

MUSINA LOCAL MUNICIPALITY



ADJUSTED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Musina Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2023

CONTECT	Page Number
General Information	3--4
Accounting Officer's Statement	5--6
Abbreviations	7
Statement of Financial Position	8
Statement of Financial Performance	9
Statement of Changes in Net Assets	10
Comparison of Budget and Actual Amounts	11--13
Reportable Segments for the year	14--15
Cash Flow Statement	16
Index to Notes	17
Accounting Policies	18--28
Notes to the annual financial statements	29--67
Appendices and Supplementary Information	68--71

**Annual Financial Statements
for
Musina Local Municipality
LIM 341**

for the year ended 30 June: **2023**

Province:

AFS rounding:

Contact Information:

Accounting Officer (Acting)	Tshwanammbi NT
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Chief Financial Officer: (Acting)	Murulana L
Contact telephone number:	0155346176
Contact e-mail address:	Listonm@musina.gov.za

Name of contact at provincial treasury:	M Nkuna
Contact telephone number:	015 291 8400
Contact e-mail address:	NkunaMC@treasury.limpopo.gov.za

Name of relevant Auditor:	Leputu ML
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Name of contact at National Treasury:	Thomas Matjeni
Contact telephone number:	012 315 5792
Contact e-mail address:	thomas.matjeni@treasury.gov.za

Legal form of entity:	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
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Nature of business and principal activities:	The provision of services (electricity and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
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Legislation governing the municipality's operations:	Local Government: Municipal Finance Management Act (Act no.56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Constitution of the Republic of South Africa (Act 108 of 1998) Municipal Property Rates Act (Act of 6 2004) Division of Revenue Act (Act 1 of 2007)
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**Annual Financial Statements
for
Musina Local Municipality
LIM 341**

Members of council	Name	Appointment date	Resignation date
Mayor	G Mawela	Nov-21	
Speaker	E S Shirilele	Nov-21	
Chief whip	MF Mafela	Nov-21	
Exco	VM Manavhela	Nov-21	
Exco	V Milanzi	Nov-21	
Exco	R Luambo	Nov-21	
Exco	S Phiri	Nov-21	May-23 Deceased
Member	M Munzhelele	Nov-21	
MPAC Chair	E Makhado	Nov-21	
Member	D Mokobi	Nov-21	
Member	C Nematshavhawe	Nov-21	
Member	E Nkhata	Nov-21	
Member	C Makhani	Nov-21	
Member	T Mammbede	Nov-21	
Member	F Nemukombame	Nov-21	
Member	P Ramofhi	Nov-21	
Member	R Rambambukwa	Nov-21	
Member	S Ndhlovu	Nov-21	
Member	D Makhura	Nov-21	
Member	A Mamafa	Nov-21	Apr-23 Resigned
Member	J Mariba	Nov-21	
Member	M Van Staden	Nov-21	
Member	P Herman	Nov-21	
Member	E Maphari	Nov-21	
Member	Machete TJ	May-23	
Exco	Munyai R	May-23	
Grading of local authority:	03		

Registered office	Musina Municipality
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Business address	Civic Centre 21 Irwin Street Musina 0900
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Postal address	Private bag X611 Musina 0900
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Bankers	ABSA
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Auditors	Auditor-General of South Africa (AGSA)
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Musina Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2023

Approval of Financial Statements and Accounting Officers responsibility.

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

The annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

I have reviewed the municipality's cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, I am satisfied that the municipality has or have access to adequate resources to continue in operational existence for the foreseeable future.

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

Musina Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2023

I am primarily responsible for the financial affairs of the municipality.

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

I certify that the salaries, allowances and benefits of councillors as disclosed in note 29 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The external auditor, being the Auditor General of South Africa, is responsible for independently auditing and reporting on the municipality's annual financial statements.

The annual financial statements which have been prepared on the going concern basis, were approved on 31 August 2023

Accounting Officer :Tshivanammbi NT

Date: 31 August 2023

Musina Local Municipality ANNUAL FINANCIAL STATEMENT for the year ended 30 June 2023

Abbreviations

COGTA	Co-operative Governance and Traditional Affairs
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MSIG	Municipal System Improvement Grant
LGSETA	Local Government Services Sector Education & Training Authority
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
INEP	Integrated National Electricity Programme
FMG	Financial Management Grant
EPWP	Expanded Public Works Programme Integrated Grant

Musina Local Municipality
STATEMENT OF FINANCIAL POSITION
as at 30 June 2023

	Note	2022/2023	2021/2022 Restated
		R	R
ASSETS			
Current Assets			
Cash and Cash Equivalents	2	12,818,683	5,715,066
Receivables From Exchange Transactions	3	33,490,024	30,262,483
Receivables From Non-exchange Transactions	4	17,295,189	9,916,346
Inventories	5	25,851,655	29,361,217
Other Current Assets	6	4,592,945	9,293,882
Total Current Assets		94,048,496	84,548,994
Non-Current Assets			
Investments	7	10,731,000	10,731,000
Investment Property	8	203,449,000	156,564,200
Property, Plant and Equipment	9	439,036,979	418,356,327
Heritage Assets	10	65,210	65,210
Intangible Assets	11	380,780	266,229
Total Non-current Assets		653,662,969	585,982,966
TOTAL ASSETS		747,711,465	670,531,960
LIABILITIES			
Current Liabilities			
Financial Liabilities	12	362,494	436,785
Consumer Deposits	13	5,232,064	5,083,888
Trade and Other Payables From Exchange Transactions	14	154,541,236	167,346,841
Trade and Other Payables From non-Exchange Transactions	14.1	42,197,840	351,037,078
Unspent Transfers and Subsidies	15	10,106,761	5,578,722
Provisions	16	2,197,000	1,211,000
Other Current Liabilities	17	335,000	343,000
Total Current Liabilities		214,972,394	531,037,314
Non-current Liabilities			
Financial Liabilities	12	-	362,495
Provisions	16	22,555,505	18,293,354
Other Non-current Liabilities	17	19,364,000	21,407,000
Total Non-current Liabilities		41,919,505	40,062,849
TOTAL LIABILITIES		256,891,899	571,100,163
NET ASSETS			
Accumulated Surplus / (Deficit)		490,819,565	99,431,797
Reserves		490,819,565	99,431,797
TOTAL NET ASSETS		490,819,565	99,431,797

Musina Local Municipality
STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2023

	Note	2022/2023	2021/2022 Restated
		R	R
Revenue			
Non-Exchange Revenue			
Property Rates	18	26,814,069	25,683,933
Transfers and Subsidies – Operational	25	198,183,000	174,429,000
Fines, Penalties and Forfeits	23	3,427,950	3,122,500
Other Revenue-LG SETA	26	1,646,778	1,948,842
Donations	52	16,744,000	17,540,934
Provision For impairment reversal	4	315,440,897	-
Exchange Revenue			
Service Charges - Electricity	19	147,859,444	153,416,250
Service Charges – Waste Management	19	19,262,506	14,367,687
Rental	20	469,342	692,931
Interest on Investments	21	1,586,227	469,109
Interest on Receivables	22	5,977,505	4,963,673
Licences and Permits	24	2,125,626	2,098,991
Other Revenue	26	13,253,773	11,752,166
Total Revenue (excl. capital transfers and subsidies)		752,791,116	410,486,015
Expenditure			
Employee Related Costs	28	156,123,478	151,682,716
Remuneration of Councillors	29	10,295,048	10,097,007
Debt Impairment / Write-off	3 & 4	13,770,223	43,538,445
Depreciation and Amortisation	30	30,843,571	29,172,634
Asset Impairment	30	8,405,107	1,824,331
Finance Costs	31	1,234,989	1,056,729
Bulk Purchases	32	126,091,640	137,919,076
Inventory Consumed	33	7,083,049	4,200,207
Contracted Services	34	35,955,447	37,408,169
Transfers and Subsidies	35	4,390,000	4,565,000
Operational Costs	36	48,187,986	31,507,693
Loss on Disposal of Assets	27.1	319,616	-
Total Expenditure		442,700,153	452,972,007
Surplus/(Deficit)		310,090,963	-42,485,992
Gain on Post retirement Medical Aid Benefit Liability	27	2,051,000	-
Transfers and Subsidies – Capital	25	30,940,960	31,409,279
Gain (Loss) on revaluation of Assets	27.2	48,304,800	2,310,000
Surplus/(Deficit) After Capital Transfers and Contributions		391,387,723	-13,386,713
Surplus/(Deficit) Prior year errors		-	-
Surplus/(Deficit) for the year		391,387,723	-13,386,713

Musina Local Municipality
Statement of changes in net assets
for the year ended 30 June 2023

	Accumulated Surplus / (Deficit)	TOTAL
	R	R
Balance Of accumulated surplus 30 June 2021	123,350,717	123,350,717
Prior period errors	-10,532,204	-10,532,204
Restated balance	112,818,513	112,818,513
Surplus/deficit for 2022	-13,386,713	-13,386,713
Closing balance for 2022	99,431,794	
Balance as previously reported	98,697,386	98,697,386
Effect of prior period errors	734,408	734,408
Surplus/deficit 2023	391,387,723	391,387,723
Closing balance for 2023	490,819,565	490,819,565

For details refer to note 38

Musina Local Municipality								
COMPARISON OF BUDGET AND ACTUAL AMOUNTS								
for the year ended 30 June 2023								
	2022/2023							
	R							
	Original Budget	*Budget adjustments	Final adjustments budget	**Shifting of funds	***Virement	Final Budget	Actual Outcome	Variance
	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Financial Performance								
Property rates	25,814,000	-	25,814,000	-	-	25,814,000	26,814,069	1,000,069
Service charges	177,572,000	2,000,000	179,572,000	-	-	179,572,000	167,121,950	-12,450,050
Rental of facilities and equipment	558,000	-	558,000	-	-	558,000	469,342	-88,658
Interest earned - external investments	527,000	-	527,000	-	-	527,000	1,586,227	1,059,227
Interest earned - outstanding debtors	2,966,000	2,511,000	5,477,000	-	-	5,477,000	5,977,505	500,505
Fines	3,870,000	-	3,870,000	-	-	3,870,000	3,427,950	-442,050
Licences and permits	2,436,000	-	2,436,000	-	-	2,436,000	2,125,626	-310,374
Transfers recognised - operational	199,191,000	-	199,191,000	-	-	199,191,000	198,183,000	-1,008,000
Other revenue	38,108,000	70,000,000	108,108,000	-	-	108,108,000	347,085,448	238,977,448
Gain on provision-Post medical aid benefit	-	-	-	-	-	-	2,051,000	2,051,000
Gains on revaluation of investment property	-	-	-	-	-	-	48,304,800	48,304,800
Total Revenue (excluding capital transfers and contributions)	451,042,000	74,511,000	525,553,000	-	-	525,553,000	803,146,916	275,542,916
Employee related costs	162,265,000	5,772,000	168,037,000	-	-	168,037,000	156,123,478	-11,913,522
Remuneration of councillors	12,823,000	-	12,823,000	-	-	12,823,000	10,295,048	-2,527,952
Debt impairment	38,307,000	3,000,000	41,307,000	-	-	41,307,000	13,770,223	-27,536,777
Debt impairment traffic	-	-	-	-	-	-	-	-
Depreciation & asset impairment	27,942,000	3,000,000	30,942,000	-	-	30,942,000	39,248,678	8,306,678
Finance charges	-	499,000	499,000	-	-	499,000	1,234,989	735,989
Bulk purchases	121,518,000	8,482,000	130,000,000	-	-	130,000,000	126,091,640	-3,908,360
Other materials	3,493,000	-	3,493,000	-	-	3,493,000	7,083,049	3,590,049
Contracted services	38,078,000	2,825,000	40,903,000	-	-	40,903,000	35,955,447	-4,947,553
Transfers and grants	-	3,723,000	3,723,000	-	-	3,723,000	4,390,000	667,000
Other expenditure	41,615,000	93,000	41,708,000	-	-	41,708,000	48,187,986	6,479,986
Loss on disposal of PPE	-	-	-	-	-	-	319,616	319,616
Total Expenditure	446,041,000	27,394,000	473,435,000	-	-	473,435,000	442,700,153	-30,734,847
Surplus/(Deficit)	5,001,000	47,117,000	52,118,000	-	-	52,118,000	360,446,763	244,808,070
Transfers and subsidies - capital	-	-	-	-	-	-	-	-
Contributions recognised	32,713,000	-	32,713,000	-	-	32,713,000	30,940,960	-1,772,040
Surplus/(Deficit) after capital transfers & contributions	37,714,000	47,117,000	84,831,000	-	-	84,831,000	391,387,723	476,218,723
Surplus/(Deficit) for the year	37,714,000	47,117,000	84,831,000	-	-	84,831,000	391,387,723	476,218,723
Reconciliation to statement of financial performance								
Total Revenue (excl. capital transfers and subsidies)	451,042,000	74,511,000	525,553,000	-	-	525,553,000	803,146,916	277,593,916
Total Expenditure	446,041,000	27,394,000	473,435,000	-	-	473,435,000	442,700,153	-30,734,847
Transfers and Subsidies – Capital	32,713,000	-	32,713,000	-	-	32,713,000	30,940,960	-1,772,040
Surplus/(deficit) per the statement of financial performance	37,714,000	47,117,000	84,831,000	-	-	84,831,000	391,387,723	476,218,723

Musina Local Municipality								
COMPARISON OF BUDGET AND ACTUAL AMOUNTS								
for the year ended 30 June 2023								
Comparison of Budget and Actual Amounts for the year ended 30 June 2023 (Continued)								
	2022/2023							
	R							
	Original Budget	*Budget adjustments	Final adjustments budget	**Shifting of funds	***Virement	Final Budget	Actual Outcome	Variance
	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Capital expenditure and fund source								
Transfers recognised – capital	32,713,000	-	32,713,000	-	-	32,713,000	30,940,960	-1,772,040
Financial position								
Total Current assets	121,163,000	87,773,000	208,936,000	-	-	208,936,000	94,048,496	-114,887,504
Total non current assets	515,511,000	21,847,000	537,358,000	-	-	537,358,000	653,662,969	116,304,969
Total current liabilities	24,253,000	52,942,000	77,195,000	-	-	77,195,000	214,972,394	137,777,394
Total non current liabilities	6,500,000	-	6,500,000	-	-	6,500,000	41,919,505	35,419,505
Net Assets	605,921,000	56,678,000	662,599,000			662,599,000	490,819,565	-171,779,435
Comparison of Budget and Actual Amounts for the year ended 30 June 2023 (Continued)								
	2022/2023							
	R							
	Original Budget	*Budget adjustments	Final adjustments budget	**Shifting of funds	***Virement	Final Budget	Actual Outcome	Variance
	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Cash flows								
Net Cash flow from (used) operating	32,876,000	55,397,000	88,273,000	-	-	88,273,000	50,024,250	38,248,750
Net cash flow from(used) Investing Activities	26,982,000	21,293,000	48,275,000	-	-	48,275,000	-42,632,066	5,642,934
Net cash flow from (used) Financing	-	-	-	-	-	-	-288,611	-288,611
Net increase/decrease in cash held	5,894,000	34,104,000	39,998,000	-	-	39,998,000	7,103,573	32,894,427

Musina Local Municipality
COMPARISON OF BUDGET AND ACTUAL AMOUNTS
for the year ended 30 June 2023

Comparison of Budget and Actual Amounts for the year ended 30 June 2022 (Continued)

	2021/2022 R		
	Final Budget	Actual outcome	Variance
Financial Performance			
Property rates	22,698,000	25,683,933	2,985,933
Service charges	189,125,000	167,783,936	-21,341,064
Rental of facilities and equipment	668,000	692,931	24,931
Interest earned-external investment	1,244,000	469,109	-774,891
Interest earned-outstanding debtors	6,157,000	4,963,673	-1,193,327
Fines	3,276,000	3,122,500	-153,500
Licence and Permits	5,509,000	2,098,991	-3,410,009
Transfers recognised – operational	174,429,000	174,429,000	-
Other own revenue	13,731,000	31,241,942	17,510,942
Gains and Losses	23,693,000	-2,310,000	-26,003,000
Total revenue (excl capital transfers and contributions)	440,530,000	408,176,015	-32,353,985
Employee costs	158,392,000	151,682,716	-6,709,284
Remuneration of councillors	11,822,000	10,097,007	-1,724,993
Debt impairment	8,325,000	43,538,445	35,213,445
Depreciation & asset impairment	34,265,000	30,996,965	-3,268,035
Finance charges	1,777,000	1,056,729	-720,271
Materials and bulk purchases	129,748,000	137,919,076	8,171,076
Other material	8,414,000	4,200,207	-4,213,793
Contracted Services	40,348,000	37,408,169	-2,939,831
Transfers and grants	6,073,000	4,565,000	-1,508,000
Other expenditure	32,534,000	31,507,693	-1,026,307
Loss on disposal of PPE	-	-	-
Total expenditure	431,698,000	452,972,007	21,274,007
Surplus/(deficit)	8,832,000		
Transfers and subsidies – capital	-	31,409,279	31,409,279
Contributions recognised	36,988,000		
Surplus/(deficit) after capital transfers and contributions	45,820,000	-13,386,713	-42,489,258
Reconciliation to statement of financial performance			
Total Revenue (excl. capital transfers and subsidies)	440,530,000	408,176,015	-32,353,985
Total Expenditure	431,698,000	452,972,007	21,274,007
Transfers and Subsidies – Capital	36,988,000	31,409,279	-5,578,721
Surplus/(deficit) per the statement of financial performance	45,820,000	-13,386,713	32,433,287
Capital expenditure and fund source			
Transfers recognised – capital	36,988,000	31,409,279	-5,578,721
Financial position			
Total current assets	146,265,000	84,548,994	-61,716,006
Total non-current assets	367,814,000	585,982,966	218,168,966
Total current liabilities	86,492,000	531,037,314	444,545,314
Total non-current liabilities	22,645,000	40,062,849	17,417,849
Net Assets	404,942,000	99,431,797	-305,510,203
Cash Flows			
Net cash from (used) operating activities	19,578,000	29,176,333	-9,598,333
Net cash from (used) investing activities	26,320,000	-36,025,493	-9,705,493
Net cash from (used) financing activities	6,185,000	91,064	6,093,936
Net increase/decrease in cash held	52,083,000	-6,758,096	58,841,096

Refer to note 56 for variance explanations.

