Development, Environmental and tourism.

I. Traffic fines

Adherence to work schedule, intensification of law enforcement and had joint operations with other stakeholders e.g., SAPS. The municipality does not have forfeits on traffic fines due to the fact the traffic fines were written off previous year (2020/21).

J. Interest received on receivable non- exchange transaction

The municipality experienced a high rate of non-rates and taxes, Maruleng Municipality is a tourism hub on which most of the properties are lodges and are still recovering from pandemic.

K. Government grants and subsidies Capital

The municipality received additional funding in March 2022 and the money was not fully utilised, the unspent roll over will be utilised after it has been approved by treasury.

L. Employee related costs

There was a delay in the appointment of top-level management positions, subsequently there were terminations at the end of financial year. There was no salary increase for sec 54 and 56 managers because of a directive from SALGA.

M. Remuneration for councillors

The budget was based on the anticipated Upper Limits however the directive from SALGA to effect the implementation came at year after the adjusted budget was approved.

N. Depreciation, amortisation and impairment of assets

There was a delay in some of the projects which were expected to be completed in 2021/22 and those projects are still in WIP

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Statements 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

(those projects are Maruleng indoor sports center, Calais internal street and sofaya bridges).

O. Finance charges

Long service award on actuarial reports has an impact on finance cost increase.

P. Debt impairment

Inadequate adherence of revenue enhancement strategy resulting in an increase of the provision for doubtful debts. The municipality has an increase in number of debtors whose accounts are in arrears for a period of 120 days and more. The bad debts for traffic fines were written off by council.

Q. Bad debts written off

The budget was allocated together with debt impairment, the traffic fines which was long overdue were written off by the council.

R. Contracted services

As part of expenditure cost containment measures recommended by National Treasury, the municipality exercised fiscal restraint on a number of operational votes. As a result thereof, the municipality made savings on some of the line items.

S. Other Expenses

Other expenditure comprises various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved.

T. Bulk purchases

Bulk purchases are directly informed by free basic electricity. The municipality does not sell electricity however it's providing the free basic electricity to their indigents, the indigent register has 1102 household unfortunately most of the indigents do not buy electricity to get free basic electricity.

U. Inventory consumed

Inventory consumed comprises of amongst others the materials for maintenance, cleaning materials, protective clothing & printing and stationery, etc. As part of expenditure curtailment measures recommended by National Treasury, the municipality exercised fiscal restraint on a number of operational votes.

V. Loss on disposal of assets and liabilities

The municipality disposed some of the assets on FAR for 2021/22 financial year, the budget for that item was not estimated.

W. Fair value adjustment

Arising from investment properties and the calculations are hopped after three years based on the municipality policy.

X. Actuarial gains

The effect of the changes on the medical aid assumption has unexpected increases in the subsidies and unpredicted movements in the membership profile

Statement of financial position

Y. Receivables from exchange transactions

New tariffs for 2021/22 were approved by council, which led to an increase in rates of services. On the MBRR the budget is

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Statements 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

recorded as consumer debtors which include receivable from exchange transaction and receivable from non-exchange transactions.

Z. Receivables from non - exchange transactions

On the MBRR/budget other debtors consists of vat receivable and other debtors. Salary suspense account were not 100% cleared. The item comprises of the amount that the municipality was required by the court as per section 145 (7) (8) of labour relations Act to make a payment for guarantee in respect of the review application on an arbitration award.

AA. Other debtors

On the MBRR/budget other debtors consists of vat receivable and other debtors. Salary suspense account were not 100% cleared. The item comprises of the amount that the municipality was required by the court as per section 145 (7) (8) of labour relations Act to make a payment for guarantee in respect of the review application on an arbitration award.

BB. VAT receivable

The Vat returns was submitted to SARS on a monthly basis. The budget for vat receivable was included in other debtors on Schedule A.

CC. Inventory

Lots of stock at hand was utilised during 2021/22.

DD. Cash and Cash equivalent

Due to constitutional court ruling on PPPFMA that happen in February 2022, the SCM process for the value above R30 000.00 was affected.

EE. Intangible assets

There was a delay in procurement of IT equipment.

FF. Payable from exchange transactions

A lot of the projects for 2021/22 were under construction, which lead to more unpaid retention and accruals.

GG. Payable from non-exchange transactions

The municipality had a lot of deposits for building plans and community halls which was remaining in our book as outstanding creditors, the money is only paid to the customer after the municipality receiving completion certificates from building unit.

HH. Unspent conditional grants

The municipality received additional funding in March 2022 and the money was not fully utilised.

II. Provisions- Current liabilities

The Basic Condition for Employment act (BCEA) rating was used to calculate leave provision. Before the BCEA rating, the number of days and salaries were used to calculate provision. The BCEA rating considers additional factors like acting allowance, overtime.

JJ. Provisions - Employee benefit obligation

Post medical aid increased in the assumed proportion of in service. Members who continue their medical membership at and after retirement.

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Statements 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

Capital expenditure

The municipality managed to spend 73% of the total capital budget, there was a delay in completion of some of the projects which were expected to be completed in 2021/22 and those projects are still in WIP (those projects are Maruleng indoor sports centre, Calais internal street and sofaya bridge).

Cashflow statements

KK. Property rates, penalties and collection charges

The municipality revenue for property rates was based on the actual budget that was made in 2021/22 financial period, The cash receipts is due to monthly Supplementary Valuations that are inclusive of the following, Re-Zoning of properties, Market value adjustments of the under- valued properties, Newly established properties, New developments, Improved properties and illegal use.

LL. Service charges

The municipality revenue for services was based on the actual budget that was made on 2021/22 financial period, the municipality received less revenue on services charges than anticipated.

MM. Interest

The municipality cash flow revenue interests is less than anticipated.

NN. Suppliers and employees

As part of expenditure curtailment measures recommended by National Treasury, the municipality exercised fiscal restraint on a number of operational votes.

Accounting Policies

1. Presentation of Annual Financial Statements

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

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

The annual financial statements presents fairly the financial position, performance and cashflow of the municipality.

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Annual Financial Statements for the year ended 30 June 2022

1.1 Presentation currency

These annual financial statements are presented in South African Rand (R), rounded off to the nearest Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

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

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Going-concern

Included in management's assessment of going concern are key financial metrics, the impact of the COVID-19 pandemic, the associated conditions of a general economic downturn, approved medium-term budgets, and the municipality's dependency on grants from Provincial Treasury,

Management concluded that the going concern assumption used in the compiling of its financial statements, is appropriate.

Materiality

Materiality is considered in determining whether information needs to be recognised, measured, presented and disclosed in accordance with the GRAP standards, as well as in assessing the effect of omissions, misstatements and errors on the financial statements.

In assessing whether an item, transaction or event is material, the following thresholds are used:

Budget information

Variances between budget and actual amounts are regarded as material when the variance is

- 10% or greater in the statement of financial position, the statement of financial performance, and the cash flow statement; and
- 5% or greater in capital expenditure.

All material differences are explained in page 16 to these financial statements.

Qualitative thresholds

The nature of an item, transaction or event is determined by its inherent characteristics, or the circumstances in which it was undertaken. Items, transactions or events may be considered material:

- if they relate to legal or regulatory requirements, e.g. specific disclosures required by legislation, restrictions on certain transactions or activities imposed by legislation, or breaches of legislation.
- if they constitute related-party transactions;
- depending on their regularity or frequency, e.g. a once-off transfer of funds to another entity in terms of legislation, or a ministerial directive;
- if they result in the reversal of a trend, e.g. changing a surplus to a deficit, or vice versa;
- if they are likely to result in a change in accounting policy;
- if they involve the commencement of a new function, or the reduction or discontinuation of an existing one;
- depending on the degree of estimation or judgement required to determine their value, e.g. a high degree of estimation may be involved in the measurement of a complex transaction such as a financial instrument; and
- if they affect the going-concern assumption of the municipality.

The relative importance of these qualitative factors in determining materiality is a matter of professional judgement.

Quantitative thresholds

Quantitative materiality refers to the monetary value of items, transactions or events that is likely to influence users' decisions.

The quantitative value of materiality is based on a number of financial indicators.

The Municipality uses 0,5% to determine materiality, considering the following factors:

- Nature of the Municipality's business

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

- Statutory requirements
- The control and inherent risks associated with the Municipality
- Prudence

Trade receivables

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

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note for Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost / (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations. Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

Useful lives of property plant, equipment and intangible assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimation should be based on the expected pattern in which an asset's future economic benefits or service potential are to be consumed by the municipality.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

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

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows.

1.4 Property, plant and equipment

Initial recognition

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

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Accounting Policies

1.4 Property, plant and equipment (continued)

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

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent measurement - Cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Where the municipality replaces parts of an asset, it de-recognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset

Subsequent measurement - Land

Land is not depreciated as it is deemed to have an indefinite useful life. Subsequent to initial recognition, land is measured at fair value.

Depreciation and impairment

Depreciation is calculated on the asset's depreciable amount, using the straight-line method over the useful lives of the asset. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives as per the MFMA - Local Government Capital Assets Management Guideline:

Asset Description	Depreciation method	Useful Lifespan
Roads, pavements, bridges and storm water	Straight line	5- 100 years
Street names, signs and parking meters	Straight line	5-45 years
Community halls	Straight line	25 years
Libraries	Straight line	25 years
Recreation facilities	Straight line	25-100 years
Cemetery fencing	Straight line	10 years
Motor vehicles	Straight line	7-10 years
IT equipment	Straight line	5-7 years
Plant and equipment	Straight line	5-10 years
Office equipment	Straight line	5-7 years
Operational plant and equipment	Straight line	6-10 years
Finance Lease assets - Office equipment	Straight line	3-5 years
Books and Publications	Straight line	10-20 years
Office Furniture	Straight line	5-10 years

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

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

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

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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Accounting Policies

1.4 Property, plant and equipment (continued)

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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

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

1.5 Intangible assets

Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset has been acquired at no or for a nominal cost, its cost is its fair value on the date of acquisition...

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

Subsequent measurement - cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test and the useful life is reviewed at each reporting date, and if the useful life has changed from indefinite and definite, it is treated as a change in accounting estimate in Statement of Financial Performance.

Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Item	Useful life
Licenses and franchises	2 - 5 years
Computer software, other	5 - 10 years

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

Each item of intangible asset is amortised separately.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised prospectively as a change in accounting estimate in the Statement of Financial Performance.

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Accounting Policies

1.5 Intangible assets (continued)

De-recognition.

Intangible assets are de-recognised 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 sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.6 Heritage assets

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

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

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

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

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

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

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

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

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

Initial recognition and measurement

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

A heritage asset as an asset if:

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

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

Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

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

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

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Accounting Policies

1.6 Heritage assets (continued)

Impairment

A heritage asset shall not be depreciated but the municipality shall assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality shall estimate the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The carrying amount of a heritage asset shall be derecognised:

- (a) on disposal, or
- (b) when no future economic benefits or service potential are expected from its use or disposal.

1.7 Investment property

Initial recognition

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

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

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

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

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

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Subsequent measurement

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

Derecognition

The carrying amount of investment property shall be derecognised:

- (a) on disposal, or
- (b) when no future economic benefits or service potential are expected from its use or disposal.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

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

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Accounting Policies

1.8 Inventories

Initial recognition

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

Subsequent recognition

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and current replacement cost where they are held for distribution at no charge or for nominal charge. Redundant and slow-moving inventories are identified and written down to the lower of cost or current replacement value. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories 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.

Unsold properties are held for own use with the result that it should be carried at the lower of cost or current replacement cost.

Cost formula

The cost of inventories is assigned by using the weighted average cost formula.

1.9 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

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

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1.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity. Financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost. The Municipality determines the classification of its financial instruments at initial recognition.

Initial recognition

Financial instruments are initially measured at fair value, plus, (in the case of financial instruments not at fair value through profit or loss), transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with GRAP 104, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

Subsequent measurement

Financial assets consist of cash and cash equivalents, deposits, receivables and investments.

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

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
Deposits	Financial Asset measured at amortised cost
Investments - Call accounts	Financial Asset measured at amortised cost
Consumer Debtors	Financial Asset measured at amortised cost
Sundry debtors	Financial Asset measured at amortised cost

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
Deposits	Financial liability measured at amortised cost
Trade payables	Financial liability measured at amortised cost
Accruals	Financial liability measured at amortised cost

The classification depends on the purpose for which the financial asset is acquired, and is as follows:

Consumer debtors are financial assets that are created by providing money, goods or services directly to a debtor. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.

