



Mogalakwena Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2022

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## General Information

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### Nature of business and principal activities

Local Government

### Councillors

Cllr Taueatsoala N,G - Mayor  
Cllr Olifant P.L - Speaker  
Cllr Tsebe M.A - Chip whip  
Cllr Lebeso M.T - Planning and Development Services Chairperson  
Cllr Molekoa L.P - Community Services Chairperson  
Cllr Selemela RG - Finance Chairperson  
Cllr Senoamadi M.M - Technical Services Chairperson  
Cllr Tefu M.S - Corporate Support Services Chairperson  
Cllr Mokwele M.F - Electrical Services Chairperson  
Cllr Mashabane T.E - Traffic and Emergency Chairperson  
Cllr Satege L.K - Municipal Public Accounts Committee Chairperson  
Cllr Alberts S  
Cllr Boshomane M.J  
Cllr Boya R.M  
Cllr Baloyi M.B  
Cllr Coetzee Y  
Cllr Dekker K.Q  
Cllr Dolo M.E  
Cllr Gumede M.J  
Cllr Hlako C.W  
Cllr Hlonyana M.D  
Cllr Kekana M.R  
Cllr Kgole G.P  
Cllr Laka L.E  
Cllr Ledwaba R.S  
Cllr Maartens M  
Cllr Mabe P.S  
Cllr Maepa M.R  
Cllr Majadibodu K.S  
Cllr Malebana T.N  
Cllr Maluleke K.J  
Cllr Makhubele H.P  
Cllr Manganyi R.V  
Cllr Maponya T.H  
Cllr Marakalala C.N  
Cllr Marakalala L.S  
Cllr Marakalala M.P  
Cllr Maseko N.J  
Cllr Matlou L.E  
Cllr Matlou M.C  
Cllr Meteleni M.S  
Cllr Mmangokoane K.L  
Cllr Mogotle P.J  
Cllr Molebale M.J  
Cllr Molefe L.J  
Cllr Molekwa P  
Cllr Monama M.G  
Cllr Mphaho D.M

### Councillors

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## General Information

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Cllr Ncube M.J  
Cllr Ngoepe D.J  
Cllr Ngwenya M.B.M  
Cllr Ngwetjana L.N  
Cllr Nkgapele T.M  
Cllr Mkhona H.J  
Cllr Nxube T.G  
Cllr Ramela K.S  
Cllr rapatsa M.M  
Cllr Sebjane R.P  
Cllr Sebele K.A  
Cllr Setsiba E.T  
Cllr Shadung F.J  
Cllr Shikwane M.J  
Cllr Thobane M.S  
Cllr Wiid E

### **Council in office for financial period 2021**

Cllr Mokwele M.F - Mayor  
Cllr Olifant P.L - Speaker  
Cllr Madiba M.J - Planning and Development Services Chairperson  
Cllr Langa L.D - Community Services Chairperson  
Cllr Monare M.B - Finance Chairperson  
Cllr Senoamadi M.M - Technical Services Chairperson  
Cllr Selemela R.G - Corporate Support Services Chairperson  
Cllr Tefu - Electrical Services Chairperson  
Cllr Maepa - Traffic and Emergency Chairperson  
Cllr Satege L.K - Municipal Public Accounts Committee Chairperson  
Cllr Alberts S  
Cllr R.N  
Cllr Kekana M.R  
Cllr Mutshinya  
Cllr Mahladi M.E  
Cllr Sebatjane M.P  
Cllr Tlhaku M.S  
Cllr Tsebe M.A  
Cllr Ielaka M.S  
Cllr Leso E.S  
Cllr Maluleke K.J  
Cllr Molefe K.J  
Cllr Molekoa L.P  
Cllr Monama T.E  
Cllr Puka L.E  
Cllr Seanego T.J  
Cllr Thobane M.S  
Cllr Thlako V.K  
Cllr Tselana P.A  
Cllr Magogoa B.N  
Cllr Mashao M.L  
Cllr Senasha S.C.G  
Cllr Pooe T.P