Musina Local Municipality SEGMENTS for the year ended 30 June 2023						
	2022/2023 R					
	Community and public safety	Economic and environmental	Trading Services	Other	Unallocated	Total
Segment Revenue						
External revenue from non-exchange transaction	3,427,950	-	26,814,069	532,014,675	-	562,256,694
External revenue from exchange transactions	2,125,626	-	167,121,950	13,723,114	-	182,970,690
Revenue from transactions with other segments	-	-	-	32,991,960	48,304,800	81,296,760
Interest revenue	-	-	-	7,563,732	-	7,563,732
Segment Expenses						
Total segment expenses	(13,780,656.95)	-	(347,781,200.51)	(41,889,618.33)	-	(403,451,475.79)
Depreciation and amortisation						
Interest expense	-	-	-	(39,248,677.62)	-	(39,248,677.62)
Surplus/deficit for the year	-8,227,081	-	-153,845,182	544,403,864	48,304,800	391,387,723

	2022/2023 R					
	Community and public safety	Economic and environmental	Trading Services	Other	Unallocated	Total
Other Information						
Segment assets	917,485	-	88,538,066	658,255,914	-	747,711,465
Segment liabilities	-	-	196,739,076	60,152,823	-	256,891,899
Additions to non-current assets	-	-	-	-	-	-
Non-cash revenue (included above)	-	-	-	-	-	-
Non-cash expenses (included above)	-	-	-	-	-	-
Cash flows from operating activities	1,838,000.00	-	18,100,289	30,085,960.00	-	50,024,249
Cash flows from investing activities	(38,817,516.00)	-	-	(3,814,550.00)	-	(42,632,066)
Cash flows from financing activities	-	-	148,175	(436,786.00)	-	(288,611)

	2021/2022 R					
	Community and public safety	Economic and environmental	Trading Services	Other	Unallocated	Total
Segment Revenue						
External revenue from non-exchange transaction	3,122,500	-	25,683,933	193,918,776	-	222,725,209
External revenue from exchange transactions	2,098,991	-	167,783,936	12,445,097	-	182,328,024
Revenue from transactions with other segments	-	-	-	31,409,279	-	31,409,279
Interest revenue	-	-	-	5,432,782	-	5,432,782
Segment Expenses						
Total segment expenses	(12,711,820)	-	(335,406,699)	(73,843,530)	(2,310,000)	(424,272,049)
Depreciation and amortisation						
Interest expense	-	-	-	(30,996,965)	-	(30,996,965)
	-	-	-	(12,993)	-	(12,993)
Surplus/deficit for the year	(7,490,328.89)	-	(141,938,829.80)	132,520,343	(2,310,000)	(13,386,713)

Musina Local Municipality SEGMENTS for the year ended 30 June 2023						
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	2021/2022 R					
	Community and public safety	Economic and environmental	Trading Services	Other	Unallocated	Total
Other Information						
Segment assets	2,767,361	-	72,487,752	595,276,848	-	670,531,960
Segment liabilities	-	-	518,383,919	52,353,749	-	570,737,668
Additions to non-current assets	-	-	-	-	-	-
Non-cash revenue (included above)	-	-	-	-	-	-
Non-cash expenses (included above)	-	-	-	-	-	-
Cash flows from operating activities	1,265,300	-	8,157,878	19,753,145	-	29,176,323
Cash flows from investing activities	(29,151,111)	-	-	(6,874,382)	-	(36,025,493)
Cash flows from financing activities	-	-	(302,550.00)	393,614	-	91,064

Musina Local Municipality CASH FLOW STATEMENT for the year ended 30 June 2023		
Note	2023	2022 Restated
	R	R
OPERATING ACTIVITIES		
Receipts	437,965,152	380,791,005
Sales of goods and services	185,507,157	174,360,886
Grants	233,652,000	180,159,159
Interest received	1,586,227	5,432,782
Other receipts	17,219,768	20,838,178
Payments	387,940,903	351,614,672
Employee costs	162,442,458	161,699,405
Suppliers	225,429,791	188,858,538
Interest paid	68,653	1,056,729
Net cash from operating activities	50,024,250	29,176,333
INVESTING ACTIVITIES		
Purchase of fixed assets	(42,351,949)	(36,025,493)
Sale of Intangible assets	(280,117)	-
Interest received		
Net cash from Investing activities	(42,632,066)	(36,025,493)
FINANCING ACTIVITIES		
Increase /Decrease Finance Lease	(436,786.00)	393,614
Decrease in long term Loans	-	-
Increase/Decrease in consumer deposit	148,175	(302,550.00)
Net cash outflow from financing activities	-288,611	91,064
Net increase / (decrease)	7,103,573	(6,758,096.00)
Net at beginning of period	5,715,065	12,473,161
Net at end of period	12,818,638	5,715,065

Notes to the financial statements

Index to the Notes

1	Summary of Significant Accounting Policies
2	Cash and cash equivalents
3	Receivables from exchange transactions
4	Receivables from Non-Exchange Transactions
5	Inventories
6	Other Current Assets
7	Investments
8	Investment Property
9	Property, Plant and Equipment
10	Heritage Assets
11	Intangible Assets
12	Financial Liabilities
13	Consumer Deposits
14	Trade and Other Payables
15	Unspent Transfers and Subsidies
16	Provisions
17	Other Liabilities
18	Property Rates
19	Service Charges
20	Rental
21	Interests on Investments
22	Interest Earned From Receivables
23	Fines, Penalties and Forfeits
24	Licenses and Permits
25	Transfers and Subsidies
26	Operational Revenue
27.1	Gain/Loss on Disposal of Fixed and Intangible Assets
28	Employee Related Costs
29	Remuneration of Councillors
30	Depreciation, Amortisation and Impairment
31	Finance cost
32	Bulk Purchases
33	Inventory Consumed {Repair & Maintenance}
34	Contracted Services
35	Transfers and Subsidies
36	Operational Costs
37	Net Cash From/(Used) Operating Activities
38	Correction prior year errors
39	Unauthorised, Irregular, Fruitless and wasteful expenditure disallowed
40	Additional Disclosures in Terms of Municipal Finance Management Act
41	Capital Commitments
42	Contingent Liabilities
43	Contingent Assets
44	Related Party Disclosures
45	Events after the Reporting Date
46	Key Sources of Estimation Uncertainty and Judgements
47	Risk Management
48	Change in Accounting Policy
49	Change in Estimate
50	Operational Grant Expenditure
51	Income Forgone
52	In-Kind Donations and Assistance
53	Deviation from Procurement Processes - Supply Chain Regulation 36(2)
54	Going Concern
55	Principals and Agent
56	Comparison of budget and actual amounts difference explanations

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
30 JUNE 2023

1 BASIS OF ACCOUNTING

1.1.1 BASIS OF PRESENTATION

These annual financial statements have been prepared in accordance with standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

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

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months. Refer to note 54.

1.1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparative are restated accordingly.

Certain comparative figures have been reclassified.

The nature and reasons for the reclassification and restatement are disclosed in note 38 correction of prior period error to the financial statements.

1.1.5 New standards and interpretations

Standards and interpretations effective and adopted in the current year

There are no standards adopted in the current year that are relevant to the municipality's operations

Standards and interpretations early adopted

The municipality has chosen not to early adopt any standards and interpretations

Standards and interpretations issued, but not yet effective

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

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards. The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The guideline is encouraged to be used by entities.

The municipality does not envisage the adoption of the guideline until such time as it becomes applicable to the municipality's operations

Guideline and accounting for Landfill site

The Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) (the Constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the applicable Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill (hereafter referred to as "land"), the landfill site asset and the related rehabilitation provision

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's audited annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's audited annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's audited annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual audited annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

New standards and interpretations (continued)

The standard states that 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. As a minimum, the following are regarded as related parties of the reporting entity:

A person or a close member of that person's family is related to the reporting entity if that person:

- has control or joint control over the reporting entity;
- has significant influence over the reporting entity;
- is a member of the management of the entity or its controlling entity.

An entity is related to the reporting entity if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
- both entities are joint ventures of the same third party;
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
- the entity is controlled or jointly controlled by a person identified in (a); and
- a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that 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.

The standard elaborates on the definitions and identification of:

Close member of the family of a person;

Management;

Related parties;

Remuneration; and

Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

Control;

Related party transactions; and

Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's audited annual financial statements

1.2 PROPERTY, PLANT AND EQUIPMENT

1.2.1 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 year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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.

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.

Where an item of property, plant and equipment was under construction at year end (Work in progress), such assets will be disclosed in aggregate per class of the assets and not individually to reflect each project. Such assets will not be depreciated until they are completed.

1.2.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises 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.

1.2.3 DEPRECIATION

Depreciation is calculated on historical cost, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure	
Infrastructure Assets	Years
Roads, pavement, double seals, road signs and road markings	15-40
Street names, signs and parking meters	5
Car parks, bus terminals and taxi ranks	20
Electricity - Mass lights	15
Electricity - Transformers	15
Electricity - Street lights	15
Housing	30
Street lighting	25
Refuse sites	30
Bridges	40
Community Assets	
Parks and gardens	30
Sport fields	30
Community halls	30
Libraries	30
Recreation facilities	30
Clinics	30
Fire services	30
Cemeteries	30
Other Assets	
Motor vehicles	5
Plant and equipment	5
Security measures	3
Buildings	30
IT equipment	3
Office equipment	5

Finance leased assets are depreciated over the lease term.

Land is not depreciated as it is regarded as having an infinite life.

The useful life of an item of property plant and equipment is reviewed periodically and, if expectations are significantly different from previous estimates, the depreciation charge from the current and future periods gets adjusted. During the year items of property, plant and equipment useful life was assessed and based on the assessment there were no changes to prior year estimates.

1.2.4 DERECOGNITION

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 on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.2.5 Site restoration and dismantling cost

The Municipality has an obligation to dismantle, remove and restore items of PPE. Such obligations are referred to as decommissioning, restoration and similar liabilities. The cost of an item of PPE includes the initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item acquired or as a consequence of having used 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 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 such an indication, the assets are tested for impairment by estimating its receivable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash generating assets and/or impairment of non-cash generating assets

1.3 HERITAGE ASSETS

1.3.1 INITIAL RECOGNITION

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.

At initial recognition, the municipality measures heritage assets at cost once it meets the definition of heritage assets. However, where a heritage asset was acquired through a non-exchange transaction (i.e. where it acquired the heritage assets for no or a nominal value), its cost is its fair value as at the date of acquisition.

1.3.2 SUBSEQUENT MEASUREMENT – REVALUATION MODEL

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.

1.3.3 Derecognition

When the heritage assets are permanently withdrawn from use and no future economic benefits or service potential is expected from its disposal. A disposal can be, for example, when an asset is: sold, donated, transferred, etc. The gain or loss is recognised in surplus or deficit when the asset is derecognised.

1.4 INTANGIBLE ASSETS

1.4.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. 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 is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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, its deemed cost is the carrying amount of the asset(s) given up.

After initial recognition, an intangible asset is carried at its cost less any accumulated impairment losses and amortisation. Amortisation is charged on a straight-line basis over their useful life which is estimated to be between 3 and 5 years. The useful life of an intangible asset is the period over which that asset is expected to be available for use of by the municipality. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, but are tested for impairment annually and impaired if necessary.

Where items of intangible assets 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 except where the impairment reverses a previous revaluation.

The estimated useful life and amortisation methods are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

Intangible assets are recognised at cost. Cost is defined as the amount of cash or cash equivalents paid or the fair value of the other considerations given to acquire the asset at the time of its acquisition or construction. Only cost incurred on computer software and websites that meet the definition of an intangible asset are recognised. All other cost incurred on intangible assets during the exemption period has been expensed.

1.4.2 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.

1.4.3 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:

Computer software 3-5

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 as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

1.4.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.5 INVESTMENT PROPERTY

1.5.1 INITIAL RECOGNITION

Investment property includes property held to earn income, or capital appreciation rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

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

The cost of self-constructed investment property is the cost at date of completion.

An asset is derecognised when it is disposed off or when no future economic benefits or service potential is expected. Any gain or loss is recognised in surplus or deficit.

1.5.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

1.5.3 DERECOGNITION

Investment property is derecognised when it is permanently withdrawn from use and no future economic benefits or service potential is expected from its disposal. A disposal can be, for example, when an asset is: sold, donated, transferred, etc. The gain or loss is recognised in surplus or deficit when the asset is derecognised.

1.6 INVENTORIES

1.6.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, delivery costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.6.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Asset (Land inventory) held for sale are measured at the lower of cost and net realisable value. Redundant and slow-moving inventories are identified and written down in this way. 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.

In general, the basis of allocating cost to inventory items is the first-in, first-out method.

1.7 FINANCIAL INSTRUMENTS

1.7.1 INITIAL RECOGNITION

Financial assets and liabilities are recognised on the municipality's statement of financial position when the municipality becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at cost.

1.7.2 SUBSEQUENT MEASUREMENT

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 and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with GRAP 104.

1.7.2.1 INVESTMENTS

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. 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 instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

1.7.2.2 RECEIVABLES (EXCHANGE AND NON-EXCHANGE)

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. 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 30 days overdue) are considered indicators that the trade receivable should be impaired. Impairments is determined in line with GRAP 104 as follows "An entity first assesses whether objective evidence of impairment exists individually For financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant (see paragraph .58). If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. "

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.

1.7.2.3 TRADE PAYABLES (EXCHANGE AND NON EXCHANGE) 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.

1.7.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) 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.

1.7.3 DERECOGNITION

A financial asset or the specifically identified cash flows of an asset is derecognised when:

- a) The cash-flows from the asset expire, are settled or waived;
- b) Significant risks and rewards are transferred to another party; or
- c) Despite having retained significant risks and rewards, the entity has transferred control of the asset to another entity.