Fair value through profit and loss financial assets include derivative financial instruments used by the Entity to manage its exposure to fluctuations in interest rates attached to certain of its external borrowings interest swap agreements. Any fair value adjustment is recorded in the Statement of Financial Performance in the period in which it arises. To the extent that a derivative instrument has a maturity period of longer than a year, the fair value of these instruments will be reflected as a non-current asset or liability, and is subsequently measured at fair value at Statement of Financial Position date.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

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1.10 Financial instruments (continued)

An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

Trade payables and borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

Cash and cash equivalents

Cash includes cash on hand and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

Impairment

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the financial asset.

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Impairment of non-financial assets

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Gains and losses

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

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

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

A financial asset is:

- cash;
- a residual interest of another entity; or

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1.10 Financial instruments (continued)

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

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

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

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

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

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

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

Initial measurement of financial assets and financial liabilities

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

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

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

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1.10 Financial instruments (continued)

Presentation

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

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

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

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

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

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

1.11 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.

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

1.12 Provisions and contingent liabilities

Provisions are recognised when:

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

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

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

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Accounting Policies

1.12 Provisions and contingent liabilities (continued)

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

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

The municipality does not recognise a contingent liability. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.13 Value Added Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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1.14 Leases

Finance leases - lessee

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

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

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

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

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

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

Operating leases - lessee

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

1.15 Revenue from exchange transactions

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

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

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

Service charges

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

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

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Sale of goods

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

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

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1.15 Revenue from exchange transactions (continued)

Interest

Interest shall be recognised on a time proportionate basis that takes into account the effective interest yield on the asset.

Agency services

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.

The revenue is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Collection charges are recognised when incurred.

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1.16 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity 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.

Rates (including collection charges and penalty interest)

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income.

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

Fines.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations. Law enforcement official are able to impose fines on individuals considered to have breached the law. In these cases, the individual will normally have the choice of paying the fine, or going to court to defend the matter, where a defendant reaches an agreement with a prosecutor that includes the payment of penalty instead of being tried in court, the payment is recognised as a fine.

Fines are recognised at the full amount at transaction date. Subsequent to the initial recognition of revenue charged, the fines are assessed for impairment when the accounts fall into arrears.

Other revenue.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Donations and Contributions

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. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

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

1.17 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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1.17 Employee benefits (continued)

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

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

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

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

Post-employment benefits

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

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

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

Post-employment benefits: Defined contribution plans

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

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

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

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

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1.17 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

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

The amount recognised as a defined benefit liability is the net total of the following amounts:

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

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1.17 Employee benefits (continued)

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

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

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

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1.17 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other post retirement obligations

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

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

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

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

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

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

1.18 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position 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.

1.19 Compound instruments

Conditional grants, donations and funding are recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in an agreement/ arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Interest earned on the investment is treated in accordance with grant conditions.

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1.20 Accumulated surplus

A statement of changes in net assets is included in the Annual Financial Statements that discloses the following:

- the effect of changes in accounting policies and correction of errors;
- the balance of retained earnings at the beginning of the period and at the balance sheet date and the changes during the period; and
- a reconciliation between the carrying amount of each class of reserves at the beginning and the end of the period.

1.21 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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

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

Related 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.

1.22 Changes in accounting policies and estimates and prior year errors

Accounting policies

Accounting policies are only changed if required by an accounting standards or interpretation, the change will provide more relevant and reliable information or in terms of the transitional provisions of the new standards.

Accounting policy changes are applied retrospectively, including all comparative periods shown and their opening balances.

Change in estimates

The effect of a change in an accounting estimate is recognised prospectively by including it in surplus or deficit in:

- (a) the period of the change, if the change affects that period only; or
- (b) the period of the change and future periods, if the change affects both.

Prior period errors

Corrections are made retrospectively in the first set of financial statements authorised for issue after their discovery by:

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Accounting Policies

1.22 Changes in accounting policies and estimates and prior year errors (continued)

(a) restating the comparative amounts for the prior period presented in which the error occurred; or

(b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.

1.23 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

The extent to which the asset is used for service delivery.

- Buildings (Public buildings)
- Infrastructure (Roads)
- Stormwater

Designation

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

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

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

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

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Accounting Policies

1.23 Impairment of cash-generating assets (continued)

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

Discount rate

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

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Accounting Policies

1.23 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

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

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

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

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

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

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Accounting Policies

1.23 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.24 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.24 Impairment of non-cash-generating assets (continued)

Useful life is either:

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

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

[Specify judgements made]

Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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Accounting Policies

1.24 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

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

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

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

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

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

1.25 Commitments

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

The notes to the financial statements must disclose the nature and amount of each material individual and each material class of capital expenditure commitment as well as non-cancellable operating leases contracted for at the reporting date.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.26 Investment income

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

1.27 Borrowing costs

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

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

1.28 Accounting by principals and agents

Identification

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

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

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

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Accounting Policies

1.28 Accounting by principals and agents (continued)

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 an 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.

1.29 Presentation of budget policy

The following is presented as a note to the Financial Statement:

Last approved and final budget amounts (which includes changes made by management within the prescribed limits), budget and actual amounts on a comparable basis; and explanations of material differences between budget and actual amounts, except where explanations have been included in other documents published in conjunction with the financial statements and cross reference to these documents is made.

1.30 Unauthorised expenditure

Unauthorised expenditure means:

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

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Accounting Policies

1.30 Unauthorised expenditure (continued)

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.31 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the MFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), the Public Office Bearers Act (Act 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.32 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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

1.33 Segment information

A segment is an activity of an entity:

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

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

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Accounting Policies

1.33 Segment information (continued)

Measurement

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

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

1.34 Events after reporting date

Events that occur after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Adjusting events

Events that provided additional evidence of the conditions that existed at the end of the reporting period.

Non-adjusting events.

Events which are indicative of the conditions that arose after the reporting period.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

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

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
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2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods but are not relevant to its operations:

3. Inventories

Raw materials, components	149 103	104 360
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Inventory pledged as security

No inventory was pledged as security for overdraft facilities in the current year.

4. Receivables from exchange transactions

Less: Provision for Doubtful Debts	(5 208 532)	(5 004 008)
Other debtors - sundry debtors	4 620 147	4 203 221
Trade debtors - Refuse / waste management	2 318 057	3 386 414
	1 729 672	2 585 627

Aged receivables from exchange transactions

Receivables from exchange transactions at 30/06/2022: R 7 171 266 (30/06/2021: R 7 589 635).

Aged Debtors	-	-
Refuse and other	-	-
Current (0 - 30 days)	573 679	1 187 772
31 -60 days	525 710	361 732
61 - 90 days	117 213	291 062
91 - 120 days	139 072	299 688
120 days +	5 582 531	5 449 381
	6 938 205	7 589 635

Reconciliation of provision for impairment of receivables from exchange transactions

Opening balance	5 004 008	3 876 097
Contribution to provision	204 524	1 127 911
	5 208 532	5 004 008

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5. Receivables from non-exchange transactions		
Fines	821 542	4 285 454
Other debtors	32 644 249	25 081 171
Consumer debtors - rates	148 394 141	136 401 892
Provision for impairment - receivables for rates and traffic fines	(150 531 248)	(134 722 273)
	31 328 684	31 046 244

Receivables from non-exchange: Traffic fines

Fines	821 542	4 285 454
Less: Provision for debt impairment	(579 224)	(3 194 938)
	242 318	1 090 516

Reconciliation of provision for impairment of receivables from non-exchange transactions: Traffic fines

Opening balance	3 194 938	2 839 559
Provision for impairment - current year	579 224	475 613
Amounts written off as uncollectible	(3 734 545)	-
Transfers from provisions (Bad debt written off)	539 607	-
Prior period error correction (refer to note)	-	(120 234)
	579 224	3 194 938

As of 30 June 2022, traffic fines debtors of R 821 542 were impaired and provided for.

The amount of the provision was R 579 224 as at 30 June 2022 (2021: R 3 194 938 *restated). An amount of R 3 734 545 for traffic fines debtors were written off as uncollectable in the current.

Receivables from non-exchange: Rates & Other

Rates	148 394 141	136 401 892
Less: Provision for debt impairment	(122 245 003)	(110 320 494)
	26 149 138	26 081 398

Other debtors	32 644 250	25 081 171
Less: Provision for debt impairment	(27 707 223)	(21 206 842)
	4 937 027	3 874 329

Debtors ageing rates & other debtors

Current (0 - 30 days)	10 356 569	9 674 065
31 - 60 days	7 042 974	6 469 541
61 - 90 days	6 063 498	5 737 466
91 - 120 days	5 675 300	5 621 272
120 days +	151 900 050	137 931 193
Total (rates and other debtors)	181 038 391	165 433 537

The amount for the provision for rates and other debtors as at 30 June 2022 was R 150 109 385 and on 30 June 2021 was R 131 527 336. The other debtors comprise of interest from non-exchange receivables.

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Reconciliation of provision for impairment of receivables from non-exchange transactions: rates

Opening balance	110 320 494	83 791 746
Contribution to impairment	11 924 509	26 528 748
	122 245 003	110 320 494

Reconciliation of provision for impairment of receivables from non-exchange transactions: other debtors

Opening balance	21 206 842	11 801 952
Contribution to impairment	6 500 381	9 404 890
	27 707 223	21 206 842

6. VAT receivable

VAT	17 954 585	29 055 178
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The municipality is registered on the cash basis and the timing of payments to/from SARS is at the end of each month.

Due to the accrual basis of accounting applied the amount disclosed for VAT include the total movement of VAT accounts. The basis includes a set of accounts that indicate the amount accrued for VAT in debtors and creditors separate from the amount receivable or owed to SARS. The basis of accounting does not lend itself to the separate disclosure of vat movement items. In terms of the prescribed guidelines only the nett VAT receivable or payable are disclosed.

During the year, the municipality did not make any payments to SARS.

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS. The amount receivable for the month of 30 June 2022 on cash basis is R 5 453 926,84.

7. Other receivables

Salary clearing account	766 530	658 678
Deposits	1 579 594	995 971
	2 346 124	1 654 649

The other debtors comprise of the amount that the municipality was required by the court as per Section 145 (7)(8) of Labour relations Act to make a payment for guarantee in respect of the review application on an arbitration award to the value of R 1 522 920 which is equivalent to 24 months' salary.

Inter-municipal receivables

Gross debtors	28 967 231	27 610 978
Provision for debt impairment	(28 967 231)	(27 610 978)
	-	-

Reconciliation of debt impairment provision

Inter-municipal debtors

Balance at the beginning of the year	(27 610 978)	(27 185 212)
Adjustments to provision	(1 356 253)	(425 766)
	(28 967 231)	(27 610 978)

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8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on floats	710	710
Bank balances	30 416 861	1 943 510
Call deposits	124 330 959	121 953 862
	154 748 530	123 898 082

The municipality has a facility in the form of a fleet card for a limit of R 150 000 which expires in 2022. The fleet card is linked directly to the main account.

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances		
	30 June 2022	30 June 2021	30 June 2022	30 June 2021	
Current account (primary bank account) - Standard Bank Hoedspruit Branch : Account Number 033355487	29 976 760	627 547	-	30 416 861	-
Standard Bank Account: Call deposit Account - Account number: 038579111-02	86 478 965	86 327 135	-	86 478 965	-
Bank statement balance at the beginning of the period					
Investec Bank Account: 32 days notice account - Account number 1100464721500	37 851 994	36 594 439	-	37 851 994	-
Bank statement balance at the beginning of the period					
Total	154 307 719	123 549 121	-	154 747 820	90 998 082

9. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	10 135 954	-	10 135 954	8 400 000	-	8 400 000

Reconciliation of investment property - 30 June 2022

	Opening balance	Fair value adjustments	Total
Investment property	8 400 000	1 735 954	10 135 954

Reconciliation of investment property - June 2021

	Opening balance	Other changes, movements	Total
Investment property	8 950 000	(550 000)	8 400 000

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Pledged as security

During the financial period ended 30 June 2022, no components of investment property were pledged as security for borrowings or banking facilities.

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.

Investment property is measured at fair value. The properties are valued by professional values every three (3) years as per the Municipality Policy.