# Mogalakwena Local Municipality

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## General Information

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Cllr Maritz M.F  
Cllr Leshaba M.C  
Cllr Hlako N.R  
Cllr Moloto M.E  
Cllr Dekker K.Q  
Cllr Baloyi M.B  
Cllr Motileni M.S  
Cllr Sebatjane R.P  
Cllr Mooka T.L  
Cllr Majadbodu K.S  
Cllr Lentsoane M.C  
Cllr Mampane M.J  
Cllr Laka L.E  
Cllr Sekhaolelo S.M  
Cllr Maloba L.P  
Cllr Seema M.E  
Cllr Ratema M.A  
Cllr Mogale M.T  
Cllr Nkuna B.T  
Cllr Legodi L.G  
Cllr Dibeila S.A  
Cllr Langa M.J  
Cllr mashaba L.J  
Cllr Coetzee Y

**Grading of local authority**

Grade 5

**Accounting Officer**

Mr Ngoepe HSM (Acting Municipal Manager 01 April 2021 to date)

**Chief Finance Officer (CFO)**

Mr Mathibe B.L (Acting 23 April 2021 to date)

**Registered office**

54 Retief Street  
Mokopane  
Mokopane  
0600

**Bankers**

Standard Bank

**Auditors**

AGSA (Limpopo Region)  
Registered Auditors

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Index

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

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COID	Compensation for Occupational Injuries and Diseases
COVID - 19	Coronavirus Disease
CPI	Consumer Price Index
DBSA	Development Bank of South Africa
DORA	Division of Revenue Act
DWS	Department of Water and Sanitation
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practice
LG - SETA	Local Government Sector Education and Training
MIG	Municipal Infrastructure Grant (Previously CMIP)
MFMA	Municipal Finance Management Act
SALGA	South African Local Government Association
WSIG	Water Services Infrastructure Grant

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

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

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 15 December 2022 and were signed on its behalf by:

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**Accounting Officer**  
**Mr MM Maluleka (Municipal Manager)**

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Officer's Report

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The accounting officer submits his report for the year ended 30 June 2022.

### 1. Review of activities

#### Main business and operations

The municipality is engaged in local government and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

### 2. Going concern

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

The ability of the municipality to continue as a going concern is dependent on continued grant funding from the national government.

### 3. Subsequent events

Council in a meeting held on 16 August 2022, appointed the Municipal Manager. He commenced work on 01 September 2022.

The section 139(1)(b) intervention by the Limpopo provincial government on Mogalakwena Local Municipality ended on 30 June 2022. The municipality is placed under section 154 of the constitution from 01 July 2022 until 31 December 2022

### 4. Accounting policies

As included in Note 1 of the annual financial statements, the municipality has consistently applied the accounting policies that are compliant to GRAP standards.

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

### 5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality	Changes
Mr MM Maluleka (Municipal Manager)	RSA	Appointed Thursday, 01 September 2022

### 6. Bankers

Standard Bank is the municipality's bank. The municipality's bankers did not change during the current year

### 7. Auditors

AGSA (Limpopo Region) will continue in office for the next financial period.

### 8. Non-compliance with applicable legislation

The reported Unauthorised, Irregular and Fruitless Expenditure which was incurred in contravention of the applicable regulations.

The municipality was deemed non-compliant with Municipal Budget and Reporting Regulations (MBRR) because its budget was not funded

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 15 December 2022 and were signed on its behalf by:

# **Mogalakwena Local Municipality**

Annual Financial Statements for the year ended 30 June 2022

## **Accounting Officer's Report**

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**Accounting Officer**  
**Mr MM Maluleka (Municipal Manager)**



# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Assets</b>			
Current Assets			
Inventories	8	374 121 068	376 172 753
Operating lease asset	7	7 033 796	2 805 504
Receivables from exchange transactions	9&11	84 746 676	195 514 365
Receivables from non-exchange transactions	10&11	19 325 683	38 334 167
Cash and cash equivalents	12	68 224 446	73 025 345
		<b>553 451 669</b>	<b>685 852 134</b>
Non-Current Assets			
Investment property	3	137 013 310	132 990 352
Property, plant and equipment	4	4 014 325 335	4 304 869 052
Intangible assets	5	943 422	943 422
Heritage assets	6	5 867 835	5 867 835
Receivables from exchange transactions	9	19 153 112	-
Receivables from non-exchange transactions	10	25 502 953	11 201 330
		<b>4 202 805 967</b>	<b>4 455 871 991</b>
<b>Total Assets</b>		<b>4 756 257 636</b>	<b>5 141 724 125</b>
<b>Liabilities</b>			
Current Liabilities			
Operating lease liability	7	6 996	68 228
Payables from exchange transactions	15	382 999 275	366 334 042
VAT payable	16	97 770 247	88 638 230
Consumer deposits	17	28 084 279	24 409 306
Unspent conditional grants and receipts	13	60 400 290	68 077 402
Provisions	14	12 748 120	2 548 857
		<b>582 009 207</b>	<b>550 076 065</b>
Non-Current Liabilities			
Provisions	14	123 052 672	158 106 679
<b>Total Liabilities</b>		<b>705 061 879</b>	<b>708 182 744</b>
<b>Net Assets</b>		<b>4 051 195 757</b>	<b>4 433 541 381</b>
Accumulated surplus		4 051 195 757	4 433 541 381
<b>Total Net Assets</b>		<b>4 051 195 757</b>	<b>4 433 541 381</b>

\* See Note 47

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Sale of goods		243 685	224 251
Service charges	19	416 148 339	408 501 894
Rendering of services		49 643	51 888
Rental of facilities and equipment	20	5 667 256	1 568 934
Licences and permits	22	13 650 820	10 684 735
(Losses)/Gains on sale of asects		1 689 153	(2 391 803)
Administration and management fees received		4 814 233	15 564 648
Other income	24	1 632 516	1 829 272
Interest received	25	53 462 038	47 214 877
Fair value adjustments	38	4 039 493	-
<b>Total revenue from exchange transactions</b>		<b>501 397 176</b>	<b>483 248 696</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	26	88 000 647	81 764 812
Interest received - property rates	26	13 442 499	12 229 329
<b>Transfer revenue</b>			
Government grants & subsidies	27	715 613 196	756 128 281
Fines, Penalties and Forfeits	21	806 925	533 950
<b>Total revenue from non-exchange transactions</b>		<b>817 863 267</b>	<b>850 656 372</b>
<b>Total revenue</b>	18	<b>1 319 260 443</b>	<b>1 333 905 068</b>
<b>Expenditure</b>			
Employee related costs	28	(363 223 933)	(378 337 359)
Remuneration of councillors	29	(17 570 003)	(24 143 209)
Depreciation and amortisation	30	(109 167 533)	(104 240 157)
Impairment loss	31	(380 411 819)	(12 273 171)
Finance costs	32	(9 850 092)	(33 185 802)
Lease rentals on operating lease	23	(155 278)	(359 126)
Debt Impairment	33	(252 985 591)	(599 519 134)
Repairs and Maintenance	37	(60 151 831)	(54 958 531)
Bulk purchases	34	(285 524 642)	(255 847 505)
Contracted services	35	(137 823 730)	(118 853 944)
Loss on disposal of assets and liabilities		(5 411)	(5 811 870)
General Expenses	36	(66 683 843)	(117 086 913)
<b>Total expenditure</b>		<b>(1 683 553 706)</b>	<b>(1 704 616 721)</b>
<b>Deficit for the year</b>		<b>(364 293 263)</b>	<b>(370 711 653)</b>

\* See Note 47

# Mogalakwena Local Municipality

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## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	5 207 320 192	5 207 320 192
Adjustments		
Correction of errors	(403 067 158)	(403 067 158)
<b>Balance at 01 July 2020 as restated*</b>	<b>4 804 253 034</b>	<b>4 804 253 034</b>
Changes in net assets		
Surplus for the year	(370 711 653)	(370 711 653)
Total changes	(370 711 653)	(370 711 653)
<b>Restated* Balance at 01 July 2021</b>	<b>4 415 489 020</b>	<b>4 415 489 020</b>
Changes in net assets		
Surplus for the year	(364 293 263)	(364 293 263)
Total changes	(364 293 263)	(364 293 263)
<b>Balance at 30 June 2022</b>	<b>4 051 195 757</b>	<b>4 051 195 757</b>
Note(s)		