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

1.7.4 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 shall be 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.

1.7.5 OFFSETTING

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.7.6 IMPAIRMENTS

All financial assets measured at amortised cost, or cost are subject to an impairment review. The Municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For financial assets held at amortised cost:

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date on which the impairment is reversed. The amount of the reversal shall be recognised in surplus or deficit.

For financial assets held at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

1.8 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the 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. Irregular expenditure can only be condoned through council resolution after submission of investigation report by MPAC.

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the municipal council must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.9 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that 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.

1.10 UNAUTHORISED EXPENDITURE

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 No.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.

1.11 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land). Provisions include, Long service, Medical aid and provision for leave accrual.

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

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.

1.12 LEASES

1.12.1 OPERATING AND FINANCE LEASE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

1.13 REVENUE

1.13.1 REVENUE FROM EXCHANGE TRANSACTIONS

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

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. The estimates of consumption between meter readings are based on 3 month average usage.

Service charges relating to refuse removal are recognised on a monthly basis in advance 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 recorded number of refuse containers per property.

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

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

- Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.
- Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.
- Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale and where prepaid electricity is not fully consumed or utilised at the end of the reporting period, revenue will be recognised to the extent that the prepaid electricity has been consumed.

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

- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Interest earned.

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when: it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and The amount of the revenue can be measured reliably. Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.13.2 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.

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.

Revenue from rates including collection charges and penalty interest, shall be recognised when all the following conditions have been satisfied:

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

Fines constitute of traffic fines. Revenue from traffic fines is recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Assets arising from fines are measured at the best estimate of the inflow of resources

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

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

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.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Government grants are recognised as revenue when:

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

Other grants and donations shall be recognised as revenue when:

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

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment are brought into use.

Revenue from public contributions is recognised when all conditions have been met or where the contribution to property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Where public contributions have been received but the conditions were not met, a liability is recognised.

Investment income

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

1.14 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.15 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

The municipality contributes towards retirement benefits of its employees and councillors to the under-mentioned pension funds:

- Joint Municipal Pension Fund
- Municipal Employees Pension Fund
- Municipal Gratuity Fund
- SALA Pension Fund
- National fund for Municipal workers

Councillors are members of the Municipal Councillor's Pension Fund that was established in terms of the Remuneration of Public Office Bearers Act 1998 (Act 20 of 1998).

a) Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

Contributions to the defined contribution pension plan in respect of service in a particular period are included in the employees' total cost of employment and are charged to the statement of financial performance in the year to which they relate as part of cost of employment.

1.16 EMPLOYEE BENEFITS

Remuneration to employees is recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs.

The costs of all short-term employee benefits, such as leave pay, are recognised in the period the employee renders the related service.

Leave pay accrual

The liability is based on the total amount of leave days due to the employees on the reporting date and on their total remuneration package.

Provision for Performance Bonuses

A provision in respect of the liability relating to the anticipated costs of 13th cheque bonuses payable to all employees is maintained. Where performance appraisals have not yet been performed at year-end, a performance bonus provision is raised based on the employment contract stipulations and previous performance bonus payment trends.

Long service awards

Employees, who have completed 10 years' unbroken service, are entitled to receive a once-off cash award. The cash award is included in the employee's salary in the month of the service anniversary. The calculations are made by an actuary appointed by the Municipality on a competitive bidding process and is similar to accounting for post retirement benefits.

1.17 IMPAIRMENT OF ASSETS

1.17.1 IMPAIRMENT OF ASSETS - NON - CASH GENERATING ASSETS

Those assets held by the Municipality without an intention of generating a commercial return from such asset. The Municipality assesses at each reporting date whether any indications exist that an asset may be impaired. When such an indication exists, the Municipality estimates the recoverable service amount of the asset.

The recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. The value in use is determined by using either the depreciated replacement cost, restoration cost or service unit approach, depending on the availability of data and the nature of the impairment. If the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired. An impairment loss is recognised immediately in surplus or deficit.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset and accounts for the reversal of impairment loss if necessary. The increase in carrying amount of an asset due to the reversal of impairment loss should not exceed what the asset's original carrying would have been if no impairment loss were recognised.

1.17.2 IMPAIRMENT OF ASSETS - CASH GENERATING ASSETS

Those assets held by the Municipality for the purpose of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated Municipality, it generates a commercial return.

The Municipality assesses at each reporting date whether there is any indication that an asset or cash-generating unit to which an asset belongs to may be impaired. When such an indication exists, the Municipality estimates the recoverable amount of the asset. The recoverable amount is the higher of the cash-generating asset's fair value less costs to sell and its value in use. The value in use is determined as 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.

The future expected cash flows are discounted at a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. If the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired. An impairment loss is recognised immediately in surplus or deficit.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable amount of that asset and accounts for the reversal of impairment loss if necessary. The increase in the carrying amount of an asset due to the reversal of an impairment loss should not exceed what the carrying amount would have been if no impairment loss had been recognised.

1.18 COMMITMENTS

The commitments disclosed in the disclosure note are the aggregate amount of capital and current expenditure approved and contracted for and approved and not contracted for at the reporting date, to the extent that the amount has not been recorded in the financial statements.

1.19 RELATED PARTIES

The Municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the sphere of government are considered to be related parties.

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

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 member of management in their dealings with the Municipality.

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another Municipality or person are disclosed.

1.20 BUDGET INFORMATION

Municipality is typically subjected to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar measures. General purpose financial reporting by municipalities must provide information on whether resources were obtained and used in accordance with the legally adopted budget. The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements. Percentage movements of +/-10% or more are regarded as significant and are followed up.

1.21 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of these financial statements in conformity with GRAP required the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Municipality's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in the notes to the financial statements where applicable. This includes the following: provision for bad debts, provision for land fill sites, defined benefits, impairments of assets and rehabilitation of landfill sites, fair value of investment property and impairment of trade receivables.

1.22 CONSUMER DEPOSITS

Initial and Subsequent measurement

These are deposits that held by the municipality for all accounts that the municipality has with the customers, deposits are reviewed each year when tariffs are taken to council. After the review the deposit will be adjusted to reflect any changes to value if there are differences. The deposit is then paid out to customers on termination of the accounts provided the account holder does not have any liabilities on their accounts. This is disclosed under current liabilities.

1.23 VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

The municipality accounts for VAT on the payment/receipts basis. Output VAT is only payable as and when the purchase consideration is received and input tax can only be claimed as and when payments are made.

1.24 MATERIALITY

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

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

Segment information

General information Identification of segments The mandate of the municipality is to provide basic services to the community over which it governs. In order to properly execute its mandate and achieve its strategic goals, internal management reporting is based on each service objective. The components below have been identified as individually significant segments for the purposes of reporting according to these service objectives. 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.

Events after reporting date

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

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

- and those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

Musina Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

2 CASH AND CASH EQUIVALENTS

2.1 Cash and cash equivalents

	2022/2023 R	2021/2022 R
<i>Cash and cash equivalents consist of the following:</i>		
Cash at bank	12,818,683	5,715,066
Total cash and cash equivalents	12,818,683	5,715,066

Cash at banks earns interest at floating rates based on daily bank deposit rates

2.2 Bank accounts

	2022/2023 R	2021/2022 R
<i>The municipality has the following bank accounts:</i>		
ABSA Bank Limited - Musina Branch: Account Number 2050550179	1,013,539	3,284,435
ABSA Bank Limited - Musina Branch: Account Number 4074881456	195,162	178,491
ABSA Bank Limited - Musina Branch: Account Number 9357757331	11,609,982	2,252,140
Total	12,818,683	5,715,066

2.3 Difference between Cash Book and Bank Statement

	2022/2023 R		
	Cash book	Bank Statement	Difference
ABSA Bank Limited - Musina Branch: Account Number 2050550179	12,818,683	1,013,539	11,805,144
ABSA Bank Limited - Musina Branch: Account Number 4074881456	-	195,162	-195,162
ABSA Bank Limited - Musina Branch: Account Number 9357757331	-	11,609,982	-11,609,982

Difference between Cash Book and Bank Statement (Continued)

	2021/2022 R		
	Cash book	Bank Statement	Difference
ABSA Bank Limited - Musina Branch: Account Number 2050550179	5,715,066	3,284,435	2,430,631
ABSA Bank Limited - Musina Branch: Account Number 4074881456	-	178,491	-178,491
ABSA Bank Limited - Musina Branch: Account Number 9357757331	-	2,252,140	-2,252,140

Musina Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

3 Receivables from exchange transactions

		2022/2023 R	2021/2022 R
Consumer receivables from exchange transactions	3.1		
Electricity		19,419,165	17,996,594
Waste Management		13,440,301	10,573,877
Other receivables from exchange transactions	3.2		
Housing Selling Scheme		1,355	42,538
Interest on overdue accounts		2,538	53,924
Land Sale Debtors		-	93,548
Merchandising, Jobbing and Contracts		48,253	90,831
Pre Paid Cigicell		175,405	589,992
Property rental		-	148,328
Cut off billing		403,008	672,852
Total Receivables from Exchange Transactions		33,490,024	30,262,483

The amounts disclosed in this note is net of impairment.

3.1 Consumer Receivables

	2022/2023 R		
	Gross	Impairment	Total
Consumer receivables from exchange transactions			
Electricity	34,862,499	15,443,334	19,419,165
Waste Management	19,228,632	5,788,331	13,440,301
Total consumer receivables from exchange transactions	54,091,131	21,231,666	32,859,465
Consumer receivables from non-exchange transactions			
Property Rates	46,910,654	30,532,950	16,377,704
Total consumer receivables from non-exchange transactions	46,910,654	30,532,950	16,377,704
Total consumer receivables	101,001,785	51,764,615	49,237,170

Consumer Receivables -(Continued)

	2021/2022 R		
	Gross	Impairment	Total
Consumer receivables from exchange transactions			
Electricity	29,463,422	11,466,828	17,996,594
Waste Management	15,525,208	4,951,332	10,573,877
Total consumer receivables from exchange transactions	44,988,630	16,418,159	28,570,471
Consumer receivables from non-exchange transactions			
Property Rates	39,142,180	31,993,195	7,148,985
Total consumer receivables from non-exchange transactions	39,142,180	31,993,195	7,148,985
Total consumer receivables	84,130,810	48,411,354	35,719,456

3.1.1 Impairment Reconciliation of Consumer Receivables

	2022/2023 R			
	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance
Consumer receivables from exchange transactions				
Electricity	11,466,828	3,976,507	-	15,443,334
Waste Management	4,951,332	836,999	-	5,788,331
Total	16,418,159	4,813,506	-	21,231,666
Consumer receivables from non-exchange transactions				
Property Rates	31,993,195	-	1,460,245	30,532,950
Total consumer receivables from non-exchange transactions	31,993,195	-	1,460,245	30,532,950
Total consumer receivables	48,411,354	4,813,506	1,460,245	51,764,615

Musina Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

Musina Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

Impairment Reconciliation of Consumer Receivables (Continued)

	2021/2022 R			
	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance
Consumer receivables from exchange transactions				
Electricity	8,445,883	3,020,945	-	11,466,828
Waste Management	3,884,495	1,066,837	-	4,951,332
Total	12,330,377	4,087,782	-	16,418,159
Consumer receivables from non-exchange transactions				
Property Rates	23,389,533	8,603,662	-	31,993,195
Total consumer receivables from non-exchange transactions	23,389,533	8,603,662	-	31,993,195
Total consumer receivables	35,719,910	12,691,444	-	48,411,354

3.1.2 Aging of Consumer Receivables

	2022/2023 R			
	Total	Current	30 days	60 days
Consumer receivables from exchange transactions				
<i>Aging by debt type</i>				
Electricity	34,862,499	7,208,653	3,383,090	1,171,038
Waste Management	19,228,632	2,096,282	1,191,799	967,516
Total by debt type	54,091,131	9,304,935	4,574,889	2,138,554
<i>Aging per customer group</i>				
Organs of State	3,412,102	164,894	172,622	220,628
Commercial Customers	16,670,921	5,134,101	812,796	405,377
Households	28,082,293	3,303,277	3,344,068	1,393,271
Other	5,925,877	702,662	245,403	119,278
Total by customer group	54,091,193	9,304,935	4,574,889	2,138,554

Aging of Consumer Receivables - (Continued)

	2022/2023 R		
	90 days	120 days	120+ days
Consumer receivables from exchange transactions			
<i>Aging by debt type</i>			
Electricity	871,549	820,820	21,407,350
Waste Management	818,922	631,905	13,522,208
Total by debt type	1,690,471	1,452,725	34,929,558
<i>Aging per customer group</i>			
Organs of State	145,945	129,643	2,578,371
Commercial Customers	301,437	353,746	9,663,464
Households	1,137,145	875,054	18,029,478
Other	105,944	94,345	4,658,244
Total by customer group	1,690,471	1,452,788	34,929,557

Aging of Consumer Receivable (Continued)

	2022/2023 R			
	Total	Current	30 days	60 days
Consumer receivables from non-exchange transactions				
<i>Aging by debt type</i>				
Property Rates	46,910,654	2,107,161	1,257,115	1,094,724
Total by debt type	46,910,654	2,107,161	1,257,115	1,094,724
<i>Aging per customer group</i>				
Organs of State	1,221,710	14,816	12,442	12,328
Commercial Customers	15,663,517	618,525	274,215	257,727
Households	16,339,158	982,855	675,400	559,802
Other	13,686,269	490,964	295,059	264,868
Total by customer group	46,910,655	2,107,161	1,257,115	1,094,725

Musina Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

Aging of Consumer Receivable (Continued)

	2022/2023		
	R		
	90 days	120 days	120+ days
Consumer receivables from non-exchange transactions			
<i>Aging by debt type</i>			
Property Rates	1,007,176	967,818	40,476,660
Total by debt type	1,007,176	967,818	40,476,660
<i>Aging per customer group</i>			
Organs of State	12,213	12,099	1,157,812
Commercial Customers	240,444	235,952	14,036,653
Households	499,835	470,728	13,150,538
Other	254,684	249,038	12,131,656
Total by customer group	1,007,176	967,818	40,476,660

Aging of Consumer Receivable (Continued)

	2021/2022			
	R			
	Total	Current	30 days	60 days
Consumer receivables from exchange transactions				
<i>Aging by debt type</i>				
Electricity	29,463,428	5,459,338	1,794,920	1,416,027
Waste Management	16,628,804	1,427,518	726,358	628,154
Total by debt type	46,092,232	6,886,856	2,521,278	2,044,181
<i>Aging per customer group</i>				
Organs of State	8,177,886	236,291	113,818	95,423
Commercial Customers	8,840,230	3,475,409	570,612	410,932
Households	23,312,956	2,544,637	1,539,646	1,245,829
Other	5,761,160	630,519	297,202	291,998
Total by customer group	46,092,232	6,886,856	2,521,278	2,044,181

Aging of Consumer Receivable (Continued)

	2021/2022		
	R		
	90 days	120 days	120+ days
Consumer receivables from exchange transactions			
<i>Aging by debt type</i>			
Electricity	1,179,301	862,309	18,751,532
Waste Management	560,595	515,076	12,771,104
Total by debt type	1,739,896	1,377,385	31,522,636
<i>Aging per customer group</i>			
Organs of State	145,262	100,643	7,486,449
Commercial Customers	370,392	399,776	3,613,109
Households	978,703	760,791	16,243,351
Cutt off - billing	245,539	116,176	4,179,726
Total by customer group	1,739,896	1,377,385	31,522,636

Aging of Consumer Receivable (Continued)

	2021/2022			
	R			
	Total	Current	30 days	60 days
Consumer receivables from non-exchange transactions				
<i>Aging by debt type</i>				
Property Rates	48,091,307	2,058,175	1,315,035	1,135,124
Total by debt type	48,091,307	2,058,175	1,315,035	1,135,124
<i>Aging per customer group</i>				
Organs of State	4,955,537	47,981	37,297	23,778
Commercial Customers	17,350,832	619,698	336,249	306,807
Households	14,218,859	876,227	608,220	521,208
Other	11,566,079	514,269	333,269	283,332
Total by customer group	48,091,306	2,058,175	1,315,035	1,135,124