The current property last valuation was performed on 30 June 2022. The values will remain valid for the financial periods 30 June 2022, 30 June 2023 and 30 June 2024.

- There are very limited or no new comparable sales of properties taking place at Hoedspruit town which means that the fair value will unlikely change in a short period of time.

- There is no improvement made since the last valuation for these investment properties owned by Maruleng Municipality hence the properties didn't form part of the supplementary valuation rolls.

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10. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	55 548 529	-	55 548 529	19 500 000	-	19 500 000
Plant and machinery	3 913 369	(1 366 992)	2 546 377	3 883 190	(1 038 901)	2 844 289
Furniture and Office Equipment	5 279 917	(3 158 701)	2 121 216	5 047 570	(2 748 079)	2 299 491
Transport assets	16 882 459	(3 230 092)	13 652 367	15 409 717	(2 244 813)	13 164 904
Computer equipment	6 768 975	(2 816 740)	3 952 235	9 156 085	(6 053 207)	3 102 878
Infrastructure - roads	530 381 519	(51 392 872)	478 988 647	398 742 950	(40 653 620)	358 089 330
Community assets	230 284 020	(130 141 116)	100 142 904	230 043 112	(121 469 935)	108 573 177
WIP - Infrastructure	127 198 561	-	127 198 561	123 183 394	-	123 183 394
Electrical infrastructure	11 995 358	(9 933 570)	2 061 788	10 732 274	(9 790 624)	941 650
Other assets	103 625	(97 121)	6 504	103 625	(96 374)	7 251
Solid waste infrastructure	552 410	(542 078)	10 332	552 410	(520 808)	31 602
Storm water infrastructure	16 854 820	(2 510 778)	14 344 042	16 854 820	(2 223 745)	14 631 075
Total	1 005 763 562	(205 190 060)	800 573 502	833 209 147	(186 840 106)	646 369 041

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Reconciliation of property, plant and equipment - June 2022

	Opening balance	Additions	Disposals	Transfers in/(out)	Depreciation	Total
Land	19 500 000	36 048 529	-	-	-	55 548 529
Plant and machinery	2 844 289	106 447	(27 429)	-	(376 930)	2 546 377
Furniture and Office Equipment	2 299 491	362 888	(37 400)	-	(503 763)	2 121 216
Transport assets	13 164 904	1 472 742	-	-	(985 279)	13 652 367
Computer equipment	3 102 878	2 609 401	(104 775)	-	(1 655 269)	3 952 235
Infrastructure - roads	358 089 330	-	-	131 638 569	(10 739 252)	478 988 647
Community assets	108 573 177	1 315 730	(13 604)	531 700	(10 264 099)	100 142 904
WIP - Infrastructure	123 183 394	136 185 436	-	(132 170 269)	-	127 198 561
Electrical infrastructure	941 650	1 263 084	-	-	(142 946)	2 061 788
Other assets	7 251	-	-	-	(747)	6 504
Solid waste infrastructure	31 602	-	-	-	(21 270)	10 332
Storm water infrastructure	14 631 075	-	-	-	(287 033)	14 344 042
	646 369 041	179 364 257	(183 208)	-	(24 976 588)	800 573 502

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Reconciliation of property, plant and equipment - June 2021

	Opening balance	Additions	Disposals	Transfers received	Other changes, movements	Depreciation	Impairment loss	Total
Land	19 500 000	-	-	-	-	-	-	19 500 000
Plant and machinery	3 215 330	7 552	(5 509)	-	-	(371 575)	(1 509)	2 844 289
Furniture and Office Equipment	2 705 932	194 056	(45 581)	-	-	(515 393)	(39 523)	2 299 491
Transport assets	12 035 948	2 022 574	-	-	-	(893 618)	-	13 164 904
Computer equipment	4 050 093	1 311 512	(62 700)	-	-	(2 141 304)	(54 723)	3 102 878
Infrastructure - roads	224 724 840	140 602 856	-	-	-	(7 015 645)	(222 721)	358 089 330
Community assets	116 805 197	1 821 503	-	-	550 000	(10 505 287)	(98 236)	108 573 177
WIP - Infrastructure	139 043 494	126 564 258	-	(142 424 358)	-	-	-	123 183 394
Electrical infrastructure	1 040 229	-	-	-	-	(98 579)	-	941 650
Other assets	9 719	-	-	-	-	(1 437)	(1 031)	7 251
Solid Waste Infrastructure	52 904	-	-	-	-	(21 270)	(32)	31 602
Storm water Infrastructure	14 921 081	-	-	-	-	(286 528)	(3 478)	14 631 075
	538 104 767	272 524 311	(113 790)	(142 424 358)	550 000	(21 850 636)	(421 253)	646 369 041

Pledged as security

During the financial period ended 30 June 2022, no components of property, plant and equipment were pledged as security for borrowings or banking facilities.

The municipality is initiating a process of engaging the private occupier in erf 196 to enter into a new arrangement. The land was leased to the private occupier pre 1994 at 99c per annum.

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Projects which are taking significantly longer periods to complete

Included in Work In Progress (WIP) total carrying value are projects which are taking longer to complete. The expenditure incurred to date for these projects are as follows:

Project name		
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Indoor sports field	-	57 333 607
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Reasons for project delays:

Indoor sports field: The project was on hold due to a litigation between the contract and the municipality, this resulted in delays on completion of the project.

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.

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11. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 084 089	(969 811)	114 278	1 084 089	(946 157)	137 932

Reconciliation of intangible assets - June 2022

	Opening balance	Amortisation	Total
Computer software	137 932	(23 654)	114 278

Reconciliation of intangible assets - June 2021

	Opening balance	Amortisation	Total
Computer software	150 409	(12 477)	137 932

Pledged as security

During the financial period ended 30 June 2022, no components of intangible assets were pledged as security for borrowings or banking facilities.

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12. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	372 500	-	372 500	372 500	-	372 500

Reconciliation of heritage assets - June 2022

	Opening balance	Total
Heritage assets	372 500	372 500

Reconciliation of heritage assets - June 2021

	Opening balance	Total
Heritage assets	372 500	372 500

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13. Finance lease obligation		
Minimum lease payments due		
- within one year	825 193	759 010
- in second to fifth year inclusive	1 300 815	-
	2 126 008	759 010
less: future finance charges	(252 561)	(6 425)
Present value of minimum lease payments	1 873 447	752 585
Present value of minimum lease payments due		
- within one year	666 919	752 585
- in second to fifth year inclusive	1 206 528	-
	1 873 447	752 585
Non-current liabilities	1 206 540	-
Current liabilities	666 919	752 586
	1 873 459	752 586

The average lease term was 3 years and the average effective borrowing rate was 10.0% (2021: 10.5%).

14. Trade payables from exchange transactions

Retentions	22 778 184	22 478 445
Accruals	10 281 889	4 687 270
Unknown deposits	4 304 512	3 742 696
Operating lease - deferred liability	26 844	26 844
Other creditors - Dept Roads & Transport	94 592	61 040
	37 486 021	30 996 295

Included in the Unknown deposits is deposits to the value of R 1 640 296.10 that has not been claimed for more than 3 (three) financial years that is the process of been considered as forfeits following council consideration. Payables are non-interest bearing and are normally settled on 30-day terms, except for retentions, which are settled in terms of the contract agreement.

15. Trade and other payables from non-exchange transactions

Amounts received in advance - consumer debtors	5 614 166	4 081 420
Trade and other payables	359 615	286 358
	5 973 781	4 367 778

Payments received in advance are non-interest bearing.

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16. Employee benefit obligations

Defined benefit plan

The plan is a post-employment medical benefit plan and long service awards.

Post retirement medical aid plan

The employer's post-employment benefit health care liability consists of a commitment to pay a portion of the pensioners' postemployment medical scheme contributions. The liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member.

Long service awards

Long service awards relate to the legal obligation to provide long service leave awards.

Actuarial benefits has been performed on all 171 employees as at 30 June 2022 that are entitled to long services awards. The long service awards liability is not a funded arrangement, i.e no separate assets have been set aside to meet this liability.

Maruleng offers bonuses every five years of completed services from 10 years to 45 years.

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(4 919 000)	(4 571 000)
Present value of the defined benefit obligation-partly or wholly funded	(6 457 000)	(4 523 000)
	(11 376 000)	(9 094 000)
Non-current liabilities	(10 626 000)	(8 638 000)
Current liabilities	(750 000)	(456 000)
	(11 376 000)	(9 094 000)

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

Opening balance	4 571 000	3 150 000
Benefits paid	(420 491)	(363 098)
Net expense recognised in the statement of financial performance	768 491	1 784 098
	4 919 000	4 571 000

Net expense recognised in the statement of financial performance

Current service cost	460 000	331 000
Interest cost	410 000	227 000
Actuarial (gains) losses	(101 509)	562 098
Addition of pro-rata LSA	-	664 000
	768 491	1 784 098

Calculation of actuarial gains and losses

Changes in the fair value of plan assets are as follows:

The municipality expects to contribute R - to its defined benefit plans in the following financial year.

Key assumptions used

Assumptions used at the reporting date:

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Figures in Rand	2022	2021
Discount rates used	11.12 %	9.44 %
General earnings inflation rate	7.30 %	5.84 %
Net discount rate	3.56 %	3.40 %

*An employee with five or more years' service with the Municipality, who leaves the service of the Municipality for any reason whatsoever, excluding reasons relating to misconduct, shall receive a pro-rata LSA for any uncompleted (five-year) period of service. The pro-rata factor applicable is the number of years of service since an employee's most recent service milestone, divided by five.

Other assumptions

Amounts for the current and previous four years are as follows:

	2022 R	2021 R	2020 R	2019 R	2018 R
Defined benefit obligation	4 919 000	4 571 000	3 150 000	3 041 912	3 293 859

An actuarial valuation has been performed in respect of post-employment medical benefits which employees may become entitled to after retirement.

The employee post employment health care liability consists of the commitment to pay a portion of the Pensioners Medical Scheme contributions. This liability is also generated in respect of dependents who are offered continued membership of the medical schemes after the death of the pensioner.

A summary of assumptions was provided to the municipality.

The medical aid contribution is an actuarial calculation which was performed by ARCH Actuarial Consulting, an actuarial consulting company specialising in the valuation of employee benefit liabilities for accounting disclosure purposes. Currently there are no pensioners being subsidised for medical aid contributions hence no benefits payment.

The total amounts recognised in the statement of financial position are as follows:

Changes in the present value of the Post-Employment Medical Aid Obligation are as follows:

Opening balance	4 523 000	3 763 000
Benefits paid	(65 973)	-
Net expense recognised in the statement of financial performance	1 999 973	760 000
	6 457 000	4 523 000

Net expense recognised in the statement of financial performance

Current service cost	432 000	335 000
Interest cost	484 000	433 000
Actuarial (gains) losses	1 083 973	(8 000)
	1 999 973	760 000

Calculation of actuarial gains and losses

Changes in the fair value of plan assets are as follows:

The municipality expects to contribute R - to its defined benefit plans in the following financial year.

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.84 %	10.70 %
Net discount rate	3.14 %	3.29 %
Expected increase in healthcare costs	8.44 %	7.17 %

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Other assumptions

Amounts for the current and previous four years are as follows:

	2022 R	2021 R	2020 R	2019 R	2018 R
Defined benefit obligation	6 457 000	4 523 000	3 763 000	7 934 785	6 879 809

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Unspent grants 1	-	1
Municipal Infrastructure Grant (MIG)	15 081 652	32 057
	15 081 652	32 058

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 28 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

18. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Utilised during the year	Total
Leave provision	7 117 894	191 083	7 308 977
Bonus provision	1 793 842	(36 262)	1 757 580
Provision for performance bonus	1 722 706	(605 414)	1 117 292
	10 634 442	(450 593)	10 183 849

Reconciliation of provisions - 2021

	Opening Balance	Utilised during the year	Total
Leave provision	7 255 204	(137 310)	7 117 894
Bonus provision	1 528 390	265 452	1 793 842
Provision for performance bonus	703 325	1 019 381	1 722 706
	9 486 919	1 147 523	10 634 442

Leave provision

Annual leave accrues to employees monthly, subject to certain conditions. The provision is an estimate of the amount due to staff as at the financial year-end, based on the value of statutory and non-statutory leave.