\* See Note 47

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Service charges		533 821 069	637 769 882
Grants		778 729 691	744 544 849
Interest income		66 904 537	47 214 877
Property rates and other receipts		110 985 709	230 376 704
		<u>1 490 441 006</u>	<u>1 659 906 312</u>
<b>Payments</b>			
Employee costs		(380 793 936)	(405 673 784)
Suppliers		(805 704 555)	(1 032 197 970)
Finance costs		(9 850 092)	(33 185 802)
		<u>(1 196 348 583)</u>	<u>(1 471 057 556)</u>
<b>Net cash flows from operating activities</b>	41	<b><u>294 092 423</u></b>	<b><u>188 848 756</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(298 893 322)	(179 046 863)
Proceeds from sale of land		-	3 740 639
Proceeds from sale of other asset 2		-	7 923 531
		<u>(298 893 322)</u>	<u>(167 382 693)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(4 800 899)</b>	<b>21 466 063</b>
Cash and cash equivalents at the beginning of the year		73 025 345	51 559 282
<b>Cash and cash equivalents at the end of the year</b>	12	<b><u>68 224 446</u></b>	<b><u>73 025 345</u></b>

\* See Note 47

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Sales & rendering of services	1 579 118	-	<b>1 579 118</b>	244 161	<b>(1 334 957)</b>	N1
Service charges	488 266 753	-	<b>488 266 753</b>	408 447 328	<b>(79 819 425)</b>	N2
Agency services	9 443 370	-	<b>9 443 370</b>	12 944 354	<b>3 500 984</b>	N4
Rental of facilities and equipment	1 837 049	-	<b>1 837 049</b>	1 455 499	<b>(381 550)</b>	N3
Interest received - external investments	8 359 279	(5 325 133)	<b>3 034 146</b>	3 192 211	<b>158 065</b>	
Licences and permits	1 777 344	-	<b>1 777 344</b>	226 121	<b>(1 551 223)</b>	N7
Interest received - outstanding debtors	44 658 648	-	<b>44 658 648</b>	63 712 326	<b>19 053 678</b>	N5
<b>Total revenue from exchange transactions</b>	<b>555 921 561</b>	<b>(5 325 133)</b>	<b>550 596 428</b>	<b>490 222 000</b>	<b>(60 374 428)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	87 308 787	-	<b>87 308 787</b>	88 000 647	<b>691 860</b>	
<b>Transfer revenue</b>						
Government grants & subsidies	789 468 509	18 791 542	<b>808 260 051</b>	717 012 194	<b>(91 247 857)</b>	N6
Gains on disposal of PPE (Sale of Stands)	3 487 172	-	<b>3 487 172</b>	(1 382 436)	<b>(4 869 608)</b>	
Fines, Penalties and Forfeits	3 629 201	-	<b>3 629 201</b>	808 325	<b>(2 820 876)</b>	
Other revenue	2 426 158	-	<b>2 426 158</b>	2 110 937	<b>(315 221)</b>	
<b>Total revenue from non-exchange transactions</b>	<b>886 319 827</b>	<b>18 791 542</b>	<b>905 111 369</b>	<b>806 549 667</b>	<b>(98 561 702)</b>	
<b>Total revenue</b>	<b>1 442 241 388</b>	<b>13 466 409</b>	<b>1 455 707 797</b>	<b>1 296 771 667</b>	<b>(158 936 130)</b>	
<b>Expenditure</b>						
Employee related costs	(390 860 910)	28 799 614	<b>(362 061 296)</b>	(358 736 465)	<b>3 324 831</b>	
Remuneration of councillors	(25 102 612)	10 205 266	<b>(14 897 346)</b>	(14 851 083)	<b>46 263</b>	
Depreciation and amortisation	(94 905 524)	16 000 000	<b>(78 905 524)</b>	(4 188 029)	<b>74 717 495</b>	N8
Impairment loss/ Reversal of impairments	-	-	-	(380 411 819)	<b>(380 411 819)</b>	
Finance costs	(685 720)	685 720	-	-	-	
Debt Impairment	(110 901 189)	-	<b>(110 901 189)</b>	(252 985 591)	<b>(142 084 402)</b>	N9
Bulk purchases	(285 825 346)	40 040 005	<b>(245 785 341)</b>	(243 160 878)	<b>2 624 463</b>	
Transfers and Subsidies	(1 200 797)	693 211	<b>(507 586)</b>	(135 460)	<b>372 126</b>	
Contracted services	(138 788 563)	(78 960 230)	<b>(217 748 793)</b>	(240 682 122)	<b>(22 933 329)</b>	
Other materials	(40 118 083)	(7 843 494)	<b>(47 961 577)</b>	(13 514 724)	<b>34 446 853</b>	
General Expenses	(61 992 589)	1 656 009	<b>(60 336 580)</b>	(44 362 721)	<b>15 973 859</b>	N10
<b>Total expenditure</b>	<b>(1 150 381 333)</b>	<b>11 276 101</b>	<b>(1 139 105 232)</b>	<b>(1 553 028 892)</b>	<b>(413 923 660)</b>	
<b>Operating deficit</b>	<b>291 860 055</b>	<b>24 742 510</b>	<b>316 602 565</b>	<b>(256 257 225)</b>	<b>(572 859 790)</b>	
Loss on disposal of assets and liabilities	-	-	-	(5 411)	<b>(5 411)</b>	