Musina Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

Aging of Consumer Receivable (Continued)

	2021/2022 R		
	90 days	120 days	120+ days
Consumer receivables from non-exchange transactions			
<i>Aging by debt type</i>			
Property Rates	932,557	865,596	41,784,820
Total by debt type	932,557	865,596	41,784,820
<i>Aging per customer group</i>			
Organs of State	18,758	16,435	4,811,287
Commercial Customers	250,729	243,189	15,594,161
Households	415,802	377,981	11,419,421
Other	247,268	227,991	9,959,951
Total by customer group	932,557	865,596	41,784,820

3.1.3 Collection Rate of Consumer Receivables

	2022/2023	2021/2022
Business	77%	39%
Government	82%	60%
Households	80%	80%
Other	98%	90%
Overall collection rate	84%	77%

3.2 Other Receivables From Exchange Transactions

	2022/2023 R		
	Gross	Impairment	Total
Housing Selling Scheme	43,893	42,538	1,355
Interest	2,538	-	2,538
Land Sale Debtors	93,548	93,548	-
Merchandising, Jobbing and Contracts	868,013	819,760	48,253
Property Rental Debtors	301,840	301,840	-
Pre Paid Elec - Cigicell	175,405	-	175,405
Cut off Billing	403,008	-	403,008
Total	1,888,244	1,257,686	630,559

Other Receivables From Exchange Transactions - Continued

	2021/2022 R		
	Gross	Impairment	Total
Housing Selling Scheme	42,538	-	42,538
Interest	627,388	573,464	53,924
Land Sale Debtors	93,548	-	93,548
Merchandising, Jobbing and Contracts	926,665	835,834	90,831
Property Rental Debtors	631,730	483,402	148,328
Pre Paid Elec - Cigicell	589,992	-	589,992
Cut Off Billing	672,852	-	672,852
Total	3,584,712	1,892,700	1,692,012

Musina Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

3.2.1 Impairment Reconciliation of Other Receivables From Exchange Transactions

	2022/2023 R			
	Opening balance	Impairment raised	Impairment reversed / debt w/off	Closing balance
Housing Selling Scheme	-	42,538	-	42,538
Interest	573,464	-	573,464	-
Land Sale Debtors	-	93,548	-	93,548
Merchandising, Jobbing and Contracts	835,834	-	16,074	819,760
Property Rental Debtors	483,402	-	181,562	301,840
Total	1,892,700	136,086	771,100	1,257,686

Impairment Reconciliation of Other Receivables From Exchange Transactions- Continued

	2021/2022 R			
	Opening balance	Impairment raised	Impairment reversed / debt w/off	Closing balance
Interest	280,069	293,395	-	573,464
Merchandising, Jobbing and Contracts	27,049	808,785	-	835,834
Property Rental Debtors	268,690	214,712	-	483,402
Total	575,808	1,316,892	-	1,892,700

3.2.2 Aging of Other Receivables From Exchange Transactions

	2022/2023 R			
	Total	Current	30 days	60 days
Housing Selling Scheme	43,893	117	116	116
Interest	2,538	-	-	-
Land Sale Debtors	93,548	-	-	-
Merchandising, Jobbing and Contracts	813,865	3,015	2,951	3,346
Property Rental Debtors	301,840	12,688	-	-
Cutt off revenue billing	403,008	403,008	-	-
Cigi cell	175,405	175,405	-	-
Total	1,834,096	418,827	3,067	3,461

Aging of Other Receivables From Exchange Transactions- (Continued)

	2022/2023 R		
	90 days	120 days	120+ days
Housing Selling Scheme	115	114	43,315
Interest	1,443	-	1,096
Land Sale Debtors	-	-	93,548
Merchandising, Jobbing and Contracts	3,476	2,891	798,186
Property Rental Debtors	-	-	289,153
Cutt off revenue billing	-	-	-
Total	5,033	3,006	1,225,296

Aging of Other Receivables from Exchange Transactions (Continued)

	2021/2022 R			
	Total	Current	30 days	60 days
Housing Selling Scheme	44,579	98	98	97
Interest	1,083,080	-	-	-
Land Sale Debtors	94,148	-	-	-
Merchandising, Jobbing and Contracts	971,945	10,132	51,316	2,461
Property Rental Debtors	315,648	-	-	-
Cut-OFF	-	-	-	-
Total	2,509,400	10,231	51,413	2,558

Musina Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

Aging of Other Receivables from Exchange Transactions (Continued)

	2021/2022		
	R		
	90 days	120 days	120+ days
Housing Selling Scheme	96	95	44,095
Interest	-	-	1,083,080
Land Sale Debtors	-	-	94,148
Merchandising, Jobbing and Contracts	2,441	2,422	903,172
Property Rental Debtors	-	-	315,648
Total	2,538	2,518	2,440,143

Musina Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

4 Receivables from Non-Exchange Transactions

		2022/2023 R	2021/2022 R
Consumer receivables			
Property Rates	3.1	16,377,704	7,148,985
Other receivables			
Fines	4.1	826,495	2,767,361
Sundry Debtors		90,990	-
Vhembe District Municipality		-	-
Total Receivables		17,295,189	9,916,346

4.1 Other Receivables from Non-Exchange Transactions

	2022/2023 R		
	Gross	Impairment	Total
Fines	6,357,650	5,531,156	826,495
Sundry Debtors	441,279	350,289	90,990
Vhembe District Municipality	-	-	-
Total	6,798,930	5,881,445	917,485

Other Receivables from Non-Exchange Transactions - (Continued)

	2021/2022 R		
	Gross	Impairment	Total
Fines	14,565,055	11,797,695	2,767,361
Sundry Debtors	350,289	350,289	-
Vhembe District Municipality	309,174,358	309,174,358	-
Total	324,089,703	321,322,342	2,767,361

4.1.1 Impairment Reconciliation of Other Receivables from Non-exchange Transactions

	2022/2023 R			
	Opening balance	Impairment raised	Impairment reversed / debt w/off	Closing balance
Fines	11,797,695	-	6,266,539	5,531,156
Sundry Debtors	350,289	-	-	350,289
Vhembe District Municipality	309,174,358	-	309,174,358	-
Total	321,322,342	-	315,440,897	5,881,445

Impairment Reconciliation of Other Receivables from Non-exchange Transactions - (Continued)

	2021/2022 R			
	Opening balance	Impairment raised	Impairment reversed / debt w/off	Closing balance
Fines	9,241,762	2,555,933	-	11,797,695
Sundry Debtors	350,289	-	-	350,289
Vhembe District Municipality	282,206,886	26,967,472	-	309,174,358
Total	291,798,937	29,523,405	-	321,322,342

Musina Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

5 Inventories

	2022/2023 R	2021/2022 R
Consumables stock and Material	1,749,935	1,274,617
Land	24,101,720	28,086,600
Total Inventories	25,851,655	29,361,217

R0 (2021/2022: R0) of total inventory was carried at fair value less cost to sell.

The amount of write-down of inventories recognized as an expense is R0 (2022/2023: R0).

R0 million previously written-down was reversed during the current year.

6 Other Current Assets

	2022/2023 R	2021/2022 R
VAT Input	126,800,686	110,148,691
VAT Output	122,207,741	100,854,809
VAT RECEIVABLES	4,592,945	9,293,882

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors, However for the purpose of financial statements VAT is presented on the accrual basis.

7 Investments

7.1 Carrying Value of Investments

	Fair Value	Amortised Cost	Cost	Total
Carrying value as at 30 June 2023				
Eskom Bank Guarantee	-	10,731,000		10,731,000
Total	-	10,731,000	-	10,731,000

Carrying Value of Investments (Continued)

	Fair Value	Amortised Cost	Cost	Total
Carrying value as at 30 June 2022				
Eskom Bank Guarantee	-	10,731,000		10,731,000
Total	-	10,731,000	-	10,731,000

7.2 Investments Pledged as Collateral

	2022/2023 R	2021/2022 R
Carrying value of investments pledged as collateral	10,731,000	10,731,000

Three (3) Months recurring investment made with ABSA. This investment is used as Eskom guarantee in case the Municipality does not meet its obligation to pay eskom, loss can only occur in a case where the municipality becomes insolvent.

8 Investment Property

Reconciliation of fair value

	2022/2023 R	2021/2022 R
Opening Carrying Value	156,564,200	160,694,200
Gain Fair Value Adjustments	48,304,800	-
Loss on Fair Value Adjustment	-	-2,310,000
Carrying Value of Disposals	-1,420,000	-1,820,000
Closing Carrying Value	203,449,000	156,564,200

Investment property includes property held to earn income and for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

The fair value of the entity's investment property at 30 June 2023 has been arrived at on the basis of a valuation carried out at that date by Eli Stroh Valuers, independent valuers that are not related to the entity. Eli Stroh Valuers are members of the South African institute of valuers, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuation, which conforms to South Africa's Valuation standards, was arrived at by reference to market evidence of transaction prices for similar properties.

Valuation methodology:

Use was made of comparable sale transactions which took place more or less round about the valuation date. Each and every sale was analysed to determine the following: - Was the comparable sale using an arm's length transaction? - The utility must be comparable. - Location must be comparable. - Rental values are taken into account. - The price on which Res 1, 2, 3 and 4 and also business properties sell for in the market. - The price which agricultural properties sell for converted to R/ha value and applied accordingly, irrigation, grazing etc. - In the case of income producing properties which have been sold the yield is taken into account determining the capitalisation rate. Remember income producing properties are categorized in different groups and the correct capitalisation rate applicable to each of those groups applied. Thus, in summarizing the Comparable Sales Approach was used throughout the valuation process. Generally, the Capitalization Approach is used to determine market value where properties generate income.

Musina Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

9 Property, Plant and Equipment
9.1 Reconciliation of Carrying Value

	2022/2023						
	R						
	Land	Buildings	Infrastructure Assets	Community Assets	Transport Assets	Other Assets	Total
Opening Carrying Value at 1 July 2022	51,480,199	65,533,311	247,708,267	45,562,505	5,682,823	2,389,222	418,356,327
Cost/Revaluation	52,007,654	93,174,580	459,797,135	58,817,156	21,959,494	12,711,556	698,467,575
Accumulated depreciation and impairment losses	-527,455	-27,641,269	-212,088,868	-13,254,651	-16,276,670	-10,322,334	-280,111,249
Additions from Acquisitions	-	3,619,783	21,698,363	-	1,084,640	2,449,753	28,852,538
Capital under Construction	-	11,816,218	14,461,504	3,965,648	-	-	30,243,370
Depreciation	-243,750	-2,927,639	-22,828,520	-1,835,410	-1,529,070	-1,313,576	-30,677,964
Carrying value of disposals	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-9,486,178	-	(2,748,946)	-59,343	-12,294,466
Accumulated depreciation and impairment losses	-	-	9,486,178	-	2,748,946	59,343	12,294,467
Impairment loss/Reversal of impairment loss	-	-91,626	-3,386,524	-4,515,692	-410,276	-989	-8,405,107
Transfers Depreciation	-	-	-	-	-	-	-
Other movements Cost	667,815	-591,015	1,176,257	-585,242	-	-	667,815
Other movements-Depreciation	-	-	-	-	-	-	-
Closing Carrying Value at 30 June 2023	51,904,264	77,359,033	258,829,348	42,591,808	4,828,117	3,524,410	439,036,979
Cost/Revaluation	52,007,654	108,019,566	487,647,082	62,197,562	20,295,187	15,101,966	745,269,017
Accumulated depreciation and impairment	-103,390	-30,660,533	-228,817,734	-19,605,754	-15,467,070	-11,577,556	-306,232,038

A Project under community assets, Muswodi sport centre under work in progress with a carrying value of R1 518 646 is halted as a result of land dispute between the two chiefs regarding ownership of the land where the Municipality is constructing the sport facility, impairment to the Value of R 1 518 646 was also recognised.

Other Assets consists of Equipment, Furniture, and Vehicles. Details of the sub-categories is indicated in Appendix B.

Refer to Appendix B for more detail on property, plant and equipment.

Reconciliation of Carrying Value (Continued)

	2021/2022						
	R						
	Land	Buildings	Infrastructure Assets	Community Assets	Transport Assets	Other Assets	Total
Opening Carrying Value at 1 July 2021	52,336,287	56,300,094	239,060,304	49,251,624	701,268	2,515,553	400,165,130
Cost/Revaluation	52,605,064	80,455,030	428,620,883	60,826,269	16,089,522	13,460,175	652,056,943
Accumulated Depreciation and Impairment	-268,777	-24,154,936	-189,560,579	-11,574,645	-15,388,254	-10,944,622	-251,891,813
Additions from Acquisitions	-	7,175,188	15,564,599	340,900	6,049,971	824,411	29,955,069
Capital under Construction	-	3,807,157	14,030,925	1,859,088	-	-	19,697,170
Depreciation	-258,678	-2,909,807	-22,173,562	-1,680,006	-1,068,317	-949,156	-29,039,526
Carrying value of disposals	-60,000	-	-	-	-	-	-60,000
Cost/Revaluation	-60,000	-	-891,167	-	-180,000	-1,573,030	-2,704,196
Accumulated depreciation and impairment losses	-	-	891,167	-	180,000	1,573,030	2,644,196
Impairment loss/Reversal of impairment loss	-	-576,526	-1,245,894	-	-99	-1,587	-1,824,106
Transfers Depreciation	-	-	-	-	-	-	-
Other movements Cost	-537,410	1,737,206	2,471,896	-4,209,101	-	-	-537,410
Other movements-Depreciation	-	-	-	-	-	-	-
Closing Carrying Value at 30 June 2022	51,480,199	65,533,311	247,708,267	45,562,505	5,682,823	2,389,222	418,356,327
Cost/Revaluation	52,007,654	93,174,580	459,797,135	58,817,156	21,959,494	12,711,556	698,467,575
Accumulated depreciation and impairment losses	-527,455	-27,641,269	-212,088,868	-13,254,651	-16,276,670	-10,322,334	-280,111,249

Musina Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

Other Assets consists of Equipment, Furniture, and leased assets. Details of the sub-categories is indicated in Appendix B

The Municipality has leased Printing machines from Dido Digital on finance lease, the usefull lives are linked to the term of the lease contract which is 3 years, the lease will expire in March 2024.

Refer to Appendix B for more detail on property, plant and equipment

During the year impairment tests were performed on all categories of Property, Plant and Equipment. The method which was used to determine the irrecoverable amount was the higher of fair value less costs and value in use. The impairment existed in the category of roads infrastructure.

The engineer estimated the costs of damages of each class of infrastrucutre assets based on quoted prices available in the market to restore the infrastructure and the professional knowledge based on the industry norms.