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19. Interest on investments		
Interest revenue		
Short-term investments and call accounts	4 409 385	4 163 418
20. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities and equipment	244 875	836 506
21. Agency services		
Agency fee - Roads and transport	2 646 167	2 391 455
Agency fee - Water and sanitation_Mopani district	215 992	196 491
	2 862 159	2 587 946
22. Licences and permits		
Traffic learners and drivers' licences	2 237 168	2 452 458
23. Fines, Penalties and Forfeits		
Traffic fines	320 916	638 650
Forfeits - Retentions	-	2 310 934
	320 916	2 949 584
24. Interest on receivables		
Exchange receivables	314 354	380 308
Non-exchange receivables	13 756 078	11 736 215
	14 070 432	12 116 523
25. Other revenue		
Clearance certificates	342 988	261 949
Valuation certificates	6 617	6 338
Library fines/fees	2 026	2 427
Building plans	1 963 026	1 138 050
Special consent application	9 988	9 516
Signboards, adverts etc	73 160	38 372
Certificate of occupancy	214 430	128 153
Trading licence fees	11 511	19 100
Building inspection fee	408 944	214 496
Swimming pool application fees	57 021	35 290
Library membership fees	-	350
Tender documents	146 608	408 464
Handling fees	4 025	-
	3 240 344	2 262 505

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26. Service charges		
Refuse removal	4 366 866	3 979 418
27. Property rates		
Rates received		
Property rates	134 122 853	121 992 974
Less: Income forgone	(16 702 438)	(15 104 706)
	117 420 415	106 888 268
Valuations		
Residential	5 431 847 434	3 733 684 700
Commercial	2 152 092 328	2 466 184 841
State	1 228 769 000	477 732 000
Agricultural	4 201 341 186	3 479 061 791
Other	725 023 618	2 988 543 760
	13 739 073 566	13 145 207 092

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28. Government grants and subsidies		
Operating grants		
Total operating grants	142 768 000	162 391 000
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Equitable Share		
Current-year receipts	139 743 000	133 584 000
Conditions met - transferred to revenue	(139 743 000)	(133 584 000)
	-	-
Expanded Public Works Programme (EPWP)		
Current-year receipts	1 175 000	1 000 000
Conditions met - transferred to revenue	(1 175 000)	(1 000 000)
Unspent amount transferred to liabilities	-	-
This grant is used to provide skills and temporary work to unemployed people		
Financial Management Grant		
Current-year receipts	1 850 000	1 900 000
Conditions met - transferred to revenue	(1 850 000)	(1 900 000)
Unspent amount transferred to liabilities	-	-
This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. The conditions of the grant were met.		
Disaster Management Relief Grant		
Current-year receipts	-	25 907 000
Conditions met - transferred to revenue	-	(25 907 000)
Unspent amount transferred to liabilities	-	-
Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	32 057	-
Current-year receipts	48 709 000	46 328 000
Conditions met - transferred to revenue	(33 659 405)	(46 295 943)
	15 081 652	32 057

Conditions still to be met - remain liabilities (see note 17).

This grant was used to construct the municipal infrastructure to provide basic services for the benefits of the households within the municipality's jurisdiction. The conditions of the grant were met. No funds have been withheld by National Treasury on grounds of failure to meet grant conditions.

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29. Donation of assets		
Land Erf 1443	15 000 000	-
Land Erf 1403	3 550 000	-
Computer equipment	11 629	-
	18 561 629	-

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30. Employee related costs

Employee related costs - Salaries and wages	54 948 555	54 725 060
Employee related costs - social contributions	14 202 208	11 463 117
Travel, motor car, accommodation, subsistence and other allowances	7 629 641	7 245 388
Long-service awards	462 287	962 259
Housing benefits and allowances	1 490 489	750 094
Post retirement benefits	-	335 000
	78 733 180	75 480 918

Municipal Manager

Annual Remuneration	671 979	550 022
Travel and other allowances	491 249	397 464
Performance Bonuses	123 691	-
Contributions to UIF, Medical and Pension Funds	174 535	129 793
	1 461 454	1 077 279

Remuneration of Chief Financial Officer

Annual Remuneration	536 379	359 680
Travel and other allowances	11 926	8 108
Contributions to UIF, Medical and Pension Funds	120 025	67 873
	668 330	435 661

Ms F Sekgobela was appointed as the acting Chief Financial Officer from 1 March 2022 to 30 June 2022 and her acting allowance was RNil. Ms MF Nchabeleng has the Chief Financial Officer for the current financial year until her resignation on the 28 February 2022 and her remuneration is stated above.

Director: Technical Services

Annual Remuneration	-	308 795
Travel and other allowances	-	315 539
Contributions to UIF, Medical and Pension Funds	-	7 898
Payments in lieu of leave	-	195 502
Acting allowances	41 550	-
	41 550	827 734

Mr KE Malatji was appointed as the acting Technical services director from 1 July 2021 to 30 November 2021 and his acting allowance was RNil. Mr NA Letsoalo was appointed as the acting Technical services director from 1 December 2021 to 31 May 2022 and his acting allowance was R30 755.11 and Mr ML Muroa received R 10 794.91 for acting as the Technical services director for June 2022.

Director: Community Services

Annual Remuneration	693 972	359 680
Travel and other allowances	60 074	7 808
Contributions to UIF, Medical and Pension Funds	178 366	67 864
	932 412	435 352

Director: Spatial Development and Planning

Annual Remuneration	693 972	430 206
Travel and other allowances	22 690	10 559
Contributions to UIF, Medical and Pension Funds	185 813	68 747

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	902 475	509 512

Director: Corporate Services

Annual Remuneration	403 046	481 681
Travel and other allowances	137 280	195 617
Performance Bonuses	76 168	40 280
Contributions to UIF, Medical and Pension Funds	117 987	151 545
	734 481	869 123

31. Depreciation and amortisation

Transport assets	985 279	893 618
Electrical Infrastructure	142 946	98 580
Machinery and Equipment	376 930	371 575
Furniture and Office Equipment	503 763	515 393
Computer Equipment	1 655 269	2 141 304
Roads Infrastructure	10 739 252	7 015 645
Storm water Infrastructure	287 033	286 528
Community Assets	10 264 099	10 522 542
Other assets	747	1 437
Solid Waste Infrastructure	21 270	21 270
Intangible assets	23 654	12 477
	25 000 242	21 880 369

32. Impairment loss

Impairments

Machinery and Equipment	-	1 509
Other assets	-	1 032
Computer Equipment	-	54 724
Furniture and office equipment	-	39 523
Roads Infrastructure	-	222 722
Community assets	-	98 236
Solid waste infrastructure	-	32
Storm water	-	15 127
	-	432 905

33. Finance costs

Finance leases	126 945	58 047
Other interest paid	894 000	686 020
	1 020 945	744 067

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34. General expenses		
Compensation Commissioner	368 819	-
Advertising	443 318	251 738
Audit fees	5 202 469	4 786 711
Bank charges	400 037	334 627
Computer expenses	26 340	431 277
Free basic electricity	721 023	651 943
Entertainment	145 334	133 645
Insurance	1 435 638	1 090 623
Functions and events	956 629	264 561
Fuel and oil	2 489 663	2 836 616
Printing and stationery	2 511 325	1 568 781
Protective clothing	660 664	845 898
Repairs and maintenance	678 659	946 851
Subsistence, travel & accomodation	5 414 972	5 596 350
Fines and penalties	-	55 789
Training	817 199	2 472 457
Telephone & cellphone costs	166 267	258 240
Electricity - Utilities	2 701 191	2 481 998
Water - related parties	754 646	728 241
Membership fees	1 077 178	1 003 809
Stores and material	1 000 034	1 285 342
Ward committees	2 884 598	2 466 000
Professional fees	16 210 526	13 766 665
Bursary Fund	88 434	96 778
Billing charges	69 779	-
Other expenses	449 092	410 319
	47 673 834	44 765 259
35. Loss/(gain) on disposal of assets		
Loss/(gain) on disposal of assests		
Porperty, plant and equipment	183 207	(623 285)

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36. Cash generated from operations		
Surplus	132 731 685	129 089 300
Adjustments for:		
Depreciation and amortisation	25 000 241	21 880 371
Gain (loss) on sale of assets and liabilities	183 207	(623 785)
Impairment / (reversal) of impairment on assets	-	421 257
Increase / (decrease) in debtors impairment	20 575 432	37 962 928
Bad debts written off	539 067	823 220
Movements in retirement benefit assets and liabilities	-	1 997 000
Movements in provisions	(450 593)	1 331 523
Donations	(18 561 629)	-
Finance cost - employee benefit obligation	(894 000)	(718 047)
Actuarial gains/(losses)	982 464	554 098
Movement in employee benefit liability	2 193 536	163 949
Increase in fair value adjustments	(1 735 954)	-
Changes in working capital:		
Inventories	(44 743)	(41 729)
Receivables from exchange transactions	164 480	(1 488 504)
Other receivables from non-exchange transactions	(21 396 939)	(47 998 837)
Prepayments	17 000 000	(17 000 000)
Trade payables from exchange transactions	6 489 726	1 790 242
VAT	11 100 593	(18 859 471)
Taxes and transfers payable (non-exchange)	1 606 003	(355 907)
Unspent conditional grants and receipts	15 049 594	32 057
Accumulated surplus	-	(18 682)
	190 532 170	108 940 983
37. Additional disclosures in terms of Municipal Finance Management Act		
Contribution to SALGA		
Council membership fees payable	1 070 647	990 840
Amount paid current year	(1 070 647)	(990 840)
	-	-
Audit fees		
Current year audit fee	5 969 275	4 786 710
Amount paid current year	(5 969 275)	(4 786 710)
	-	-
PAYE & UIF		
Current payroll deductions	13 214 997	12 387 115
Amount paid current year	(13 214 997)	(12 387 115)
	-	-
Pension and Medical Aid Deductions		
Current payroll deductions	20 122 316	14 842 450
Amount paid current year	(20 122 316)	(14 842 450)
	-	-

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VAT

During the year, the municipality did not make any payments to SARS.

VAT is accounted for on accrual basis, SARS returns are accounted for on cash basis. VAT input receivables and VAT output receivable are shown in note 6. All VAT returns have been submitted throughout the year.

Councillor's arrears consumer accounts:

Councillors do not have services and rates accounts to the municipality.

38. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	179 540 465	172 302 174
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Total capital commitments

Already contracted for but not provided for	179 540 465	172 302 174
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Authorised operational expenditure

Already contracted for but not provided for

• Professional fees	11 446 002	6 447 959
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Total operational commitments

Already contracted for but not provided for	11 446 002	6 447 959
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The expenditure will be financed from:

Sources

Government grants	13 397 457	22 203 425
Internal sources	177 589 009	156 546 707
	190 986 466	178 750 132

Additional information

This committed expenditure relates to plant and equipment and other operational costs. These commitments will be financed by available retained surpluses, internally generated funds and government grants. Commitment values are disclosed VAT inclusive.

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39. Contingent liabilities and assets

Contingent liabilities:

Litigation is in the process against the municipality relating to disputes with stakeholders. The estimate of the contingent liability is approximately R 8 280 000 (June 2022), and approximately R 9 581 460 (June 2021).

The litigation matters for the year under review are detailed below as follows:

Claim for amount of work done, retention and loss of income:

Mpfumelelo Business enterprise contract for construction an indoor sport centre was terminated due to breach of contract and they have since instituted a legal claim for an amount of work performed to the value of R1 519 281, loss of income of R144 589.44 and retention to the amount of R4 387 113.10.

The legal cost are estimated at R 1 000 000.00.

Claims on the house gutted by fire:

The applicants instituted action against the Maruleng municipality (case no: 19582/2012) during april 2012. The claim is one for payment of delictual damages incurred by the plaintiff as a result of a runaway veld fire (caused by the municipality) which occurred on 05/09/2011 in Hoedspruit and while destroying the property of the applicant. The plaintiff claims from the municipality payment in the amount of R1 979 960.00. Management's estimate of financial exposure (including costs and disbursement) on the case is approximately R 500 000

Contractual claim (Maatjie plant fire and construction):

In 2011 a contractor entered into an agreement with the municipality: NLA/LP/RST10/1 - Mahlomelong Surfacing of road.