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Fair value adjustments	-	-	-	4 039 493	<b>4 039 493</b>	
	-	-	-	<b>4 034 082</b>	<b>4 034 082</b>	
<b>Deficit before taxation</b>	<b>291 860 055</b>	<b>24 742 510</b>	<b>316 602 565</b>	<b>(252 223 143)</b>	<b>(568 825 708)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>291 860 055</b>	<b>24 742 510</b>	<b>316 602 565</b>	<b>(252 223 143)</b>	<b>(568 825 708)</b>	
<b>Reconciliation</b>						

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	231 546 907	(45 789 651)	<b>185 757 256</b>	376 776 068	<b>191 018 812</b>	
Current portion of long term receivables	5 518 488	-	<b>5 518 488</b>	19 325 685	<b>13 807 197</b>	
Other Debtors	65 077 686	-	<b>65 077 686</b>	-	<b>(65 077 686)</b>	
Call Investments Deposits	12 577 978	-	<b>12 577 978</b>	-	<b>(12 577 978)</b>	
Consumer debtors	436 358 752	-	<b>436 358 752</b>	84 746 676	<b>(351 612 076)</b>	
Cash and cash equivalents	180 198 535	-	<b>180 198 535</b>	68 224 446	<b>(111 974 089)</b>	
	<b>931 278 346</b>	<b>(45 789 651)</b>	<b>885 488 695</b>	<b>549 072 875</b>	<b>(336 415 820)</b>	
<b>Non-Current Assets</b>						
Investment property	74 411 000	-	<b>74 411 000</b>	137 013 310	<b>62 602 310</b>	
Property, plant and equipment	5 413 879 745	74 580 294	<b>5 488 460 039</b>	4 014 325 335	<b>(1 474 134 704)</b>	
Intangible assets	1 416 210	-	<b>1 416 210</b>	943 422	<b>(472 788)</b>	
Heritage assets	5 867 835	-	<b>5 867 835</b>	5 867 835	-	
Receivables from exchange transactions	16 137 241	-	<b>16 137 241</b>	19 153 112	<b>3 015 871</b>	
	<b>5 511 712 031</b>	<b>74 580 294</b>	<b>5 586 292 325</b>	<b>4 177 303 014</b>	<b>(1 408 989 311)</b>	
<b>Total Assets</b>	<b>6 442 990 377</b>	<b>28 790 643</b>	<b>6 471 781 020</b>	<b>4 726 375 889</b>	<b>(1 745 405 131)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Payables from exchange transactions	368 336 279	(50 380 221)	<b>317 956 058</b>	382 999 275	<b>65 043 217</b>	
Consumer deposits	23 976 869	-	<b>23 976 869</b>	28 084 279	<b>4 107 410</b>	
Provisions	2 548 857	-	<b>2 548 857</b>	12 748 120	<b>10 199 263</b>	
	<b>394 862 005</b>	<b>(50 380 221)</b>	<b>344 481 784</b>	<b>423 831 674</b>	<b>79 349 890</b>	
<b>Non-Current Liabilities</b>						
Provisions	103 138 708	-	<b>103 138 708</b>	123 052 672	<b>19 913 964</b>	
<b>Total Liabilities</b>	<b>498 000 713</b>	<b>(50 380 221)</b>	<b>447 620 492</b>	<b>546 884 346</b>	<b>99 263 854</b>	
<b>Net Assets</b>	<b>5 944 989 664</b>	<b>79 170 864</b>	<b>6 024 160 528</b>	<b>4 179 491 543</b>	<b>(1 844 668 985)</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	5 944 989 664	79 170 864	<b>6 024 160 528</b>	4 179 491 543	<b>(1 844 668 985)</b>	5