9.2

	2022/2023					
	R					
	Land and Buildings	Infrastructure Assets	Community Assets	Leased Assets	Other Assets	Total
Accumulated expenditure included in carrying value of property, plant and equipment	-	-	-	-	-	-
<i>Of which:</i>	-	-	-	-	-	-
Accumulated borrowing costs included in the carrying amount of property, plant and equipment	-	-	-	-	-	-
Borrowing costs capitalised during the period	-	-	-	-	-	-
Carrying value of property, plant and equipment taking significantly longer than expected	-	-	-	-	-	-
Carrying value of property, plant and equipment halted	-	3,496,699	1,518,646	-	-	5,015,345

Property, Plant and Equipment Under Construction (Continued)

	2021/2022					
	R					
	Land and Buildings	Infrastructure Assets	Community Assets	Leased Assets	Other Assets	Total
Accumulated expenditure included in carrying value of property, plant and equipment	-	-	-	-	-	-
<i>Of which:</i>	-	-	-	-	-	-
Accumulated borrowing costs included in the carrying amount of property, plant and equipment	-	-	-	-	-	-
Borrowing costs capitalised during the period	-	-	-	-	-	-
Carrying value of property, plant and equipment taking significantly longer than expected	-	-	-	-	-	-
Carrying value of property, plant and equipment halted	-	3,496,699	1,518,646	-	-	5,015,345

Musina Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

9.3

Property, Plant and Equipment Contractual Commitments

	2022/2023 R					
	Land and Buildings	Infrastructure Assets	Community Assets	Leased Assets	Other Assets	Total
<i>The following commitments exist at the reporting date</i>						
Commitments for the acquisition of property, plant and equipment (Approved and contracted for)	-	25,563,427	-	-	-	25,563,427.00
Commitments for the acquisition of property, plant and equipment (Approved but not yet contracted for)	-	25,234,200	7,100,000	-	-	32,334,200
Commitments to construct or develop property, plant and equipment	-	-	-	-	-	-
Commitments to enhance existing property, plant and equipment	-	-	-	-	-	-
Commitments to repair / maintain property, plant and equipment	-	-	-	-	-	-
Total	-	50,797,627	7,100,000	-	-	57,897,627

Property, Plant and Equipment Contractual Commitments (Continued)

	2021/2022 R					
	Land and Buildings	Infrastructure Assets	Community Assets	Leased Assets	Other Assets	Total
<i>The following commitments exist at the reporting date</i>						
Commitments for the acquisition of property, plant and equipment (Approved and contracted for)	-	-	-	-	-	-
Commitments for the acquisition of property, plant and equipment (Approved but not yet contracted for)	-	1,302,866	10,187,733	-	-	11,490,599
Commitments to enhance existing property, plant and equipment	-	-	-	-	-	-
Commitments to repair / maintain property, plant and equipment	-	-	-	-	-	-
Total	-	1,302,866	10,187,733	-	-	11,490,599

9.4

Maintenance of Property, Plant and Equipment

	2022/2023 R					
	Land and Buildings	Infrastructure Assets	Community Assets	Leased Assets	Other Assets	Total
<i>The following maintenance costs were incurred:</i>						
Preventative Maintenance	-	-	-	-	-	-
Corrective Maintenance	-	1,516,434	155,302	-	188,422	1,860,159
Total	-	1,516,434	155,302	-	188,422	1,860,159

Maintenance of Property, Plant and Equipment - (Continued)

	2021/2022 R					
	Land and Buildings	Infrastructure Assets	Community Assets	Leased Assets	Other Assets	Total
<i>The following maintenance costs were incurred:</i>						
Preventative Maintenance	-	-	-	-	-	-
Corrective Maintenance	-	1,595,794	423,838	-	15,139	2,034,770
Total	-	1,595,794	423,838	-	15,139	2,034,770

Musina Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

9.4.1 Maintenance of Property, Plant and Equipment by Nature and Type of Expenditure

	2022/2023					
	R					
	Land and Buildings	Infrastructure Assets	Community Assets	Leased Assets	Other Assets	Total
Direct Costs	-	-	-	-	-	-
List per mSCOA account description	-	-	-	-	-	-
Maintenance of Buildings and Facilities	-	-	155,302	-	-	155,302
Maintenance of Equipment	-	-	-	-	188,422	188,422
Maintenance of Unspecified Assets (Infrastructure)	-	1,516,434	-	-	-	1,516,434
Indirect costs	-	-	-	-	-	-
List per mSCOA account description	-	-	-	-	-	-
Total	-	1,516,434	155,302	-	188,422	1,860,159

Musina Local Municipality NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2023						
	2021/2022 R					
	Land and Buildings	Infrastructure Assets	Community Assets	Leased Assets	Other Assets	Total
Direct Costs	-	-	-	-	-	-
List per mSCOA account description	-	-	-	-	-	-
Maintenance of Buildings and Facilities	-	-	423,838	-	-	423,838
Maintenance of Equipment	-	-	-	-	15,139	15,139
Maintenance of Unspecified Assets (Infrastructure)	-	1,595,794	-	-	-	1,595,794
Indirect costs	-	-	-	-	-	-
List per mSCOA account description	-	-	-	-	-	-
Total	-	1,595,794	423,838	-	15,139	2,034,770

9.5 Funding of Property, Plant and Equipment Acquisitions

Funding of Property, Plant and Equipment Acquisitions			
	Funding Type	2022/2023	2021/2022
		R	R
Additions to property, plant and equipment was funded from the following sources:			
Land and Buildings	MIG	15,436,001	4,631,549
Include funding source			
Infrastructure Assets	MIG and ENEP	36,159,867	22,451,050
Include funding source			
Community Assets			
Include funding source	MIG	3,965,648	2,199,988
Other Assets			
Include funding source	Own Income	3,534,392	824,411
Total		59,095,908	30,106,999

Musina Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

10 Heritage Assets

10.1 Reconciliation of Carrying Value

	2022/2023	2021/2022
	R	R
	Other Assets	Other Assets
Opening Carrying Value 2022	65,210	65,210
At fair value	65,210	65,210
Closing Carrying Value 2023	65,210	65,210
At fair value	65,210	65,210

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.

All heritage asset were acquired through a non-exchange transaction, as a result the heritage assets costs were measured at its fair value.

The heritage assets were fair valued at year end by an independent Valuer -Eli Stroh (Pty) Ltd, using methods and assumptions consistent with GRAP 103.

Heritage assets were valued by the firm Eli Stroh (Pty) Ltd on 30 June 2023.

11 Intangible Assets

11.1 Reconciliation of Carrying Value

	2022/2023	2021/2022
	R	R
Opening Carrying Value at 1 July 2022	266,229	8,492
Cost	710,495	319,650
Accumulated Depreciation and Impairment	444,265	311,157
Additions from Acquisitions	280,117	390,845
Depreciation [Note 30]	165,567	133,108
Closing Carrying Value at 30 June 2023	380,780	266,229
Cost	990,612	710,495
Accumulated Depreciation and Impairment	609,832	444,265

Included in Computer software is the Licence for microsoft.

Musina Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

12 Financial Liabilities

Carrying Value of Financial Liabilities

	2022/2023	2021/2022
	R	R
Finance leases	-	362,495
Sub-total		
Transferred to Current Liabilities	362,494	436,785
Total	362,494	799,280

12.1 Finance Lease Payable

	2022/2023	2021/2022
	R	R
Total Future Minimum Lease Payments		
Within 1 year	362,440	505,438
2 to 5 years	-	379,079
More than 5 years	-	-
Less: Future Finance Charges	-16,685	-85,338
Present Value of Minimum Lease Payments		
Within 1 year	362,494	436,785
2 to 5 years	-	362,495
More than 5 years	-	-
Non-current Liability	-	362,495
Current Liability	362,494	436,785
Total	362,494	799,280

The entity entered into a finance lease agreement with Dido digital document for the finance of copy machines purchased, over a 3 year lease term. The assumed borrowing rate on the copy machines is 10,5% per annum and interest is charged at the beginning of each month. The finance lease agreement provides for contingencies on printings cost per page. There were no defaults or breaches and the no terms and conditions were renegotiated during the reporting period.

13 Consumer Deposits

	2022/2023	2021/2022
	R	R
Electricity	3,618,973	3,800,514
Refuse	1,613,091	1,283,374
Total	5,232,064	5,083,888

Deposits are released on termination of the contract.

13.1 Guarantees held in lieu (Eskom guarantee)

	2022/2023	2021/2022
	R	R
Electricity	10,731,000	10,731,000
Total	10,731,000	10,731,000

14 Trade and Other Payables

		2022/2023	2021/2022
		R	R
Affiliates, Related Parties and Principal Agent	14.1	42,197,840	351,037,078
Bulk Purchases	14.2	50,904,870	64,715,904
Contractors	14.3	11,367,348	11,547,880
Control and Clearing Accounts	14.4	1,008,182	2,668,125
Employee Benefits	14.5	27,538,791	26,976,724
Other Payables	14.6	63,722,045	61,438,209
Total		196,739,076	518,383,919

Musina Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

14.1 Affiliates, Related Parties and Principal Agent

	2022/2023	2021/2022
	R	R
Vhembe District Municipality	34,472,572	338,997,594
Department Transport	7,725,269	12,039,484
Total	42,197,840	351,037,078

14.2 Bulk Purchases

	2022/2023	2021/2022
	R	R
Bulk Electricity	50,904,870	64,715,904
Total	50,904,870	64,715,904

14.3 Contractors

	2022/2023	2021/2022
	R	R
Retentions	11,367,348	11,547,880
Total	11,367,348	11,547,880

14.4 Control and Clearing Accounts

	2022/2023	2021/2022
	R	R
5		
Employee Deductions FICS	391,328	2,244,572
Prepaid Electricity	616,855	423,553
Total	1,008,182	2,668,125

14.5 Employee Benefits

	2022/2023	2021/2022
	R	R
Leave Accrual	23,967,485	23,502,784
Annual Bonus	3,571,306	3,473,940
Total	27,538,791	26,976,724

14.6 Other Payables

	2022/2023	2021/2022
	R	R
Sale of stands	26,839,175	28,962,276
Solly Noor	3,098,010	3,286,986
Cemetery upgrade	2,481,568	2,481,568
Payables and Accruals	21,670,623	16,623,989
Unallocated Deposits	3,483,420	2,928,264
Credit Card	483,348	512,907
Advance Payments	5,629,108	6,618,100
Hall Deposits	36,794	24,119
Total	63,722,045	61,438,209

The fair value of trade and other payables approximates their carrying amounts.

15 Unspent Transfers and Subsidies

		2022/2023			
		R			
		Opening Balance	Funds Received	Funds Utilised	Closing Balance
Capital					
Allocations	15.1	5,578,721	36,267,000	31,738,960	10,106,761
Operational					
Allocations	15.2	-	198,183,000	198,183,000	-
Total		5,578,721	234,450,000	229,921,960	10,106,761

Musina Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

Unspent Transfers and Subsidies - (Continued)

		2021/2022			
		R			
		Opening Balance	Funds Received	Funds Utilised	Closing Balance
Capital					
Allocations	15.1	-	36,988,000	31,409,279	5,578,721
Operational					
Allocations	15.2	-	174,429,000	174,429,000	-
Total		-	211,417,000	205,838,279	5,578,721

Musina Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

15.1 Unspent Capital Allocations

	2022/2023			
	R			
	Opening Balance	Funds Received	Funds Utilised	Closing Balance
MIG	5,578,721	32,713,000	31,738,960	6,552,761
Disaster management grant	-	3,554,000	-	3,554,000
Total	5,578,721	36,267,000	31,738,960	10,106,761

Unspent Capital Allocations - (Continued)

	2021/2022			
	R			
	Opening Balance	Funds Received	Funds Utilised	Closing Balance
MIG	-	36,988,000	31,409,279	5,578,721
Total	-	36,988,000	31,409,279	5,578,721

15.2 Unspent Operational Allocations - (Continued)

	2022/2023			
	R			
	Opening Balance	Funds Received	Funds Utilised	Closing Balance
Equitable share	-	193,793,000	193,793,000	-
FMG	-	3,000,000	3,000,000	-
EPWP	-	1,390,000	1,390,000	-
Total	-	198,183,000	198,183,000	-

Unspent Operational Allocations - (Continued)

	2021/2022			
	R			
	Opening Balance	Funds Received	Funds Utilised	Closing Balance
Equitable share	-	169,864,000	169,864,000	-
FMG	-	2,850,000	2,850,000	-
EPWP	-	1,715,000	1,715,000	-
Total	-	174,429,000	174,429,000	-

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

16 Provisions

		2022/2023	2021/2022
		R	R
Long-service Awards	16.1	11,924,000	8,510,000
Provision for landfill site	16.2	12,828,505	10,994,354
Total		24,752,505	19,504,354

16.1 Long-service awards

	2022/2023	2021/2022
	R	R
Opening Balance	8,510,000	7,810,000
Additional Provisions Raised	3,414,000	700,000
Closing Balance	11,924,000	8,510,000
Transferred to Current Provisions	2,197,000	1,211,000
Total Non-current provision	9,727,000	7,299,000

Unfunded Accrued Liability

	2022/2023	2021/2022
	R	R
Opening balance	8,510,000	7,810,000
Current-service cost	742,000	747,000
Interest cost	861,000	693,000
Pro rata Addition	3,557,000	-
Actuarial (Gain)/Loss	-535,000	-281,000
Expected employer benefit vesting	-1,211,000	-459,000
Closing Balance	11,924,000	8,510,000
Projected accrued liability	8,902,000	8,791,000

Net liability to reflect in the balance sheet

	2022/2023	2021/2022
	R	R
Opening balance	8,510,000	7,810,000
Current-service cost	742,000	747,000
Interest cost	861,000	693,000
Pro Rata Addition	3,557,000	-
Actuarial (Gain)/loss recognised in P&L	-535,000	-281,000
Net Periodic Cost Recognised in P&L	13,135,000	8,969,000
Actual employer benefits payments	-1,211,000	-459,000
Closing Balance	11,924,000	8,510,000

Musina Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

Long service award projections/provisions is an actuarial assumption. This is the total value of the long service awards that are expected to be awarded to eligible employees over the year based on the data at the previous valuation date.

The Municipality offers employees LSA for every five years of service completed, from ten years of service to 45 years of service.

Long service awards for levels of past service

Completed service (In years)	Long service Bonus (% of annual Salary)	Description
10	4.0%	10 /250* annual salary
15	8.0%	20 /250* annual salary
20,25,30,35,40,45	12.0%	30 /250* annual salary
Key financial assumptions		
Assumption	Value p.a 22/23	Value p.a 21/22
Discount rate	11.32%	10.87%
General Salary inflation (Long-term)	6.79%	7.33%
Net effective discount rate	4.24%	3.30%

The next general earnings increase was assumed to take place 1 July 2023.

Long service award liability was valued by Arch actuaries at 30 June 2023.

16.2 Environmental rehabilitation

Reconciliation of Provision	2022/2023	2021/2022
Opening	10,994,354	10,596,759
Change in landfill closure provisions	667,815	-537,410
Interest	1,166,336	935,005
Closing balance	12,828,505	10,994,354
Non- current Liabilities	12,828,505	10,994,354
Current liabilities	-	-
	12,828,505	10,994,354

Environmental rehabilitation Provision

The provision for environmental rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of future obligation discounted at 10.9%, which is the Average government Bond rate/Interest rate as at June 2023.

Key Assumptions used

The Remaining Useful life (RUL) of landfill site 7 5
CPI : 6.61%
Average government bond rate/Interest rate: 10.61%

17 Other Liabilities

Defined Benefit Obligations-Post Medical aid benefit.

	2022/2023	2021/2022
	R	R
Present value of defined benefit obligation	17.1	19,699,000
Total	19,699,000	21,750,000

17.1 Reconciliation of Present Value of the Defined Benefit Obligations

	Defined Benefit Plan	Post-Employment Medical Benefits	Total
Defined benefit obligation at 1 July 2021			
Opening Balance		19,123,000	19,123,000
Interest Cost		1,980,000	1,980,000
Current Service Cost		1,227,000	1,227,000
Contributions Received		-327,000	-327,000
Actuarial (Gains) / Losses		-253,000	-253,000
Defined benefit obligation at 30 June 2022		21,750,000	21,750,000
Current Portion		343,000	343,000
Non current portion		21,407,000	21,407,000
Interest Cost		2,558,000	2,558,000
Current Service Cost		1,344,000	1,344,000
Contributions Received		-2,573,000	-2,573,000
Actuarial (Gains) / Losses		-3,380,000	-3,380,000
Defined benefit obligation at 30 June 2023		19,699,000	19,699,000
Current Portion		335,000	335,000
Non current portion		19,364,000	19,364,000

Musina Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

17.2 Analysis of Funding

	2022/2023	2021/2022
The Municipality provides certain post-retirement medical aid benefits. These medical aid benefits are unfunded. These projections assume that the Municipality's health care arrangement and subsidy policy will remain as outlined in the valuation report and that all the actuarial assumptions made are borne out in practice. In addition, it is assumed that no contributions are made by the Municipality towards prefunding its liability via an off-balance sheet vehicle.		
The following assumptions were used :		
Discount rate	12.67%	10.44%
Health care cost inflation rate	8.39%	7.03%
Net effective discount rate	6.38%	3.19%

The assumptions on the discount rate were based on market valuation for the period which Sensitivity of valuation result to changes in main assumptions

Sensitivity Analysis on the accrued Liability 30/06/2023

Assumption	Change	In service	Continuation	Total	Change %
Health care inflation	+1%	17.909	3.306	21.215	8%
	-1%	14.832	3.004	17.836	-9%

Sensitivity Analysis on the accrued Liability 30/06/2022

Assumption	Change	In service	Continuation	Total	Change %
Health care inflation	+1%	21.734	3.886	25.620	18%
	-1%	15.318	3.308	18.626	-14%

Sensitivity Analysis on current-service and interest cost 30/06/2023

Assumption	Change	Current service cost	Interest cost	Total	Change %
Health care inflation	+1%	1,642,000	3,016,000	4,658,000	19%
	-1%	1,109,000	2,188,000	3,297,000	-16%

Sensitivity Analysis on current-service and interest cost 30/06/2022

Assumption	Change	Current service cost	Interest cost	Total	Change %
Health care inflation	+1%	15,100,000	2,344,000	3,854,000	20%
	-1%	1,005,000	1,688,000	2,693,000	-16%

RETIREMENT BENEFIT INFORMATION

Defined contribution plan

The following are defined contribution plans: Joint Municipal pension fund, Municipal Employees Pension Fund, SALA Pension Fund, National Fund for Municipal Workers. These contributions have been expensed.