During July/Aug 2011 the plaintiff (a business man trading in Landslide Equipment) rented out the machinery & equipment and rendered services to the contractor under a contract Mahlomelong surfacing of road NLA/LP/R-ST10/01 as a sub-contractor.

On 08/09/2011 the plaintiff submitted an invoice to the municipality for work done on behalf of the contractor in the amount of R308 638.68 plus an invoice for an amount of R4 710.62. On 01/10/2011 Municipality made payment of an amount of R100 000.00 to the plaintiff but is since in default with its payment inspite of the fact that the plaintiff has completed his contract. The plaintiff claims for outstanding payment in the amount of R213 349.30. Management's estimate of financial exposure (including costs and disbursements) on the case is approximately R 200 000

Mohale Champ Machubene unfair dismissal case:

Mr Machubene was dismissed for gross misconduct and gross dereliction of duties following which he referred a dispute to the CCMA on the basis of unfair dismissal seeking compensation in the form of 12 or 24 months of his remuneration. Mr Machubene's basic pay is R 781 460.00 per annum (R1 562 920)and cash component of R 50 000.00.

The CCMA has ruled against Maruleng on the matter. However Maruleng has taken the matter to court on an application to review and set aside the decision by the CCMA. Management expect for financial exposure R3 000 0000.

There is no reimbursement from any third parties for potential obligations of the municipality.

Claim for work done by Tainama Civils:

Tainama civils has claimed an amount of R2 137 370,49 for alleged work done. The municipality has has disputed the said amount and an engineer issued a revised payment certificate which is now disputed by Tainama Civils. Tainama has instituted legal claim for the amount of work alleged to have been performed. The matter is still pending and it is estimated that the municipality will incur legal costs to the amount of R1 000 000 on this matter.

There is no reimbursement from any third parties for potential obligations of the municipality.

Application to set aside the zoning certificate:

Mjindin Investment has issued an application for the review and set aside of zoning certificate issued to Gideon Trust. The matter has not be set for hearing. The Municipality is not expected to incur legal claims on this matter however there is

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expectation to incur legal costs to the amount of R300 000.

There is no reimbursement from any third parties for potential obligations of the municipality.

Application to set aside the zoning certificate (Case no 836/2021 (Polokwane High Court):

Harmonie 360 Pty Ltd has issued an application for the review and set aside of zoning certificate issued for property within the Maruleng area. The matter has not be set for hearing. The Municipality is not expected to incur legal claims on this matter, however there is expectation to incur legal costs to the amount of R280 000.

There is no reimbursement from any third parties for potential obligations of the municipality.

Interdict from apppointment of service provider:

Climby (as security company) was contracted to the municipality to provide security services. There was a breach of contract and the contract was terminated and new service provider had to be appointed. Climby approached the court in order to interdict the municipality from appointing the new service provider. The matter is still pending. Management expects to incur legal costs of R 1 000 000 on the matter.

There is no reimbursement from any third parties for potential obligations of the municipality.

Review application to set aside appointment of service provider:

Maruleng Municipality issued a tender for security services and Flying Squad and Alarm Response was amongst the bidders. The tender was awarded to the winning bidder. Mopani Flying Squad and Alarm Response felt aggrieved and subsequently took the matter to court for an application review and set aside the appointment.

Management expects to incur legal costs of R 1 000 000 on the matter.

There is no reimbursement from any third parties for potential obligations of the municipality.

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Contingent assets

Litigation is in progress in favour of the municipality relating to disputes with employees, members of the public and contractors/suppliers. The municipality is likely to receive an amount of approximately R 1 550 000. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount.

Contingent asset for the year under review are detailed below as follows:

Claim against car rental company

Summons issued on the matter of Maruleng Local municipality suing Car Rental company for not surrendering the scrap of a motor vehicle which the municipality has paid for after an accident caused by a municipal employee using a rental car. The municipality is of the view that the scrap should be the municipality's property. Management's estimate of financial exposure (including costs and disbursements) on the case is R 600 000.

Unjustified enrichment claim:

Mmaatebele Constructions and projects received payments from the municipality and such were made under false pretence.

The municipality has instituted legal claims for the amounts paid. The matter is yet to be heard by the court Management is expecting to receive to receive +R950 000.

40. Unauthorised, irregular, fruitless and wasteful expenditure

Irregular expenditure

Opening balance as previously reported	127 698 936	75 368 635
Correction of prior period error		-
Add: Irregular expenditure - current	22 735 079	22 244 577
Add: Irregular expenditure - prior period	57 389 163	30 085 724
Less: Amount recoverable - current	-	-
Less: Amount recoverable - prior year	-	-
Less: Amounts written-off - current	-	-
	207 823 178	127 698 936

Closing balance

A detailed list of irregular expenditure is available at the Municipality for review.

The balance as at 30 June 2021 was R 127 698 936. The balance as at 30 June 2022 was R 207 823 178 that is currently under investigation. The expenditures disclosed include VAT for VAT vendors.

Irregular expenditure incurred in the current year for an amount of R 2 068 692.89 relates to awards were made to persons in service of the state institutions and R20 666 386.16 relates expenditure incurred on awards where procurement processes were not properly followed in acquiring goods and services.

Irregular expenditure for the prior discovered in the current year (for R57 389 163) relates to where procurement processes were not properly followed in acquiring goods and services.

MFMA Section 125(2)(d) disclosure:

There are no material losses incurred as a result of irregular expenditure for the current financial year.

There are no disciplinary hearing or criminal cases instituted for losses incurred pertaining to irregular expenditure.

There are no losses that were recovered or written off during the financial year.

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Fruitless and wasteful expenditure		
Opening balance as previously reported	3 023 004	2 830 247
Correction of prior period error	-	-
Opening balance as restated	-	-
Add: Fruitless and wasteful expenditure - current	795 597	192 757
Add: Fruitless and wasteful expenditure - prior period	-	-
Less: Amount recoverable - current	-	-
Less: Amount recoverable - prior period	-	-
Less: Amounts written-off - current	-	-
Closing balance	3 818 601	3 023 004

The fruitless and wasteful expenditure has been tabled to council and was investigated by a committee of council.

A detailed list of fruitless and wasteful expenditure is available at the Municipality for inspection. A fruitless and wasteful expenditure of R795 597 for the current year was incurred due to overpayment of suppliers.

No criminal or disciplinary steps have been taken as a consequence of the above expenditure.

The investigation results, resulted in fruitless and wasteful expenditure tabled to council be condoned and written off.

MFMA Section 125(2)(d) disclosure:

There are no material losses incurred as a result of fruitless and wasteful for the current financial year.

There are no disciplinary hearing or criminal cases instituted for losses incurred pertaining to fruitless and wasteful.

There are no losses that were recovered or written off during the financial year.

Unauthorised expenditure		
Opening balance as previously reported	35 144 088	32 894 876
Correction of prior period error	-	-
Opening balance as restated	-	-
Add: Unauthorised expenditure - current	-	20 914 389
Less: Amounts written-off – current	-	(18 665 177)
	35 144 088	35 144 088

The unauthorised expenditure has been tabled to council and will be investigated by a committee of council.

41. Related party disclosures

During the year, in the ordinary course of business, transactions between the Municipality and the under-mentioned parties have occurred under terms and condition no more favourable than those entered into with third parties in an arm's length transaction.

Related party transactions

S55 and S57 Employees/Employees remuneration

Refer to Employee related costs note 30

Remuneration of Councilors

Refer to Remuneration of Councilors note 44

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42. Risk management

Capital risk management

The municipality's objectives when managing capital are to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality as disclosed in the cash and cash equivalents note, 8, and equity as disclosed in the statement of financial position.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and noncurrent borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements.

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

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipality's approach is to ensure that sufficient liquidity is available to meet its liabilities when due. 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 forecasts are prepared and adequate utilised borrowing facilities are monitored. The municipality analyses its financial liabilities and netsettled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. All items of financial liabilities are less than one year from settlement.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables from exchange transactions	37 486 021	-	-	-
Trade and other payables from non-exchange transactions	5 973 781	-	-	-
Finance lease obligation	666 919	1 206 528	-	-
Unspent grants	15 081 652	-	-	-
At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables from exchange transactions	30 996 295	-	-	-
Trade and other payables from non-exchange transactions	4 367 778	-	-	-
Finance lease obligation	752 585	-	-	-
Unspent grants	32 058	-	-	-

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Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors.

The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. 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. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Cash and cash equivalent - The municipality limits its exposure to credit risk by investing with only reputable financial institutions and within specific guidelines set in accordance with council's approved investment policy. The municipality does not consider that to be any significant exposure to credit risk.

Financial instruments exposed to credit risk at year end were as follows positive for assets and negative for Liabilities:

Financial instrument	2022	2021
Receivables - From Exchange Transactions	1 729 672	2 585 627
Receivables - From Non Exchange Transactions	31 328 684	31 046 244
Other receivables	2 346 124	1 654 649
Trade and other payables from exchange transactions	(37 486 021)	(30 996 295)
Trade and other payables from non-exchange transactions	(5 973 781)	(4 367 778)
Finance lease obligation	(666 919)	(752 585)
Cash and cash equivalents	154 748 530	123 898 082

The above financial instruments are measured at amortised cost. The 2021 comparative amount has been restated - see note 50.

Market risk

Interest rate risk

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

Municipality is exposed to interest rate risk on its investments. The municipality have insignificant interest risk exposure in the form of finance costs from finance lease obligation, however the fluctuation in interest rates will not hinder any of the municipality operations.

A sensitivity analysis is done by the Municipality on a continuous bases to determine its potential exposure to interest rate charges. Different scenarios are simulated which include renewal of current position and alternative financing. Based on those scenarios the municipality calculates the impact a change in interest will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

This risk is managed by investing in investments with different maturity dates. This enables the Municipality to re-allocate some of the investments in the event of major fluctuations in interest rates.

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43. Deviation from supply chain management regulations

In terms of Regulation 36 of the Municipal Supply Chain Management Regulations, the Accounting Officer must sign-off all the deviations and minor breaches of the procurement processes. A register of such breaches must also be kept. The deviation report includes the limited bidding procurement, emergency procurement, urgent procurement and the unavoidable / gross deviations.. The following expectations were recorded for the period under review:

DATE	NAME OF SERVICE PROVIDER	DESCRIPTION OF GOODS AND SERVICES	AMOUNT	REASON FOR DEVIATION
14/07/2021	SACPLAN	Payment of the SACPLAN professional fees	R3 820.00	SACPLAN is the only institution that offers membership for town planners.
20/07/2021	ARENA HOLDINGS	Advertisement of erratum notice on fencing of Scortia graveyard	R10 350.00	Initial advert was through the same media, Arena holdings as such an erratum notice has to be published in the same press
05/08/2021	LEADERSHIP ACADEMY	Procurement for combined assurance training	R4 839.20	Leadership academy is the only service provider who can provide the service
06/08/2021	TRUVELO	Procurement of speed measuring machine batteries	R4 356.57	Truvelo Manufactures is the only service provider for speed measuring machine batteries.
06/08/2021	TRUVELO	Procurement of speed measuring machine (PRO-LASER 3&4)	R10 526.99	Truvelo manufactures is the only service provider for speed measuring machine (PRO-LASER 3&4)
19/08/2021	GOVERNMENT PRINTING	Procurement of outdoor advertisement and signage by-law 2021/2022 on provincial gazette	R7 061.60	Government printing works is the only institution that provide this service
19/08/2021	GOVERNMENT PRINTING	Advertisement of Limpopo business registration on provincial gazette	R13 114.40	Government printing works is the only institution that provide this service

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19/08/2021	GOVERNMENT PRINTING	Advertisement of Land use scheme 2021 ON PROVINCIAL GAZETTE	R110 968.00	Government printing works is the only institution that provide this service
27/08/2021	BELL EQUIPMENT	Repairs for grader machine FHS 832 K	R2 231.11	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
28/08/2021	NTT Toyota Hoedspruit	Services and Repairs for FFG 814L	R2 017.90	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
31/08/2021	NTT MOTORS INVESTMENT	Procurement of new clutch kit for the vehicle FFY 774L	R36 601.00	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
06/09/2021	BB UD TZANEEN	Procurement of services and repair for BVP 257L	R36 317.56	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
13/09/2021	BELL EQUIPMENT	Procurement of repairs of grader machine FHS 832L	R28 794.71	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
10/09/2021	LEADERSHIP ACADEMY	Registration for Magoro, Sono and Mangena	R23 736.00	Leadership Academy is the only institution that provides the training.
21/09/2021	MUNSOFT	Procurement of training facility	R 39 675.00	Munsoft is the financial system that Maruleng Municipality use.
22/09/2021	SEFULARO TRAVELLING AGENCY	ACCOMODATION	R32 544.00	3 quotations are required as putting on an advert would delay the procurement process and check in would lapse.
27/09/2021	MARULENG TYRES	Procurement of new tyre, tube and flip for the vehicle BVP 257L size 8	R9 137.50	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
27/09/2021	NTT TOYOTA HOEDSPRUIT	Services and Repair for vehicle FFG 805L	R6 051.05	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
07/10/2021	HOEDSPRUIT PANEL BEATERS	Excess of the vehicle BVP 255 L	R7 500.00	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.