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Property rates	65 481 590	-	<b>65 481 590</b>	110 985 709	<b>45 504 119</b>	
Service charges	427 935 952	-	<b>427 935 952</b>	533 821 069	<b>105 885 117</b>	
Other revenue	36 239 578	(8 359 279)	<b>27 880 299</b>	-	<b>(27 880 299)</b>	
Transfers and Subsidies - Operational	486 579 000	-	<b>486 579 000</b>	486 579 000	-	
Transfers and subsidies - Capital	298 449 000	-	<b>298 449 000</b>	292 150 691	<b>(6 298 309)</b>	
Interest	-	16 718 558	<b>16 718 558</b>	66 904 537	<b>50 185 979</b>	
	<b>1 314 685 120</b>	<b>8 359 279</b>	<b>1 323 044 399</b>	<b>1 490 441 006</b>	<b>167 396 607</b>	

##### Payments

Suppliers and Employee costs	(831 711 948)	(97 185 342)	<b>(928 897 290)</b>	(1 186 498 491)	<b>(257 601 201)</b>	
Finance costs	(685 720)	-	<b>(685 720)</b>	(9 850 092)	<b>(9 164 372)</b>	
	<b>(832 397 668)</b>	<b>(97 185 342)</b>	<b>(929 583 010)</b>	<b>(1 196 348 583)</b>	<b>(266 765 573)</b>	

<b>Net cash flows from operating activities</b>	<b>482 287 452</b>	<b>(88 826 063)</b>	<b>393 461 389</b>	<b>294 092 423</b>	<b>(99 368 966)</b>	
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#### Cash flows from investing activities

Capital assets	(290 789 500)	-	<b>(290 789 500)</b>	(298 893 322)	<b>(8 103 822)</b>	
Net increase/(decrease) in cash and cash equivalents	191 497 952	(88 826 063)	<b>102 671 889</b>	(4 800 899)	<b>(107 472 788)</b>	
Cash and cash equivalents at the beginning of the year	1 278 561	88 826 063	<b>90 104 624</b>	73 025 345	<b>(17 079 279)</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>192 776 513</b>	<b>-</b>	<b>192 776 513</b>	<b>68 224 446</b>	<b>(124 552 067)</b>	

#### Reconciliation



# **Mogalakwena Local Municipality**

Annual Financial Statements for the year ended 30 June 2022

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

Figures in Rand	Note(s)	2022	2021
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### 1. Presentation of Annual Financial Statements

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

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

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 Materiality

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

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

#### 1.4 Significant judgements and sources of estimation uncertainty

In the process of applying its accounting policies, and in preparing the annual financial statements, management is required to make various judgements, including estimates and assumptions, that may affect the determination of the reporting framework, affect amounts represented in the annual financial statements and as well as related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

#### Receivables from exchange transactions/ non exchange transactions

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

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.4 Significant judgements and sources of estimation uncertainty (continued)

#### Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

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

#### Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

#### Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

#### Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

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

#### Effective interest rate

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

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.4 Significant judgements and sources of estimation uncertainty (continued)

#### Allowance for doubtful debts

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

### 1.5 Investment property

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

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

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

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

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

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

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

#### Fair value

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

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

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

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

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

### 1.6 Property, plant and equipment

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

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.6 Property, plant and equipment (continued)

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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

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

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.6 Property, plant and equipment (continued)