Defined benefit plan

The following are defined benefit plans: Municipal Gratuity Fund. This plan is not treated as defined benefit plans as defined by IAS19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par. 30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.

Certain employees of the municipality belong to the Joint Municipal pension fund, Municipal Employees Pension Fund, SALA Pension Fund, National Fund for Municipal Workers. The most recent actuarial valuation was done in 2023. These valuations indicate that the plan is in a sound financial position.

Musina Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

17.3 Net Benefit Expense

	Defined Benefit Plan	Post-Employment Medical Benefits	Total
For the year ended 30 June 2023			
Current Service Costs		2,558,000	2,558,000
Curtailments / Settlements		1,344,000	1,344,000
Interest Cost on Benefit Obligation		-2,573,000	-2,573,000
Actuarial Gains / Losses Recognised		-3,380,000	-3,380,000
Total expense recognised in the statement of financial performance		-2,051,000	-2,051,000
For the year ended 30 June 2022			
Current Service Costs		1,227,000	1,227,000
Interest Cost on Benefit Obligation		1,980,000	1,980,000
Curtailments / Settlements		-327,000	-327,000
Actuarial Gains / Losses Recognised		-253,000	-253,000
Total expense recognised in the statement of financial performance		2,627,000	2,627,000

Musina Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

17.4 Reconciliation of Fair value of Plan Assets

There are no plan assets

Post medical aid benefit liability was valued by Arch actuaries at 30 June 2023

18 Property Rates

	2022/2023	2021/2022
	R	R
Business and Commercial Properties	6,827,129	6,360,142
Farm Properties: Agricultural Purposes	5,616,624	5,560,796
Industrial Properties	1,760,001	1,664,262
Other categories	3,852,025	2,714,143
Public Service Infrastructure Properties	156,235	157,319
Residential Properties: Developed	8,242,806	8,697,919
Residential Properties: Vacant Land	359,249	529,352
Total	26,814,069	25,683,933

Valuations

	2022/2023	2021/2022
	R	R
Farm Prop - Agricultural	3,331,350,000	3,331,350,000
Residential 1	1,838,975,800	1,838,975,800
Business 1	876,242,000	876,242,000
Industrial 1	131,965,000	131,965,000
Municipal Properties	339,027,400	339,027,400
Private Sport/Social Clubs	12,160,000	12,160,000
Property use for Multi Purpose	167,680,000	167,680,000
Churches	20,281,000	20,281,000
Business And Commercial - Sectional Title	280,000,000	280,000,000
Farm Prop - Business & Commerce	164,310,000	164,310,000
Farm Prop - Other	198,540,000	198,540,000
Farm Prop - Residential	6,700,000	6,700,000
State Owned - Agricultural	229,280,000	229,280,000
State Owned - Commercial	193,010,000	193,010,000
State Owned - Public Benefit	78,309,000	78,309,000
State Owned - Residential	75,560,000	75,560,000
State Owned - Schools	86,680,000	86,680,000
Land Assistance Act	87,380,000	87,380,000
National Monuments	2,000	2,000
Part Remainder	71,104,000	71,104,000
Public Benefit	60,237,000	60,237,000
Public Service Infrastructure	91,030,300	91,030,300
Private Schools	2,400,000	2,400,000
Residential - Inconsistent Use	174,558,000	174,558,000
Residential - Sectional Title	40,798,000	40,798,000
Residential Vacant	68,948,100	68,948,100
Special	24,787,000	24,787,000
Protected Areas	98,350,000	98,350,000
Total	8,749,664,600	8,749,664,600

Valuations on land and buildings are performed every four years. The last valuation was done by MOD HOPE (Pty) Ltd and came into effect on 1 July 2018. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.

Rates are levied on an annual basis on state and De Beers property owners, and other rates are levied monthly. Interest at 15% per annum are levied on outstanding rates.

19 Service Charges

	2022/2023	2021/2022
	R	R
Electricity		
Consumption - Electricity	82,835,902	85,399,643
Other - Electricity	65,023,542	68,016,607
Total	147,859,444	153,416,250
Waste Management		
Consumption – Waste Management	19,262,506	14,367,687
Total	19,262,506	14,367,687
Total Service Charges	167,121,950	167,783,936

Musina Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

20 Rental

	2022/2023	2021/2022
	R	R
Non-market Related	81,947	405,310
Rent on Land	387,395	287,620
Total	469,342	692,931

Musina Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

21 Interests on Investments

	2022/2023	2021/2022
	R	R
Bank Accounts	167,127	77,213
Short-term Investments and Call Accounts	1,419,100	391,896
Total	1,586,227	469,109

22 Interest Earned From Receivables

		2022/2023	2021/2022
		R	R
Exchange Receivables	22.1	2,904,917	2,555,358
Non-exchange Receivables	22.2	3,072,588	2,408,315
Total		5,977,505	4,963,673

22.1 Interest Earned From Exchange Receivables

	2022/2023	2021/2022
Consumer Receivables		
Electricity	1,706,423	1,502,278
Waste Management	1,182,626	1,038,665
Other Receivables	-	-
Housing Selling Schemes	605	492
Property Rental Debtors	15,264	13,923
Total	2,904,917	2,555,358

22.2 Interest Earned From Non-exchange Receivables

	2022/2023	2021/2022
	R	R
Property Rates	3,072,588	2,408,315
Total	3,072,588	2,408,315
Total Receivables	3,072,588	2,408,315

23 Fines, Penalties and Forfeits

	2022/2023	2021/2022
	R	R
Fines	3,427,950	3,122,500
Total	3,427,950	3,122,500

23.1 Fines

	2022/2023	2021/2022
	R	R
Traffic Fines		
Municipal Fines	3,427,950	3,122,500
Total	3,427,950	3,122,500

24 Licenses and Permits

	2022/2023	2021/2022
	R	R
Exchange Revenue	2,125,626	2,098,991
Non-exchange Revenue		
Total	2,125,626	2,098,991

24.1 Licenses and Permits – Exchange Revenue

	2022/2023	2021/2022
	R	R
Road and Transport: Drivers Licence Certificate	2,125,626	2,098,991
Total	2,125,626	2,098,991

Musina Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

25 Transfers and Subsidies

		2022/2023 R	2021/2022 R
Operational Allocations	25.1	198,183,000	174,429,000
Total Transfers and Subsidies: Operational		198,183,000	174,429,000
Capital Allocations	25.2	30,940,960	31,409,279
Total Transfers and Subsidies: Capital		30,940,960	31,409,279
Total		229,123,960	205,838,279

Musina Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

25.1 Allocations: Operational

	2022/2023	2021/2022
	R	R
Equitable share	193,793,000	169,864,000
FMG	3,000,000	2,850,000
EPWP	1,390,000	1,715,000
Total	198,183,000	174,429,000

25.2 Allocations : Capital

	2022/2023	2021/2022
	R	R
MIG	30,940,960	31,409,279
Total	30,940,960	31,409,279

Equitable share - In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy that was approved by Council (Tariff List).

EPWP - This grant is used to pay salaries for temporary staff.

26 Operational Revenue

	2022/2023	2021/2022
	R	R
Sundry Income	7,857,185	7,307,622
LG Seta	1,646,778	1,948,842
Tenders General	516,702	224,209
Permits - Clearance	5,278	8,859
Grave Fees & Stone	203,319	243,603
Building Plans	465,102	485,683
Sale of Stands	4,206,187	3,482,191
Total	14,900,550	13,701,008

27.1 Gain/Loss on Disposal of Fixed and Intangible Assets

	2022/2023	2021/2022
	R	R
Losses on Disposal	319,616	-
Total	319,616	-

27.2 Gains/Loss on revaluation assets

	2022/2023	2021/2022
	R	R
Investment Property	48,304,800	2,310,000
Total	48,304,800	2,310,000

27.3 Gain on Post Medical Aid Benefit Liability

	2022/2023	2021/2022
	R	R
Post Medical aid benefit	2,051,000	-
Total	2,051,000	-

Musina Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

28 Employee Related Costs

		2022/2023 R	2021/2022 R
Senior Management	28.1	6,424,284	3,799,713
Municipal Staff	28.2	149,699,194	147,883,003
Total		156,123,478	151,682,716

28.1 Senior Management Costs

	2022/2023 R			
	Municipal Manager	Chief Financial Officer	Community Service Manager	Corporate Service Manager
Annual Salary	806,037	802,240	494,833	587,596
Bonuses	107,998	-	-	88,497
Car allowance	142,711	192,566	123,526	160,004
Acting	6,485	-	-	-
Leave Days	426,455	-	-	363,731
Rural Allowance	47,747	46,699	30,678	31,359
U.I.F	1,594	2,125	1,417	-
Medical	45,054	50,134	16,895	-
Pension	123,780	140,742	88,463	-
Total	1,707,860	1,234,506	755,812	1,231,187

Senior Management Costs - (Continued)

	2022/2023 R		
	Development and Planning Manager	Technical Manager	Total
Annual Salary	449,333	475,002	3,615,042
Bonuses	-	-	196,495
Car allowance	112,174	201,354	932,334
Acting	-	-	6,485
Leave Days	-	-	790,186
Rural Allowance	26,844	30,679	214,006
U.I.F	1,240	1,417	7,793
Medical	27,478	20,330	159,891
Pension	80,700	68,367	502,052
Total	697,769	797,149	6,424,284

Senior Management Costs (Continued)

	2021/2022 R			
	Municipal Manager	Chief Financial Officer	Community Service Manager	Corporate Service Manager
Annual Salary	1,176,363	781,900	-	806,268
Bonuses	106,664	-	-	87,189
Car allowance	103,610	157,064	-	240,005
Leave Days	-	-	-	-
Acting allowance	-	-	-	-
Rural allowance	55,465	45,339	-	45,339
UIF	-	2,069	-	-
Medical	-	51,696	-	-
Pension	-	140,742	-	-
Total	1,442,102	1,178,809	-	1,178,802

Senior Management Costs (Continued)

	2021/2022		
	R		
	Development and Planning Manager	Technical Manager	Total
Annual Salary	-	-	2,764,531
Bonuses	-	-	193,853
Car allowance	-	-	500,679
Acting	-	-	-
Leave Days	-	-	-
Rural Allowance	-	-	146,143
U.I.F	-	-	2,069
Medical	-	-	51,696
Pension	-	-	140,742
Total	-	-	3,799,713

28.2 Municipal Staff

	2022/2023	2021/2022
	R	R
Salaries and Wages	89,639,948	88,278,497
Contributions for UIF, pensions and medical aids	24,254,765	26,413,133
Travel, motor car, accommodation, subsistence and other allowances	11,445,619	11,897,989
Housing benefits and allowances	181,107	139,854
Overtime payments	9,449,477	9,449,749
Bonuses	7,141,990	7,054,560
Long-service awards	3,414,000	700,000
Other employee related costs	2,389,550	1,286,213
Provision for leave	1,685,371	2,593,353
Annual Bonus - Provision	97,366	69,653
Total	149,699,194	147,883,003

29 Remuneration of Councillors

		2022/2023	2021/2022
		R	R
Mayor	29.1	928,217	894,710
Speaker	29.2	757,452	740,177
Chief Whip	29.3	420,762	517,738
Executive Committee	29.4	404,561	412,352
Full Time Councillors	29.5	2,118,291	1,885,421
All Other Councillors	29.6	5,665,765	5,646,609
Total		10,295,048	10,097,007

29.1 Mayor

	2022/2023	2021/2022
	R	R
Allowances and Service Related Benefits		
Basic Salary	662,863	639,602
3G	3,600	3,600
Cell phone Allowance	40,800	38,307
Travelling Allowance	220,954	213,201
Total	928,217	894,710

29.2 Speaker

	2022/2023	2021/2022
	R	R
Allowances and Service Related Benefits		
Basic Salary	534,789	523,703
3G	3,600	3,600
Cell phone Allowance	40,800	38,307
Travelling Allowance	178,263	174,568
Total	757,452	740,177

29.3 Chief Whip

	2022/2023 R	2021/2022 R
Allowances and Service Related Benefits		
Basic Salary	282,271	356,873
3G	3,600	3,600
Cell phone Allowance	40,800	38,307
Travelling Allowance	94,090	118,958
Total	420,762	517,738

29.4 Executive Committee

	2022/2023 R	2021/2022 R
Allowances and Service Related Benefits		
Basic Salary	270,835	277,833
3G	3,523	3,600
Cell phone Allowance	39,923	38,307
Travelling Allowance	90,281	92,611
Total	404,561	412,352

29.5 Full time Councillors

	2022/2023 R	2021/2022 R
Allowances and Service Related Benefits		
Basic Salary	1,488,836	1,322,104
3G	10,800	10,897
Cell phone Allowance	122,400	116,017
Travelling Allowance	496,255	436,403
Total	2,118,291	1,885,421

29.6 All Other Councillors

	2022/2023 R	2021/2022 R
Allowances and Service Related Benefits		
Basic Salary	3,684,208	3,664,367
3G	61,094	59,920
Cell phone Allowance	692,394	696,546
Travelling Allowance	1,228,070	1,225,776
Total	5,665,765	5,646,609

The Mayor, Speaker and executive councillors are all full time. Each is provided with an office and secretarial support at the cost of Council. The Mayor has use of a Council owned vehicle and driver for official duties. Disclosure in terms of the MFMA, 2003, Section 124(1)(a)

29.7 Councillor's arrear consumer accounts

	Amount outstanding for more than 90 days
None	-

30 Depreciation, Amortisation and Impairment

		2022/2023 R	2021/2022 R
Amortisation			
Intangible Assets	11.1	165,567	133,108
Depreciation			
Property, Plant and Equipment	9.1	30,678,004	29,039,526
Impairment Loss / Reversal Of Impairment			
Property, Plant and Equipment	9.1	8,405,107	1,824,331
Total		39,248,678	30,996,965

31 Finance cost

		2022/2023	2021/2022
		R	R
Interest	31.1	1,234,989	1,056,729
Total		1,234,989	1,056,729

31.1 Interest Cost

	2022/2023	2021/2022
	R	R
Annuity Loans	68,653	121,724
Rehabilitation of Landfill sites	1,166,336	935,005
Total	1,234,989	1,056,729

32 Bulk Purchases

	2022/2023	2021/2022
	R	R
Electricity: Eskom	126,091,640	137,919,076
Total	126,091,640	137,919,076

32.1 Electricity Losses

	2022/2023	2021/2022
	Units	Units
Bulk Purchases	82,556,852	93,560,412
Sales	67,391,492	75,291,654
Usage	75,508,739	84,966,709
Total sales and usage	142,900,231	160,258,362
Free basic electricity	1,674,035	1,872,113
Grant total	144,574,266	162,130,475
kWh lost	7,048,112	8,593,703
Percentage loss	8.54%	9.19%

The loss is due to the tampering of meters and illegal connections.