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07/10/2021	HOEDSPRUIT PANEL BEATERS	Repairs of the bonnet of FFK 207 L	R4 145.75	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
07/10/2021	NTT TOYOTA HOEDSPRUIT	Service and repairs for FFK 205 L	R7 625.75	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
13/10/2021	ARENA	Erratum advertisement	R13 455.00	Initial advert was made through the same media arena
13/10/2021	NTT TOYOTA PHALABORWA	Service and repairs for vehicle FFY 774 L	R10 411.54	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
13/10/2021	NTT TOYOTA HOEDSPRUIT	Services and repairs for vehicle FFG 808L	R4 669.95	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
26/10/2021	BELL EQUIPMENT	Maintenance services	R 94 858.90	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
29/10/2021	LEXIS NEXIS	Local government library	R 53 564.70	Lexis Nexis is the printing company that packages local government library in a manner that would be user friendly to the new incoming councilors with an updated pieces of legislations of the municipality
02/11/2021	HOEDSPRUIT PANEL BEATERS	Service and repairs for FFG 812 L	R5 000.00	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
03/11/2021	BB UD TZANEEN	Services and repairs for BZZ 584 L	R61 421.87	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
11/11/2021	BB UD TZANEEN	Service and repair for BVP 257 L	R27 392.82	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
11/11/2021	NTT TOYOTA HOEDSPRUIT	Service and repair for FFG 814 L	R6 994.15	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
11/11/2021	NTT TOYOTA HOEDSPRUIT	Service and repair for FFG 809 L	R3 962.85	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.

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02/12/2021	BARLOWORLD EQUIPMENT	Front and rear ream tire for TLB	R30 588.16	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
07/12/2021	NTT TOYOTA PHALABORWA	Service and repair	R48 224.22	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
14/12/2021	NTT TOYOTA HOEDSPRUIT	Service and repair	R5 108.00	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
06/01/2022	BELL EQUIPMENT SALES SA	Service and repair for FHS 832 L	R36 289.03	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
06/01/2022	NORTHERN HARDWARE AND GLASS	Repair of window screen for BMW FKS 046 L	R2 413.32	The company is recommended by the insurance of the municipality (Kunene Makopo)
07/01/2022	BB UD TZANEEN	Service and Repairs for waste Truck FGG046L	R14 951.38	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
12/01/2022	MARULENG FITMENT AND TYRES	Wheel Alignment for Toyota Quantum	R24 697.05	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
12/01/2022	BARLOWORLD EQUIPMENT	Service and Repairs of grader machine	R22 432.28	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
14/01/2022	HI-Q	Wheel alignment and balancing of vehicle	R42 090.00	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
21/01/2022	NTT TOYOTA HOEDSPRUIT	Service and Repairs of FFG 808L FFG 814L	R21 682.90	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
02/02/2022	RORISANG TRAVEL AGENCY	Accomodation for council and officials	R35 200.00	3 quotations are required as putting on an advert would delay the procurement process and check in would lapse.

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01/02/2022	BB UD TZANEEN	Repairs for BVP 257 L	R119 981.03	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
17/02/2022	ORION HOTEL AND RESORT	Accommodation strategic planning for IMPAC	R96 860.00	3 quotations are required as putting on an advert would delay the procurement process and check in would lapse.
22/02/2022	NTT TOYOTA HOEDSPRUIT	Repairs for FFG 809L	R15 112.55	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
23/02/2022	SAGE 300	Training for job evaluation	R40 054.50	SAGE 300 is the only Financial provider that offers the training for Municipal officials.
24/02/2022	LEETO TRAVEL SERVICES	Accommodation for Musolwa T.C, Thobejane M.H, Raganya B	R72 474.00	3 quotations are required as putting on an advert would delay the procurement process and check in would lapse.
01/03/2022	SACPVP	Training registrations	R3 155.00	SACPVP is the only Institution that offers the training for SPED officials.
04/03/2022	MUNSOFT	Training for Malomane MC, Phiri K, Sekgobela N, Mohlala S, Makofane F and Mashinya T	R37 260.00	MUNSOFT is the only Financial system that offers the training for Finance officials.
11/03/2022	BB UD TZANEEN	Repairs BZZ 548L	R31 900.13	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
17/03/2022	SAGE	Training for Ramohlola K and Ngoma J	R10 522.50	SAGE is the only Financial system that offers the training for Finance officials.
22/03/2022	TZANEEN COUNTRY LODGE	Accommodation for policy review	R60 544.00	3 quotations are required as putting on an advert would delay the procurement process and check in would lapse.

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23/03/2022	BMW MBOBELA	Tyres for FKS 048L	R30 605.87	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
24/03/2022	KARIBU LEISURE RESORTS	Accommodation for ward committees conference	R1 166 597.72	3 quotations are required as putting on an advert would delay the procurement process and check in would lapse.
28/03/2022	NTT TOYOTA HOEDSPRUIT	Repairs for FFG 814L	R8 943.01	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
04/04/2022	RORISAL TRAVEL AGENCY	Accommodation for Musolwa T, Thobejane H AND Raganya M	R109 771.26	3 quotations are required as putting on an advert would delay the procurement process and check in would lapse.
07/04/2022	MV TRADING ENTERPRISE TY LTD	Transport for ward committees	R65 000.00	3 quotations are required as putting on an advert would delay the procurement process and check in would lapse.
08/04/2022	MIE PTY LTD	Screening for MM, CFO AND Corporate services	R4 413.37	MIE is the only Screening company registered with our municipality.
08/04/2022	NTT TOYOTA HOEDSPRUIT	Service FFG 809L	R12 100.00	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
13/04/2022	SOUTHERN SUN	Accommodation for councilors attending policy review	R115 924.00	3 quotations are required as putting on an advert would delay the procurement process and check in would lapse.
17/04/2022	NTT TOYOTA HOEDSPRUIT	Service for FFY 774L	R8 922.35	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
17/04/2022	BB UD TZANEEN	Service for FFY 774L	R115 234.15	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.

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28/04/2022	NTT TOYOTA PHALABORWA	Service for FFY778L	R4 280.90	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
29/04/2022	NTT TOYOTA PHALABORWA	Services for FFY 776L	R17 104.50	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
29/04/2022	NTT TOYOTA HOEDSPRUIT	Services for FFK 205L	R33 802.45	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
11/05/2022	GREENSA TRAVEL AGENCY	Accommodation for Morua Lesley	R40 515.00	3 quotations are required as putting on an advert would delay the procurement process and check in would lapse.
16/05/2022	BB UD TRUCKS	Services for BVP 257 L	R88 929.55	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
17/05/2022	BELL EQUIPMENT	Services for FHS 832 L	R32 075.29	The repairs and maintenance services of Municipal Vehicle are done at dealership of that particular car make.
21/06/2022	MERAPE HOLDINGS PTY LTD	RT57-2019-2022	R3 215 604.37	Regulation 32 inline with RT57-2019 JUNE 2022

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44. Remuneration of councillors		
Mayor	818 582	901 659
Executive Committee Members	2 357 152	2 460 331
Speaker	756 071	729 488
Councillors part time	6 525 584	6 341 788
Councillors full time	639 938	686 446
	11 097 327	11 119 712

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In-kind benefits

Councillors are classified based on their respective positions as at 31 June 2022 or the last day of service, as the case may be.

The Mayor, Speaker and three councillors are full time. Each is provided with an office and secretarial support at the cost of Council.

The Mayor has access to a municipal vehicle for official duties and is allocated a municipal house that can also be used to entertain official guests.

Additional information as per section 124 of the MFMA:

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa. During the current financial year, new councillors were appointed as per the details below:

30 June 2022

Councillors	Basic salary	Cellphone Allowance	Contributions and benefits	Travel Allowance	Grand Total
Mayor - new					
Mr TC MUSOLWA	296 415.00	26 310.00	52 880.00	107 821.00	483 427.00
Mayor - old					
Ms HM THOBEJANE	188 037.00	14 541.00	53 571.00	79 005.00	335 154.00
Speaker - new					
Miss B RAGANYA	404 231.00	26 310.00	56 289.00	-	486 830.00
Speaker - old					
Ms MJ MAHLO	150 426.00	14 541.00	28 428.00	75 845.00	269 240.00
Chief whip - new					
Ms HM THOBEJANE	260 733.00	26 310.00	24 001.00	75 514.00	386 557.00
Chief whip - old					
Mr ML MONGADI	141 024.00	14 541.00	26 710.00	71 105.00	253 380.00
Mpac - new					
Mr SB RAGANYA	159 448.00	26 310.00	22 164.00	52 516.00	260 437.00
Mpac - old					
Mr SV MAMETJA	81 820.00	14 541.00	15 459.00	32 086.00	143 906.00
Exco member - new					
Mr B MOHLABE	185 002.00	26 310.00	2 496.00	54 064.00	267 872.00
Mr MT TSHETLHA	300 689.00	26 310.00	34 815.00	96 981.00	458 796.00
Mrs MA MATHABA	331 862.00	26 310.00	4 313.00	96 981.00	459 467.00
Ms MM KOMANE	300 689.00	26 310.00	34 794.00	96 981.00	458 775.00
Exco member - old					
Mr MR MAAKAMELA	141 024.00	14 541.00	26 660.00	71 105.00	253 331.00
Mr NM LEWELA	38 338.00	3 400.00	2 560.00	13 451.00	57 749.00
Mr PE SHAI	84 294.00	14 541.00	15 922.00	33 057.00	147 815.00
Mrs MJ RAKGOALE	141 024.00	14 541.00	26 677.00	71 105.00	253 348.00
Councillors - New					
Miss LP MOROPANE	124 245.00	26 310.00	17 239.00	40 921.00	208 716.00
Miss MMS RAMMALA	124 245.00	26 310.00	17 298.00	40 921.00	208 775.00
Mr BT MABILO	124 245.00	26 310.00	17 240.00	40 921.00	208 717.00
Mr D MOKGOTHO	124 245.00	26 310.00	17 253.00	40 921.00	208 730.00
Mr DI MATHOLE	126 876.00	26 310.00	14 817.00	40 921.00	208 924.00
Mr JT MOREMA	61 515.00	11 926.00	896.00	20 505.00	94 843.00
Mr KJ SEKGOBELA	140 029.00	26 310.00	1 940.00	40 921.00	209 201.00
Mr MR MAAKAMELA	140 029.00	26 310.00	1 940.00	40 921.00	209 201.00
Mr MS MONASHANE	124 245.00	26 310.00	17 267.00	40 921.00	208 744.00
Mr MS NTEMANA	124 245.00	26 310.00	17 241.00	40 921.00	208 718.00
Mr PS MALEPE	124 245.00	26 310.00	17 239.00	40 921.00	208 716.00
Mr PW GERBER	126 876.00	26 310.00	14 817.00	40 921.00	208 924.00
Mr SP LETEBELE	126 876.00	26 310.00	14 819.00	40 921.00	208 927.00
Mr TI SHAI	124 245.00	26 310.00	17 243.00	40 921.00	208 720.00