33 Inventory Consumed {Repair & Maintenance}

	2022/2023	2021/2022
	R	R
Land	3,985,000	1,340,000
Materials and Supplies	3,098,049	2,860,207
Total	7,083,049	4,200,207

33.1 Inventory adjustments

	2022/2023	2021/2022
	R	R
Inventory - Write-down to net-realizable Value	-	-
Total	-	-

During the year the Municipality made major repairs electrical distribution networks. The cost incurred is treated as expense because it does not meet the criteria of capitalisation. There were no inventory write-down during the year.

34 Contracted Services

		2022/2023	2021/2022
		R	R
Consultants and Professional Services	34.1	12,139,867	14,959,197
Contractors	34.2	15,640,816	14,746,590
Outsourced Services	34.3	8,174,764	7,702,381
Total		35,955,447	37,408,169

34.1 Consultants and Professional Services		
	2022/2023 R	2021/2022 R
Business Advisory Services		
Accounting and Auditing	716,686	334,608
Business and Financial Management	400,419	461,603
Consultance and Professional	8,875,256	11,551,035
Medical Examinations	1,567,867	1,199,922
Occupational Health and Safety	-	207,094
Total Business and Advisory Services	11,560,229	13,754,262
Legal Services		
Legal Advice and Litigation	579,638	1,204,936
Total Legal Services	579,638	1,204,936
Total Consultants and Professional Services	12,139,867	14,959,197

34.2 Contractors		
	2022/2023 R	2021/2022 R
General Services		
Safeguard and Security	13,780,657	12,711,820
Total General Services	13,780,657	12,711,820
Maintenance Services		
Maintenance of Buildings and Facilities	155,302	423,838
Maintenance of Equipment	188,422	15,139
Maintenance of Unspecified Assets	1,516,434	1,595,794
Total Maintenance Services	1,860,159	2,034,770
Total Contractor	15,640,816	14,746,590

34.3 Outsourced Services		
	2022/2023 R	2021/2022 R
Business and Advisory Services		
Valuer	1,765,348	523,950
Total Business and Advisory Services	1,765,348	523,950
General Services		
Catering Services	770,458	447,280
Drivers Licence Cards	336,516	346,906
Dumping Site	5,202,606	6,384,245
Total General Services	6,409,417	7,178,431
Total Outsourced Services	8,174,764	7,702,381

35 Transfers and Subsidies

		2022/2023 R	2021/2022 R
Operational			
Monetary Allocations	35.1	4,390,000	4,565,000
Total Transfers and Subsidies: Operational		4,390,000	4,565,000
Total Transfers and Subsidies: Capital		-	-
Total		4,390,000	4,565,000

35.1 Monetary Allocations: Operational

	2022/2023 R	2021/2022 R
FMG	3,000,000	2,850,000
EPWP	1,390,000	1,715,000
Total	4,390,000	4,565,000

Disclosure in terms of the MFMA, 2003 Section 123(1)(b)

36 Operational Costs

	2022/2023	2021/2022
	R	R
Advertising	228,000	105,424
Audit fees	4,576,304	4,324,548
Bank charges	917,243	643,447
Bursaries	2,128,818	1,815,959
Conferences and delegations	365,283	223,212
Entertainment	73,116	19,576
Fuel and oil	3,542,208	3,284,730
Insurance	9,865,028	4,979,189
Licence fees - vehicles	141,936	147,255
Licence fees - computers	1,329,476	1,341,946
Membership fees	5,525	39,055
Postage	246,052	574,311
Printing and stationery	625,357	640,436
Skills development levies	1,209,373	1,140,700
Salga	3,597,273	1,543,010
Telephone cost	3,174,345	2,400,983
Travel and subsistence	9,967,369	5,676,775
Uniforms & overalls	3,560,625	2,585
Rental of Equipment	177,127	508,217
Municipal Activities	8,696	203,342
Workmens Compensation	1,028,833	-
Interest late payment	-	12,993
Township Establishment	1,420,000	1,880,000
Total	48,187,986	31,507,693

37 Net Cash From/(Used) Operating Activities

	2022/2023	2021/2022
	R	R
Surplus/(deficit) for the year	391,387,723	-13,386,713
Adjustment for:-Non cash items		
Donations	-16,744,000	
Depreciation and amortisation	30,843,571	28,518,998
Finance costs	1,166,336	2,620,820
(Gain) / loss on sale of assets	319,616	-
Interest on investments and receivables	-	-3,273,181
Gain on Post Medical Aid Benefit Liability	-2,051,000	-
Contribution to provisions bad debts	13,770,223	30,798,422
Fair value adjustments	-48,304,800	-1,810,200
Impairment loss / (reversal of impairment loss)	8,405,107	1,824,331
Provisions	-1,767,936	-10,117,936
other expenses	1,420,000	-
Bad Debts recovered	-315,440,897	-17,540,934
Operating surplus before working capital changes:	63,003,943	17,633,607
(Increase)/decrease in inventories	3,509,562	836,963
(Increase)/decrease in trade receivables-exchange transaction	-3,227,540	-13,995,384
(Increase)/decrease in other receivables-non exchange	-7,760,303	2,129,208
(Increase)/decrease in VAT receivable	4,700,937	16,156,037
Increase/(decrease) in conditional grants and receipts	-4,528,039	4,372,233
Increase/(decrease) in trade payables-exchange transaction	-5,822,487	19,694,473
Increase/(decrease) in consumer deposits	148,176	13,788
increase in payables from non exchange	-	-17,664,592
Cash generated by/(utilised in) operations	50,024,249	29,176,333

38 Correction prior year errors

	2021/2022	2020/2021	2019/2020
	R	R	R
During the year it was discovered that land used for administrative purpose was disclosed incorrectly as investment property			
Impact on investment property	-13,290,000		
Impact on PPE (Land category)	13,290,000		
Impact on accumulated surplus	-		
During the year it was discovered that assets donated to the Municipality in the previous year were not accounted for in the Municipality's books. This also affects Accumulated depreciation in the previous year.			
Impact on PPE	13,177,455		
Impact on Donation Income	-13,177,455		
Impact on Accumulated surplus	-13,177,455		
Impact on Accumulated depreciation	-575,035		
Impact on depreciation	575,035		
Impact on Accumulated surplus	575,035		
During the year it was discovered that credit card Liability in the previous year was overstated, this was due to Liability not correctly cleared with payments made towards reduce the liability.			
Impact on credit card Liability	272,578		
Impact on fuel expenditure	-244,880		
Impact on Travel and accommodation	-27,698		
Impact on accumulated surplus	-272,578		
During the year it was discovered that accumulated depreciation was understated, this is due to depreciation not run on a project that was completed in the previous years.			
Impact on Accumulated surplus	-49,552		
Impact on depreciation	49,552		
Impact on accumulated surplus	49,552		
During the year it was discovered that sundry debtors in the previous year was overstated, this is due to an error made on the note. The error also affected remuneration of councillors with the amount.			
Impact on sundry debtors	-80,318		
Impact on remuneration of Councillors	80,318		
Impact on accumulated surplus	80,318		
During the year it was discovered that debts relating to Cigi cell debtor was understated, this was due to non payments of some cash collected by the service provider, this also affects electricity revenue in the previous year			
Impact on debtors	501,075		
Impact on VAT	-65,358		
Impact on electricity revenue	-435,718		
Impact on accumulated surplus	-435,718		
During the year it was discovered that provision for bad debts was understated as a result of government debts not provided for. The following is the impact			
Impact on Accumulated impairment	-1,653,022		
Impact on bad debts provision	1,653,022		
Impact on accumulated surplus	1,653,022		
During the year it was discovered that consumer Debtors were overstated as a result of debtors relating to former Mutale Municipality that were incorrectly recognised in the system as debtors.			
Impact on consumer debtor		-9,968,834	
Impact on accumulated surplus		9,968,834	
During the year it was discovered that provision for bad debts on traffic fines was overstated as a result of overstatement on traffic fines balance.			

Impact on provision for bad debts		2,401,735
Impact on accumulated surplus		2,401,735
During the year it was discovered that traffic fines debts were overstated		
Impact on debtors	-	-2,965,105
Impact on accumulated surplus	-	2,965,105
During the year it was discovered that invoices relating to the previous year were not accounted for as accruals, this resulted in an understatement of creditors and expenditure.		
Impact on Payables	-626,697	
Impact on VAT receivables	47,672	
Impact on Insurance expenditure	218,955	
Postage expenditure	38,284	
Impact on Travelling and subsistence expenditure	3,972	
Impact on PPE	317,813	
Impact on Accumulated surplus	261,211	

39 Unauthorised, Irregular, Fruitless and wasteful expenditure disallowed

		2022/2023	2021/2022
		R	R
Unauthorised expenditure	39.1	118,212,140	118,212,140
Fruitless and wasteful expenditure	39.2	52,636,820	52,636,820
Irregular expenditure	39.3	122,825,213	89,546,242
Total		293,674,173	260,395,202

39.1 Unauthorised expenditure

	2022/2023 R	2021/2022 R
Opening balance	118,212,140	99,284,693
Unauthorised expenditure-prior year	-	-
Unauthorised expenditure current year	-	18,927,448
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	118,212,140	118,212,140

This relates to expenditure on non cash items not budgeted for.

39.2 Fruitless and wasteful expenditure

	2022/2023 R	2021/2022 R
Opening balance -	52,636,820	52,623,827
Fruitless and wasteful expenditure current year	-	12,993
Condoned or written off by Council	-	-
Transfer to irregular	-	-
To be recovered – contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	52,636,820	52,636,820

Fruitless and wasteful relates to interest on late payments, overtime time paid to employees and overpayment to suppliers.

39.3 Irregular expenditure

	2022/2023 R	2021/2022 R
Opening balance	89,546,242	194,054,030
Irregular expenditure-current year	33,278,971	31,296,247
Identified in the current year	-	-
Condoned or written off by Council	-	135,804,035
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	122,825,213	89,546,242

Due to deviations from the procurement processes (invitations of three written quotations, increase to bidding price, and no relevant contract or tender documentation) that were approved on the basis of it being an emergency, while it was possible to comply with the requirements or where proper planning would have prevented the deviations. Due to contracts that were extended or renewed to such an extent that competitive bidding processes were being circumvented, Not complying with conditions as stipulated in the DORA allocation (By using the Conditional grants for other commitments) and not complying with the basic conditions of employment by paying employees overtime more than 40 hours a week were it could have been avoided.

Irregular expenditure is always calculated inclusive of VAT while the figures disclosed above have been presented in this set of AFS exclusive of VAT

40 Additional Disclosures in Terms of Municipal Finance Management Act

40.1 Contributions to SALGA

	2022/2023 R	2021/2022 R
Opening balance	741,390	2,453,484
Council subscriptions	4,961,147	-
Amount paid - current	3,572,273	-
Amount paid - previous years	741,390	1,712,094
Balance unpaid	1,388,874	741,390

40.2 Audit fees

	2022/2023 R	2021/2022 R
Opening balance	-	36,336
Current year audit fee	4,576,304	4,324,548
Amount paid - current year	4,576,304	4,324,548
Amount paid - previous years	-	36,336
Balance unpaid	-	-

40.3 VAT

	2022/2023 R	2021/2022 R
VAT input receivables and VAT output payables are shown in note 6. All VAT returns have been submitted by the due date throughout the year.		

40.4 PAYE and UIF

	2022/2023 R	2021/2022 R
Opening balance	-	1,986,741
Current year payroll deductions	20,125,112	25,413,762
Amount paid - current year	20,125,112	25,413,762
Amount paid - previous years	-	1,986,741
Balance unpaid	-	-

40.5 Pension and Medical Aid Deductions

	2022/2023 R	2021/2022 R
Opening balance	1,471,165	1,858,322
Current year payroll deductions and Council Contributions	18,094,267	23,085,863
Amount paid - current year	18,094,267	21,614,698
Amount paid - previous years	1,471,165	1,858,322
Balance unpaid	-	1,471,165

41 Capital Commitments

Commitments in respect of capital expenditure

	2022/2023 R	2021/2022 R
- Approved and contracted for	25,563,427	11,490,599
Infrastructure	25,563,427	1,302,866
Community	-	10,187,733
- Approved but not yet contracted for	32,334,200	28,669,637
Infrastructure	25,234,200	7,813,491
Community	7,100,000	20,856,146
SubTotal	57,897,627	40,160,236

Commitments in respect of operating project expenditure

	2022/2023 R	2021/2022 R
- Approved and contracted for	34,291,359	39,735,558
Budget & Treasury	27,621,696	39,735,558
Community	6,669,663	-
- Approved but not yet contracted for	5,261,637	7,002,504
Infrastructure	1,701,800	1,635,650
Community	-	-
Heritage	-	-
Budget & Treasury	3,559,837	5,366,854
SubTotal	39,552,996	46,738,062
Total	97,450,623	86,898,298

This expenditure will be financed from:

	2022/2023 R	2021/2022 R
- External Loans	-	-
- Government Grants	59,599,247	41,795,886
- Own resources	37,851,197	45,102,412
Total	97,450,444	86,898,298

42 Contingent Liabilities

	2022/2023 R	2021/2022 R
<i>The municipality have legal cases which have been considered to be mute based on GRAP 19.35 & 101 and no disclosure is required</i>		

43 Contingent Assets

	2022/2023 R	2021/2022 R
<i>The following services were received in-kind by Musina Municipality during the year</i>		
The Municipality did not have any contingent assets during the year.	-	-

44 Related Party Disclosures

44.1 Remuneration of key management personnel - refer to note 28

Other remuneration and compensation provided to key management and their close family members (Paragraph 34(b))

During the reporting period the Municipality provided total remuneration and compensation of R 2 106 894 (2022: R2 008 650) to close family members of, and key management personnel. This amount consists of the remuneration of Municipal employee who are close members of the members of key management personnel.

44.2 Remuneration Councillors - refer to note 29

During the reporting period the Municipality provided total remuneration and compensation of R1 510 724 (2022: R874 599) to close family members of, and councillors. This amount consists of the remuneration of Municipal employees who are close members of the members of Councillors.

45 Events after the Reporting Date

	2022/2023 R	2021/2022 R
The Accounting officer is not aware of any significant material matter or circumstances that occurred after year end that warrant adjustment of or disclosure in the financial statement.	-	-

46 Key Sources of Estimation Uncertainty and Judgements

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment
Recoverable amounts of property, plant and equipment
Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)
Present value of defined benefit obligation
Provision for doubtful debts
Impairment of assets
Provision for long-term service award
Fair Value

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Impairment of assets
Provisions

47 Risk Management

47.1 Maximum credit risk exposure

	2022/2023 R	2021/2022 R
Financial assets exposed to credit risk at year end were as follows:		
ABSA Bank - Fixed deposits	10,731,000	10,731,000
ABSA Bank - Current/Cheque account	12,818,683	5,715,066
VAT Receivable	4,592,945	9,293,882
Trade and other receivables	50,785,213	40,178,829

These balances represent the maximum exposure to credit risk.

The municipality is exposed to an ABSA bank guarantee in favour of Eskom amounting to R10 731 000

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.

Trade receivables comprise a widespread customer base. Management evaluates 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.

There were no changes to the risk management in the current year

47.2 Liquidity risk

		2022/2023 R	2021/2022 R
Consumer deposit	Less than 1 year	5,232,064	5,083,888
	Between 1 and 2 years		-
	Between 2 and 5 years		
	Over 5 years		
Trade payables from exchange transaction	Less than 1 year	154,541,236	167,346,841
	Between 1 and 2 years		
	Between 2 and 5 years		
	Over 5 years		
Trade payables from non exchange transaction	Less than 1 year	42,197,840	351,037,078
	Between 1 and 2 years		
	Between 2 and 5 years		
	Over 5 years		
Long term Liabilities	Less than 1 year	-	-
	Between 1 and 2 years	-	-
	Between 2 and 5 years		
	Over 5 years		
Finance lease obligation	Less than 1 year	362,494	436,785
	Between 1 and 2 years	-	-
	Between 2 and 5 years		
	Over 5 years		
Unspent grant	Less than 1 year	10,106,761	5,578,721
	Between 1 and 2 years		
	Between 2 and 5 years		
	Over 5 years		

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 table above analyses the municipality's 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.