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Mr TJ MOKGAHLA	124 245.00	26 310.00	17 257.00	40 921.00	208 733.00
Mrs BE MASETE	124 245.00	26 310.00	17 249.00	40 921.00	208 726.00
Mrs EC DU PREEZ	126 876.00	26 310.00	14 817.00	40 921.00	208 924.00
Mrs MJ RAKGOALE	140 029.00	26 310.00	2 116.00	40 921.00	209 377.00
Ms MF MADIKE	129 506.00	26 310.00	12 346.00	40 921.00	209 084.00
Councillors - old					
Mr B MOHLABE	85 007.00	14 541.00	15 803.00	-	115 352.00
Mr DM SEBELA	44 721.00	10 200.00	8 475.00	17 538.00	80 934.00
Mr JM NTEMANE	52 341.00	9 310.00	705.00	11 692.00	74 048.00
Mr JT MOREMA	63 756.00	14 541.00	12 078.00	25 002.00	115 377.00
Mr LV SHAAI	68 006.00	14 541.00	12 823.00	20 002.00	115 372.00
Mr MD POPELA	68 006.00	14 541.00	12 832.00	20 002.00	115 381.00
Mr MO MATHIPA	63 756.00	14 541.00	12 078.00	25 002.00	115 377.00
Mr MP MATLHO	75 007.00	14 541.00	1 064.00	25 002.00	115 614.00
Mr MS KGOHLOANE	63 756.00	14 541.00	12 078.00	25 002.00	115 377.00
Mr SC SHOKANE	59 505.00	14 541.00	11 333.00	30 003.00	115 383.00
Mr SF MAHLO	68 006.00	14 541.00	12 824.00	20 002.00	115 373.00
Mr SL MKANSI	63 756.00	14 541.00	12 081.00	25 002.00	115 380.00
Mr TD MOGALE	59 505.00	14 541.00	11 333.00	30 003.00	115 383.00
Mrs EC DU PREEZ	63 756.00	14 541.00	12 078.00	25 002.00	115 377.00
Mrs MA MATHABA	63 756.00	14 541.00	12 091.00	25 002.00	115 390.00
Mrs MR MALEPE	63 756.00	14 541.00	12 078.00	25 002.00	115 377.00
Mrs MT MONGADI	63 756.00	14 541.00	12 079.00	25 002.00	115 379.00
Ms GB MAFOROGELA	29 858.00	4 341.00	333.00	-	34 533.00
Ms MF MADIKE	63 756.00	14 541.00	12 078.00	25 002.00	115 377.00
Ms MJ MODIBA	63 756.00	14 541.00	12 078.00	25 002.00	115 377.00
Ms MM KOMANE	63 756.00	14 541.00	12 078.00	25 002.00	115 377.00
Grand Total	6 877 394.00	1 086 782.00	899 178.00	2 233 971.00	11 097 325.00

30 June 2021

Councillors	Basic salary	Cellphone Allowance	Contributions and benefits	Travel Allowance	Grand Total
Mayor					
Ms HM THOBEJANE	511 941.72	40 800.00	133 702.56	215 214.72	901 659.00
Speaker					
Ms MJ MAHLO	409 769.40	40 800.00	72 312.24	206 606.40	729 488.04
Executive Committee members					
Mr MR MAAKAMELA	384 159.36	40 800.00	67 792.80	193 693.80	686 445.96
Mr NM LEWELA	460 578.42	40 800.00	23 656.02	161 411.52	686 445.96
Mr PE SHAI	229 623.00	40 800.00	40 521.72	90 048.24	400 992.96
Mrs MJ RAKGOALE	384 159.36	40 800.00	67 792.80	193 693.80	686 445.96
Councillors full time					
Mr ML MONGADI	384 159.36	40 800.00	67 792.80	193 693.80	686 445.96
Councillors part time					
Mr B MOHLABE	231 565.44	40 800.00	40 864.56	-	313 230.00
Mr DM SEBELA	173 674.08	40 800.00	30 648.36	68 107.56	313 230.00
Mr JT MOREMA	173 674.08	40 800.00	30 648.36	68 107.56	313 230.00
Mr LV SHAAI	185 252.40	40 800.00	32 691.60	54 486.00	313 230.00
Mr MD POPELA	185 252.40	40 800.00	32 691.60	54 486.00	313 230.00
Mr MO MATHIPA	173 674.08	40 800.00	30 648.36	68 107.56	313 230.00
Mr MP MATLHO	204 322.44	40 800.00	-	68 107.56	313 230.00
Mr MS KGOHLOANE	173 674.08	40 800.00	30 648.36	68 107.56	313 230.00
Mr SC SHOKANE	162 095.88	40 800.00	28 605.12	81 729.00	313 230.00
Mr SF MAHLO	185 252.40	40 800.00	32 691.60	54 486.00	313 230.00
Mr SL MKANSI	173 674.08	40 800.00	30 648.36	68 107.56	313 230.00
Mr SV MAMETJA	222 881.40	40 800.00	39 332.04	87 404.52	390 417.96
Mr TD MOGALE	162 095.88	40 800.00	28 605.12	81 729.00	313 230.00

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Mrs EC DU PREEZ	173 674.08	40 800.00	30 648.36	68 107.56	313 230.00
Mrs MA MATHABA	173 674.08	40 800.00	30 648.36	68 107.56	313 230.00
Mrs MR MALEPE	173 674.08	40 800.00	30 648.36	68 107.56	313 230.00
Mrs MT MONGADI	173 674.08	40 800.00	30 648.36	68 107.56	313 230.00
Ms MF MADIKE	173 674.08	40 800.00	30 648.36	68 107.56	313 230.00
Ms MJ MODIBA	173 674.08	40 800.00	30 648.36	68 107.56	313 230.00
Ms MM KOMANE	173 674.08	40 800.00	30 648.36	68 107.56	313 230.00
Grand Total	6 387 197.82	1 101 600.00	1 076 832.90	2 554 081.08	11 119 711.80

45. Contracted services

Outsourced Services

Administrative and Support Staff	87 500	-
Internal Auditors	813 263	518 098
Refuse Removal	6 639 345	7 411 803
Security Services	14 275 140	11 796 417

Consultants and Professional Services

Business and Advisory	1 011 780	929 497
Legal Cost	2 990 799	2 987 686

Contractors

Maintenance of Equipment	1 542 339	1 062 723
	27 360 166	24 706 224

46. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	1 729 672	1 729 672
Other receivables	2 346 124	2 346 124
Receivables from non-exchange transactions	31 328 684	31 328 684
Cash and cash equivalents	154 748 530	154 748 530
	190 153 010	190 153 010

Financial liabilities

	At amortised cost	Total
Finance lease obligation	666 919	666 919
Trade and other payables from exchange transactions	37 486 021	37 486 021
Trade and other payables from non-exchange	5 973 781	5 973 781
	44 126 721	44 126 721

2021

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	2 585 627	2 585 627

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Figures in Rand	2022	2021
Other receivables	1 654 649	1 654 649
Receivables from non-exchange transactions	31 046 244	31 046 244
Cash and cash equivalents	123 898 082	123 898 082
	159 184 602	159 184 602

Financial liabilities

	At amortised cost	Total
Finance lease obligation	752 585	752 585
Trade and other payables from exchange transactions	30 996 295	30 996 295
Trade and other payables from non-exchange	4 367 778	4 367 778
	36 116 658	36 116 658

Financial instruments in Statement of financial performance

2022

	At amortised cost	Total
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	1 020 945	1 020 945

2021

	At amortised cost	Total
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	744 067	744 067

Notes

None the Municipality's financial assets were pledged as security for financial liabilities.

The 2021 comparative amount has been restated - see note .

47. Prior-year adjustments

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

Statement of financial position

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Figures in Rand		2022	2021	
2020				
	Note	As previously reported	Correction of error	Restated
Inventories	3	62 631	-	62 631
Receivables from exchange transactions	4	1 110 350	(62 207)	1 048 143
Receivables from non-exchange transactions	5	21 833 555	-	21 833 555
VAT receivable	6	10 195 707	-	10 195 707
Other receivables	7	1 703 629	-	1 703 629
Cash and cash equivalents	8	146 051 034	-	146 051 034
Investment property	9	8 950 000	-	8 950 000
Property plant and equipment	10	538 083 345	8 069	538 091 414
Intangible assets	11	150 409	-	150 409
Heritage assets	12	372 500	-	372 500
Finance lease obligation	13	(1 700 943)	-	(1 700 943)
Trade payables from exchange transactions	14	(29 206 060)	-	(29 206 060)
Trade and other payables from non-exchange transactions	15	(4 723 685)	-	(4 723 685)
Employee benefit obligation	16	(272 000)	-	(272 000)
Unspent conditional grants and receipts	17	(1)	-	(1)
Provisions	18	(9 486 919)	-	(9 486 919)
Finance lease obligation	13	(752 585)	-	(752 585)
Employee benefit obligation	16	(6 641 000)	-	(6 641 000)
Accumulated surplus		(675 729 967)	54 138	(675 675 829)
		-	-	-

2021

	Note	As previously reported	Correction of error	Reclassification	Restated
Inventories	3	104 360	-	-	104 360
Receivables from exchange transactions	4	2 585 626	-	-	2 585 626
Receivables from non-exchange transactions	5	33 083 687	(2 037 443)	-	31 046 244
VAT receivable	6	29 055 176	-	-	29 055 176
Prepayments		17 000 000	-	-	17 000 000
Other receivables	7	1 654 649	-	-	1 654 649
Cash and cash equivalents	8	123 898 082	-	-	123 898 082
Investment property	9	8 950 000	-	(550 000)	8 400 000
Property plant and equipment	10	646 132 971	(313 933)	550 000	646 369 038
Intangible assets	11	137 932	-	-	137 932
Heritage assets	12	372 500	-	-	372 500
Finance lease obligation	13	(752 586)	-	-	(752 586)
Trade payables from exchange transactions	14	(30 996 296)	-	-	(30 996 296)
Trade and other payables from non-exchange transactions	15	(4 367 778)	-	-	(4 367 778)
Employee benefit obligation	16	(456 000)	-	-	(456 000)
Unspent conditional grants and receipts	17	(32 059)	-	-	(32 059)
Provisions	18	(10 634 443)	-	-	(10 634 443)
Employee benefit obligation	16	(8 638 000)	-	-	(8 638 000)
Accumulated surplus		(807 097 821)	2 351 376	-	(804 746 445)
		-	-	-	-

Statement of financial performance

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2021					
	Note	As previously reported	Correction of error	Reclassification	Restated
Service charges		(3 979 418)	-	-	(3 979 418)
Rental of facilities and equipment		(836 506)	-	-	(836 506)
Interest on receivables		(380 308)	-	-	(380 308)
Agency services		(2 587 946)	-	-	(2 587 946)
License and permits		(2 452 458)	-	-	(2 452 458)
Other revenue		(2 262 505)	-	-	(2 262 505)
Interest received - investment		(4 163 418)	-	-	(4 163 418)
Gain on disposal of assets and liabilities		(621 956)	(1 830)	-	(623 786)
Property rates		(108 863 504)	1 975 235	-	(106 888 269)
Fines, Penalties and Forfeits		(2 949 584)	-	-	(2 949 584)
Interest on receivables		(11 736 215)	-	-	(11 736 215)
Government grants & subsidies - Operating		(162 391 000)	-	-	(162 391 000)
Government grants & subsidies - Capital		(46 295 943)	-	-	(46 295 943)
Employee related costs		75 480 918	-	-	75 480 918
Remuneration of councillors		11 119 712	-	-	11 119 712
Depreciation and amortisation		21 525 932	354 441	-	21 880 373
Impairment loss		421 257	-	-	421 257
Finance costs		744 067	-	-	744 067
Debt Impairment		38 691 169	(728 241)	-	37 962 928
Bad debts written off		823 220	-	-	823 220
Contracted services		19 208 220	-	5 498 004	24 706 224
General Expenses		49 535 022	728 241	(5 498 004)	44 765 259
Actuarial Gains / (Losses)		554 098	-	-	554 098
Surplus for the year		(131 417 146)	2 327 846	-	(129 089 300)

Cash flow statement

2021

	Note	As previously reported	Restated
Cash flow from operating activities			
Property rates and service charges		48 031 180	48 759 421
Suppliers		(64 733 766)	(65 431 395)
		(16 702 586)	(16 671 974)
Cash flow from investing activities			
Purchase of property, plant and equipment and other assets		(129 362 382)	(129 392 993)

Errors

The following prior period errors adjustments occurred:

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Error 1

Change of use: RE Investment Property to Buildings Community Assets

The municipality has a property in ERF number 789 that has been classified under investment property, management identified that the use of this property has changed from being an investment property into an owner-occupied building

The investigation provided evidence that this property was owner occupied as of 15 August 2019

The person utilising the property is a municipal employee and as such the property is owner occupied

Management had kept this as investment property in the prior year, which was in error

To correct the error, management had to reclassify this building in the prior year in order to comply with paragraph 18 of Grap 16.

Error 2

The accumulated depreciation disposal was mistated and the cost was captured accurately, the restatement was therefore on accumulated depreciation and gains and loss disposal.

Error 3

The opening balance accumulated depreciation for 30 June 2021 was mistated and therefore we have made a correction.

Error 4

Traffic fines receipts were incorrectly classified as revenue on the prior years. The value amount to R182 441 and the corresponding provision to the value of R120 234 was adjusted.

Property rates: During the current year several properties were revalued and some of the effective dates for the revaluation dates back to 2021, 2020 and 2019, as result revenue for those periods was corrected. A correction was done to adjust prior year error on debtor for R1 976 235.

Mopani District loan account: The municipality was not billing water services for its own usage. A correction was done to recognise the expense for the previous three years that were not billed, consequently an adjustment of R1 428 449.55 was made to the loan account.

Commitments

Opening balance	-	188 714 647
Adjustments made	-	(9 964 515)
Restated opening balance	-	178 750 132

Adjustment made to opening balance of commitments is due to the error made on the contract value of on a project: Calais sports field which resulted in an error of R 9 964 514.67.

Unauthorised expenditure

Opening balance	-	39 894 876
Adjustments made	-	(4 435 478)
Restated opening balance	-	35 459 398

Adjustment made to opening balance of unauthorised expenditure is due to an error made on the amount written off by council, the write-off disclosed on the note was R 14 229 699 instead of R18 665 177 resulting in a difference of R 4 435 478.

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2022

2021

Reclassifications

The following reclassifications adjustment occurred:

Reclassification 1

General expenses: Contracted functions of the municipality with value of R5 498 004 that were erroneously classified as general expenses were reclassified to contracted services.

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48. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of major functional areas: Finance, Corporate Services, Community Services, Municipal Manager Mayor and council. 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.

Aggregated segments

The municipality operates in Limpopo Province covering 33 rural communities within Mopani district. Segments were aggregated on the f functions as management considered the reports to portfolio committees and council to be sufficient for decision making. Further these reports are used facilitate the Municipality's performance in attaining it's objectives as outline on IDP.

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

Basic Services

Community halls and facilities

Executive and Council

Goods and/or services

Il financial information normall presented on Technical services services reports)

Il financial information normall presented on Community Services reports

aggregation of financial information Municipal Manager and Mayor's report in particular information pertaining to their offices

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Segment surplus or deficit, assets and liabilities

2022

	Basic Services	Community halls and facilities	Executive and Council	Finance	Eliminations	Total
Revenue						
Government grants & subsidies	-	-	-	176 427 405	-	176 427 405
Agency services	-	2 872 648	-	-	-	2 872 648
Interest received - investment	-	-	4 409 385	-	-	4 409 385
License and permits	-	2 237 168	-	-	-	2 237 168
Other revenue	4 309 495	59 047	-	(1 128 198)	-	3 240 344
Rental of facilities and equipment	-	50 383	-	194 492	-	244 875
Services charges	4 366 866	-	-	-	-	4 366 866
Donation of other assets	-	-	-	18 561 629	-	18 561 629
Fines, penalties and forfeits	-	-	-	320 916	-	320 916
Interest on receivables	-	-	-	14 070 432	-	14 070 432
Property rates	-	-	-	117 795 665	-	117 795 665
Gains from fair-valuing of assets	-	-	-	-	1 735 954	1 735 954
Total segment revenue	8 676 361	5 219 246	4 409 385	326 242 341	1 735 954	346 283 287
Entity's revenue						346 283 287
Expenditure						
Salaries and wages	17 823 691	21 211 594	11 605 987	28 180 624	-	78 821 896
Remuneration of councillors	-	-	10 991 531	-	-	10 991 531
Depreciation and amortisation	-	-	1 889 625	22 684 278	-	24 573 903
Debt impairment	-	-	-	22 026 276	-	22 026 276
Contracted services	6 639 345	14 275 140	1 825 043	4 620 638	-	27 360 166
Bad debt written	-	-	-	539 067	-	539 067
Finance costs	-	-	-	1 020 945	-	1 020 945
Loss on disposal of assets and liabilities	-	-	-	183 207	-	183 207
General expenses	4 929 583	2 489 025	8 707 768	30 811 404	-	46 937 780
Actuarial gains/(losses)	-	-	-	982 464	-	982 464
Total segment expenditure	29 392 619	37 975 759	35 019 954	111 048 903	-	213 437 235

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	Basic Services	Community halls and facilities	Executive and Council	Finance	Eliminations	Total
Total segmental surplus/(deficit)						132 846 052
Assets						
Heritage assets	-	-	150 500	222 000	-	372 500
Intangible assets	-	-	-	114 278	-	114 278
Investment property	-	-	-	10 135 954	-	10 135 954
Property, plant and equipment	121 390 513	25 645 588	(264 948)	654 443 595	-	801 214 748
Inventory	(138 706)	(58 411)	-	346 220	-	149 103
VAT receivables	56 372 767	14 374 750	1 817 940	(54 610 869)	-	17 954 588
Cash and cash equivalents	(430 473 217)	(72 985 715)	(29 539 148)	687 746 611	-	154 748 531
Other receivables	29 326	593 574	-	1 721 708	-	2 344 608
Receivables	8 516 508	821 542	-	24 699 614	-	34 037 664
Total segment assets	(244 302 809)	(31 608 672)	(27 835 656)	1 324 819 111	-	1 021 071 974
Total assets as per Statement of financial Position						1 021 071 974
Liabilities						
Employee benefit obligation	-	-	-	11 375 999	-	11 375 999
Finance lease obligation	-	-	-	1 873 460	-	1 873 460
Provisions	-	-	-	10 183 848	-	10 183 848
Unspent conditional grants and receipts	(149 000)	-	-	15 230 653	-	15 081 653
Trade and other payables	11 721 798	(3 110 736)	18 179	36 120 328	-	44 749 569
Total segment liabilities	11 572 798	(3 110 736)	18 179	74 784 288	-	83 264 529
Total liabilities as per Statement of financial Position						83 264 529

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

2021

	Basic Services	Basic Services	Executive and Council	Finance	Total
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Figures in Rand

Revenue					
Government grants & subsidies	-	-	-	208 686 943	208 686 943
Agency services	-	2 391 455	-	196 491	2 587 946
Interest received - investment	-	-	-	4 163 418	4 163 418
License and permits	-	2 452 458	-	-	2 452 458
Other revenue	408 464	38 066	1 528 860	286 975	2 262 365
Rental of facilities and equipment	-	4 943	-	831 563	836 506
Services charges	-	3 979 418	-	-	3 979 418
Fines, penalties and forfeits	-	638 650	-	2 310 934	2 949 584
Interest on receivables	-	-	-	12 116 524	12 116 524
Property rates	-	-	-	106 888 269	106 888 269
Gains from fair-valuing of assets	-	-	-	623 786	623 786
Total segment revenue	408 464	9 504 990	1 528 860	336 104 903	347 547 217
Entity's revenue					347 547 217
Expenditure					
Salaries and wages	11 314 279	18 334 082	18 958 099	26 874 454	75 480 914
Remuneration of councillors	-	-	11 119 712	-	11 119 712
Depreciation and amortisation	-	-	515 393	21 523 462	22 038 855
Debt impairment	-	-	-	39 514 388	39 514 388
Contracted services	630 552	19 208 220	1 447 595	3 419 857	24 706 224
Finance costs	-	-	-	744 067	744 067
General expenses	1 489 524	2 028 399	8 764 446	31 754 697	44 037 066
Actuarial gains/(losses)	-	-	-	554 098	554 098
Total segment expenditure	13 434 355	39 570 701	40 805 245	124 385 023	218 195 324
Total segmental surplus/(deficit)					129 351 893

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	Basic Services	Basic Services	Executive and Council	Finance	Total
Assets					
Heritage assets	-	-	150 500	222 000	372 500
Intangible assets	-	-	-	137 932	137 932
Investment property	-	-	-	8 400 000	8 400 000
Property, plant and equipment	275 143 953	19 283 390	(283 972 402)	636 129 023	646 583 964
Inventory	-	-	-	104 309	104 309
Repayments	-	-	-	17 000 000	17 000 000
VAT receivables	42 330 821	6 493 990	3 830 734	(23 600 367)	29 055 178
Cash and cash equivalents	(357 655 050)	(23 949 392)	(16 784 327)	522 286 854	123 898 085
Other receivables	1 733 949	593 952	(519)	(672 732)	1 654 650
Receivables	-	3 920 230	(131 619)	29 843 261	33 631 872
Total segment assets	(38 446 327)	6 342 170	(296 907 633)	1 189 850 280	860 838 490
Total assets as per Statement of financial Position					860 838 490
Liabilities					
Employee benefit obligation	-	-	-	9 093 999	9 093 999
Finance lease obligation	-	-	-	752 586	752 586
Provisions	-	-	-	10 634 442	10 634 442
Unspent conditional grants and receipts	-	(149 000)	-	181 058	32 058
Trade and other payables	(3 015 425)	(98 799)	10 771 448	27 706 849	35 364 073
Total segment liabilities	(3 015 425)	(247 799)	10 771 448	48 368 934	55 877 158
Total liabilities as per Statement of financial Position					55 877 158

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

Information about geographical areas

The municipality's operations are in the Limpopo Province within the Mopani District.

49. Transitional provisions

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50. Accounting by principals and agents

The municipality is a party to a principal-agent arrangement(s).

Details of the arrangement(s) is are as follows:

The municipality has been appointed to distribute water to local residences as distribution agent by the district municipality for which it is then entitled to a commission/agency fee for service rendered. The municipality accounts for revenue, expenditures and receivables relating to water transactions into loan account and it is disclosed under the same section of the annual financial statements. Refer to disclosure note for other receivables for full details note 7. The municipality is entitled to 5%

The municipality is also a party to an agreement between the municipality and the department of roads and transport to collect revenue licensing and permits. The municipality is entitled to 20% of the revenue collected.

There are no significant risks associated with the arrangement.

The municipality is the agent.

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Entity as agent

Revenue recognised

The aggregate amount of revenue that the Municipality recognised as compensation for the transactions carried out on behalf of the principal (dept of roads) is R2 872 649 (2021: R2 587 946).

Liabilities and corresponding rights of reimbursement recognised as assets

Corresponding rights of reimbursement that have been recognised as assets are R 28 967 231 (2021: R 27 610 978) for District municipality and R 94 592 (2021: R 61 040) for the department of roads and transport.

Additional information

Revenue and expenses that relate to transactions with third parties undertaken in terms of the principal-agent arrangement

Category(ies) of revenue received or to be received on behalf of the principal, are:

Categories	Additional details
Services charges - Water and sanitation	District
Licensing and permits	Department of roads and transport

Category(ies) of expenses paid or accrued on behalf of the principal, are:

Categories	Additional details
Employee related costs	District employees
Repairs and maintenance	Water and sanitation
General expenses	Water and sanitation

Amount of revenue received on behalf of the principal during the reporting period

Services charges - Water and sanitation	4 967 807	4 500 355
Licensing and permits	12 195 455	11 969 165
	17 163 262	16 469 520

Amount of expenses paid on behalf of the principal during the reporting period

Employee related costs	5 370 849	5 268 790
Repairs and maintenance	281 281	276 992
General expenses	461 335	536 728
	6 113 465	6 082 510

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Reconciliation of the carrying amount of receivables

Service charges - Water and sanitation _District

Opening balance	27 610 978	27 185 212
Revenue that principal is entitled to	(4 250 956)	(3 554 469)
Accounts due to the principal - services	(754 646)	(728 242)
Amounts of expenses paid on behalf of the principal	6 113 465	6 082 512
Cash received from the principal	-	(1 600 000)
Other - agency fee	248 390	225 965
	28 967 231	27 610 978

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Reconciliation of the carrying amount of payables

Licensing and permits - Department of roads and transport

Opening balance	(61 040)	(76 020)
Cash received on behalf of the principal	(12 205 945)	(11 954 185)
Amounts transferred to the principal	12 172 393	11 969 165
	(94 592)	(61 040)

Entity as principal