There were no changes to the liquidity and risk management in the current year

48 Change in Accounting Policy

The were no changes in accounting policy

49 Change in Estimate

The were no changes in accounting estimates

50 Operational Grant Expenditure

	2022/2023 R	2021/2022 R
Finance Management grant [FMG]	3,000,000	2,850,000
EPWP	1,390,000	1,715,000
Total	4,390,000	4,565,000

51 Income Forgone

	2022/2023 R	2021/2022 R
Assesment Rates	188,975	178,796
Total	188,975	178,796

52 In-Kind Donations and Assistance

	2022/2023 R	2021/2022 R
Department Of Transport	16,744,000	17,540,934

This relates to maintainance of various Roads in Musina by Road Agency Limpopo

53 Deviation from Procurement Processes - Supply Chain Regulation 36(2)

	2022/2023 R	2021/2022 R
53.1 Technical Department		
32 Occations	525,020	489,109
Supplier - Various		
Deviation due to sole provider of the required service		
53.3 Budget & Treasury Office		
37 Occations	1,070,370	851,153
Deviation due to sole provider of the required service		
Supplier - Various		
53.4 Community Services		
10 Occation	312,746	61,025
Supplier - Various		
Deviation due to sole provider of the required service		
53.5 Corporate Services		
45 Occations	714,637	236,295
Supplier - Various		
Deviation due to sole provider of the required service		
53.6 Municipal Manager Office		
51 Occations	1,138,010	1,095,508
Supplier - Various		
Deviation due to sole provider of the required service		
53.7 Intergrated Development plan		
4 Occation	51,377	6,431
Supplier - Various		
Deviation due to sole provider of the required service		
53.8 Mayors Office		
17 Occations	148,450	97,328
Supplier - Various		
Deviation due to sole provider of the required service		
Total	3,960,610	2,836,849

There was no other non- compliance with section 125(2)(e) of the MFMA

54 Going Concern

The financial statements have been prepared on a going concern basis.

The municipality liquidity challenges have improved as evident by the following :

- Surplus of R 391 016 073 compared to the deficit of R-13 386 713 in the previous year.
- Net current liability position of R 216 361 268 (2022 : R 531 037 314).
- The Eskom liability amounting to (R50 904 870) (2022: R64 715 904) this debt will be fully paid by July 2023, and further relieving the municipality off its financial burden.

The municipality's further plans to mitigate the risk of going concern by executing the following plans:

- Signed payment agreement with Eskom which will see the outstanding amount settled by July 2023,
- Reduction of overtime work to a maximum of 24hours per month which will result in a saving on Salaries
- Stricter cash management to spend when cash is available.
- Council approved resolution to sell most of land it owns in 2023/24 to improve revenue generation. This can bring about R90m to the Municipality.
- The development of revenue strategies to enhance the collection of amounts owed, seek new avenues of revenue generations

The achievement of some of the above strategies is not certain as they depend on factors outside the municipal control such as high take up of land sales, effective and positive response by consumers on the revenue strategies .

The accounting officer is satisfied that these strategies are achievable under the circumstances and that active management of cash flow strategies will be implemented to ensure the achievement of these strategies.

55 Principal and Agents

55.1 Department Of Transport

The Municipality has entered into an agreement with the Department of Transport under which the Department serves as a Principal and the Municipality as an agent. Under this arrangement, the Municipality performs licencing functions on behalf of the department of transport and an earns a commission of 20% of the total revenue collected from this services. The balance of 80% is transferred to the department of transport. The following is a summary of carrying values of assets, liabilities, revenue and expenditure as a result of the arrangements at year end.

	2022/2023 R	2021/2022 R
Non-Exchange Revenue		
Revenue- 20% agency fees	3,114,216	2,933,313
Current Liabilities		
Liabilities- Unpaid 80% at year end.	7,725,269	12,039,484

55.2 Vhembe District Municipality

The Municipality and Vhembe district Municipality entered into legislated arrangement under which the municipality serves as an agent and Vhembe district as a Principal under this arrangement, Musina Local Municipality performs water functions on behalf of the Vhembe district, all monies earned by the Musina Municipality from water services are disclosed as a liability and any monies paid by Musina Municipality to ensure smooth running of the water function are disclosed as a receivable by Musina Local Municipality.

	2022/2023 R	2021/2022 R
Current Liabilities		
Revenue	370,521,769	338,997,594
Current receivables		
Expenses paid	336,049,152	309,174,358

The Municipality has entered into an agreement with CigiCell under which the Municipality serves as a Principal and CigiCell as an agent. Under this arrangement, CigiCell sells electricity to Musina residents on behalf of the municipality. Cigicell earns 2.88 % of all revenue collected from selling electricity and the balance is transferred to the Municipality .The following is a summary of carrying values of assets, liabilities, revenue and expenditure as a result of the arrangements at year end.

55.3

	2022/2023 R	2021/2022 R
Exchange Revenue		
Electricity sales	57,099,464	58,681,273
Expenditure		
Commission paid	1,639,796	1,690,021
Current receivables		
Cigi cell-Unpaid Collections	175,405	589,992

56 COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Variance explanation-Only significant Variances.

Surplus for the year differences is as a result of bad debts provision recovered

Property rates-This is due to an increase on annual approved tariffs.

Equitable share - Amount for equitable share was increased as part of the allocation approved by national treasury.

Service charges- This is due to a decrease in lower sales of prepaid electricity than what the Municipality anticipated. Loadshedding played a bigger impact

Interest earned -external investment- this is due to higher investment made in the current year.

Licence and Permits -This is due to lower registration of vehicle rate.

Fines-This is due to less traffic fines issued than anticipated.

Other revenue- This is due to reversal of the Vhembe debt which resulted on impairment of debt reversal.

Revaluation of Investment Property-Management did not anticipate that the will be a major increase on the investment property valuation.

Employee cost-This is due to resignation and retirement in the current year.

Gain on medical aid benefit- Management did not anticipate to have a recovery on medical aid benefits.

Remuneration to councillors-This is due to resignation and retirement in the current year.

Bad debts impairment-bad debts on Vhembe receivables was recovered in the current year, the agreement to set off balances between Musina and Vhembe means they wont be any provision in the current year.

Depreciation and asset impairment-This is due to an unforeseen damage on stadiums and roads which led to an increase on impairment.

Bulk purchases- The unforeseen circumstances of load shedding led to lower sales of electricity which resulted in lower purchases from Eskom

Other Materials-sales of high value stands which was not anticipated led to the differences

Contracted services-this is due to less expenditure on contracted services compared to the budget.

Other expenditure-high spending on fuel because of load shedding (Use of genarators)

Finance charges -this is due to overpayments/ to reduce the loan excessively on the Absa Loan resulting in less interest paid on the loan.

Musina Local Municipality APPENDIX A ANALYSIS OF PROPERTY PLANT AND EQUIPMENT as at 30 June 2023															
	Cost / Revaluation						Accumulated Depreciation						Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Movement/Transfer	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Movement	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R		R	R	R	R	R	R
Land															
Land	52,007,654	-	667,815	-	-	52,675,469	-527,455	-243,750	-	-	-	-771,205	-	-	51,904,264
Landfill Sites	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	52,007,654	-	667,815	-	-	52,675,469	-527,455	-243,750	-	-	-	-771,205	-	-	51,904,264
Buildings	93,174,580	3,619,783	-591,015	-	11,816,218.00	108,019,566	-27,641,269	-2,927,639	-	-	-91,626	-30,660,533	-	-	77,359,033
Infrastructure															
Drains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Roads	330,598,242	21,698,363	718,590	-9,486,178	9,645,807	353,174,825	-152,049,097	-16,397,959	-	9,486,178	-2,612,764	-161,573,643	-	-	191,601,183
Security Measures and Others	10,228,503	-	-	-	-	10,228,503	-1,499,730	-	-	-	-	-1,499,730	-	-	8,728,773
Electricity Mains	118,970,390	-	457,667	-	4,815,697	124,243,753	-58,540,041	-6,430,561	-	-	-773,759	-65,744,361	-	-	58,499,392
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reservoirs – Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	459,797,135	21,698,363	1,176,257	-9,486,178	14,461,504	487,647,082	-212,088,868	-22,828,520	-	9,486,178	-3,386,524	-228,817,734	-	-	258,829,348
Community Assets															
Parks & Gardens	4,219,566	-	-	-	-	4,219,566	-1,260,300	-140,669	-	-	-	-1,400,969	-	-	2,818,597
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation Grounds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stadiums	54,597,590	-	-585,242	-	3,965,648	57,977,996	-11,994,351	-1,694,742	-	-	-4,515,692	-18,204,795	-	-	39,773,211
Halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Theatre	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	58,817,156	-	-585,242	-	3,965,648	62,197,562	-13,254,651	-1,835,410	-	-	-4,515,692	-19,605,754	-	-	42,591,808
Heritage Assets															
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	663,796,526	25,318,146	-	-9,486,178	30,243,370	710,539,679	-253,512,244	-27,835,319	-	9,486,178	-7,993,841	-279,855,227	-	-	430,684,452

Musina Local Municipality APPENDIX A ANALYSIS OF PROPERTY PLANT AND EQUIPMENT as at 30 June 2023															
	Cost / Revaluation						Accumulated Depreciation						Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Movement	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Movement	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R		R	R	R	R	R		R	R	R	R	R	R
Total brought forward	663,796,526	25,318,146		-9,486,178	30,243,370	710,539,679	-253,512,244	-27,835,319		9,486,178	-7,993,841	-279,855,227	-	-	430,684,452
Other Assets															
Office Equipment	1,685,882	-	-	-2,139	-	1,683,743	-1,186,758	-162,911	-	2,139	-	-1,347,530	-	-	336,213
Furniture & Fittings	3,222,072	9,120.00	-	-54,474	-	3,176,718	-3,119,233	-44,642	-	54,474	-946	-3,110,347	-	-	66,371
Bins and Containers	1,876,216	-	-	-	-	1,876,216	-1,683,004	-96,605	-	-	-	-1,779,609	-	-	96,607
Emergency Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment-finance assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & Equipment	1,805,735	332,002.34	-	-2,730	-	2,135,007	-1,330,676	-172,873	-	2,730	-43	-1,500,862	-	-	634,145
Car Port	8,494	-	-	-	-	8,494	-8,220	-137	-	-	-	-8,357	-	-	137
Computer Equipment	2,842,495	2,108,630	-	-	-	4,951,125	-2,487,339	-412,854	-	-	-	-2,900,193	-	-	2,050,932
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets-Landfill site	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	11,440,894	2,449,752.79	-	-59,343	-	13,831,304	-9,815,230	-890,022.00	-	59,343	-989	-10,646,898	-	-	3,184,406
Finance Lease Assets	1,270,662	-	-	-	-	1,270,662	-507,104	-423,554	-	-	-	-930,658	-	-	340,004
Motor vehicles	21,959,494	1,084,640	-	-2,748,946	-	20,295,187	-16,276,670	-1,529,070	-	2,748,946	-410,276	-15,467,070	-	-	4,828,117
	23,230,156	1,084,640	-	-2,748,946	-	21,565,849	-16,783,775	-1,952,624	-	2,748,946	-410,276	-16,397,728	-	-	5,168,121
Total	698,467,575.43	28,852,538	-	-12,294,466	30,243,370	745,936,832	-280,111,248	-30,677,964	-	12,294,467	-8,405,107	-306,899,853	-	-	439,036,980

Musina Local Municipality APPENDIX A ANALYSIS OF PROPERTY PLANT AND EQUIPMENT as at 30 June 2022															
	Cost / Revaluation						Accumulated Depreciation						Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Movement/Transfers	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Movement	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R		R	R	R	R	R		R	R	R	R	R	R
Land															
Land	52,605,064	-	-537,410	-60,000	-	52,007,654	-268,777	-258,678	-	-	-	-527,455	-	-	51,480,199
Sport Fields	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	52,605,064	-	-537,410	-60,000	-	52,007,654	-268,777	-258,678	-	-	-	-527,455	-	-	51,480,199
Buildings	80,455,030	7,175,188	3,519,600	-1,782,394	3,807,157	93,174,580	-24,154,936	-2,909,807	-	-	-576,526	-27,641,269	-	-	65,533,311
Infrastructure															
Drains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Roads	309,074,517	12,456,646	-	-891,167	9,958,246	330,598,242	-136,459,337	-15,235,032	-	891,167	-1,245,894	-152,049,097	-	-	178,549,145
Sewerage Mains & Purification	1,943,732	2,622,064	2,019,687	-	3,643,021	10,228,503	-970,448	-529,282	-	-	-	-1,498,730	-	-	8,728,773
Electricity Mains	117,602,634	485,889	452,209	-	429,658	118,970,390	-52,130,794	-6,409,247	-	-	-	-58,540,041	-	-	60,430,349
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reservoirs – Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	428,620,883	15,564,599	2,471,896	-891,167	14,030,925	459,797,135	-189,560,579	-22,173,562	-	891,167	-1,245,894	-212,088,868	-	-	247,708,267
Community Assets															
Parks & Gardens	4,219,566	-	-	-	-	4,219,566	-1,084,628	-175,672	-	-	-	-1,260,300	-	-	2,959,266
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation Grounds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stadiums	56,606,704	340,900	-4,209,101	-	1,859,088	54,597,590	-10,490,017	-1,504,334	-	-	-	-11,994,351	-	-	42,603,239
Halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Theatre	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	60,826,269	340,900	-4,209,101	-	1,859,088	58,817,156	-11,574,645	-1,680,006	-	-	-	-13,254,651	-	-	45,562,505
Heritage Assets															
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	622,507,246	23,080,687	1,244,984	-2,733,561	19,697,170	663,796,526	-225,558,938	-27,022,053	-	891,167	-1,822,420	-253,512,244	-	-	410,284,282

Musina Local Municipality APPENDIX A ANALYSIS OF PROPERTY PLANT AND EQUIPMENT as at 30 June 2022															
	Cost / Revaluation						Accumulated Depreciation						Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Movement	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Movement	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R		R	R	R	R	R		R	R	R	R	R	R
Total brought forward	622,507,246	23,080,687		-2,733,561	19,697,170	663,796,526	-225,558,938	-27,022,053		891,167	-1,822,420	-253,512,244	-	-	410,284,282
Other Assets															
Office Equipment	1,628,110	226,040	-	-168,268	-	1,685,882	-1,210,463	-144,500	-	168,268	-63	-1,186,758	-	-	499,124
Furniture & Fittings	3,420,542	25,319	-	-223,789	-	3,222,072	-3,292,932	-49,412	-	223,789	-678	-3,119,233	-	-	102,839
Bins and Containers	1,876,216	-	-	-	-	1,876,216	-1,586,399	-96,605	-	-	-	-1,683,004	-	-	193,212
Emergency Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & Equipment	1,579,086	319,944	-	-93,295	-	1,805,674	-1,329,362	-94,609	-	93,295	-	-1,330,676	-	-	474,998
Car Port	8,494	-	-	-	-	8,494	-8,083	-137	-	-	-	-8,220	-	-	274
Computer Equipment	3,677,065	253,108	-	-1,087,678	-	2,842,495	-3,433,833	-140,339	-	1,087,678	-846	-2,487,339	-	-	355,156
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	12,189,513	824,411	-	-1,573,030	-	11,440,833	-10,861,071	-525,602	-	1,573,030	-1,587	-9,815,230	-	-	1,625,603
Finance Lease Assets	1,270,662	-	-	-	-	1,270,662	-83,550	-423,554	-	-	-	-507,104	-	-	763,558
Motor vehicles	16,089,522	6,049,971	-	-180,000	-	21,959,494	-15,388,254	-1,068,317	-	180,000	-99	-16,276,670	-	-	5,682,823
	17,360,184	6,049,971	-	-180,000	-	23,230,156	-15,471,804	-1,491,871	-	180,000	-99	-16,783,775	-	-	6,446,381
Total	652,056,943	29,955,069	-	-4,486,590	19,697,170	688,467,514	-251,891,813	-29,039,526	-	2,644,196	-1,824,106	-280,111,249	-	-	418,356,266