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

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Item	Depreciation method	Average useful life
Buildings	Straight-line	2 - 60 years
Plant and machinery	Straight-line	2 - 15 years
Furniture and fixtures	Straight-line	5 - 15 years
Motor vehicles	Straight-line	7 - 15 years
Office equipment	Straight-line	5 - 10 years
IT equipment	Straight-line	5 - 10 years
Water	Straight-line	5 - 100 years
Community	Straight-line	5 - 60 years
Other property, plant and equipment	Straight-line	5 - 20 years
Electricity	Straight-line	10 - 60 years
Sanitation	Straight-line	10 - 60 years
Roads and paving	Straight-line	5 - 80 years
Park facilities	Straight-line	10 - 50 years
Wastewater network	Straight-line	5 - 80 years
Railways	Straight-line	30 years
Specialised vehicles	Straight-line	10 - 15 years

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

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

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

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

### 1.7 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

### 1.8 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.8 Intangible assets (continued)

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

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

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

### 1.9 Heritage assets

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

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

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

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

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



# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.9 Heritage assets (continued)

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

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

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

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

An inalienable item is an asset that a municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

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

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

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

#### Recognition

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

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

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

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

#### Impairment

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

# Mogalakwena Local Municipality

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### 1.9 Heritage assets (continued)

#### Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.10 Financial instruments

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

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

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

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

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

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

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

A financial asset is:

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

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

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

# Mogalakwena Local Municipality

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## Accounting Policies

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### 1.10 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

# Mogalakwena Local Municipality

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## Accounting Policies

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### 1.10 Financial instruments (continued)

#### Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non - exchange transactions	Financial asset measured at amortised cost
Consumer debtors from non - exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured fair value

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

Class	Category
Payables from exchange transactions	Financial liability measured at fair value

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

#### Initial recognition

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

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value, plus in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

#### Subsequent measure of financial assets and liabilities

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

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

#### Reclassification

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.10 Financial instruments (continued)

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the municipality reclassifies the instrument from cost to fair value.

#### Gains and losses

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

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

#### Impairment and uncollectability of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

#### Financial assets measured at amortised cost:

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

The municipality assesses the financial assets for impairment individually, when assets are individually significant, or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), the municipality includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment for impairment

For collective assessments of impairment, assets with similar characteristics are grouped together. The credit risk characteristics are indicative of the debtors' ability to pay all amounts due according to contractual terms

In making this assessment, management may consider the following indicators as guidance for possible impairment:

- Significant financial difficulty experienced by the debtor;
- Delays in payments (including interest payments) or failure to pay / defaults;
- The probability that the borrower / debtor will enter sequestration (bankruptcy);
- Observable historical data indicating that there is a decrease in the estimated future cash flows that will be received by the municipality from a group of financial assets since the initial recognition of those assets;
- The disappearance of an active market for that financial asset because of financial difficulties;
- Accounts in arrears for a period longer than the initial estimated repayment period;
- Accounts with a provision factor of more than 10; and
- Accounts handed over for collection.

Management considers all the indicators above as guidance but only uses the indicators for which there is sufficient information to make the assessment for possible or actual impairment.

#### Derecognition

# Mogalakwena Local Municipality

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## Accounting Policies

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### 1.10 Financial instruments (continued)

#### Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- ? the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- ? the municipality, despite having retained some significant risks and rewards of ownership of the financial asset,
- ? the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality derecognises the asset; and recognise separately any rights and obligations created or retained in the transfer

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

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

#### Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

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# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.10 Financial instruments (continued)

#### Presentation

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

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

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

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

### 1.11 Leases

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

The municipality assesses the financial assets for impairment individually, when assets are individually significant, or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), the municipality includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment for impairment.

For collective assessments of impairment, assets with similar characteristics are grouped together. The credit risk characteristics are indicative of the debtors' ability to pay all amounts due according to contractual terms.

In making this assessment, management may consider the following indicators as guidance for possible impairment:

- Significant financial difficulty experienced by the debtor;
- Delays in payments (including interest payments) or failure to pay / defaults;
- The probability that the borrower / debtor will enter sequestration (bankruptcy);
- Observable historical data indicating that there is a decrease in the estimated future cash flows that will be received by the municipality from a group of financial assets since the initial recognition of those assets;
- The disappearance of an active market for that financial asset because of financial difficulties;
- Accounts in arrears for a period longer than the initial estimated repayment period;
- Accounts with a provision factor of more than 10; and
- Accounts handed over for collection.

# Mogalakwena Local Municipality

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## Accounting Policies

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### 1.11 Leases (continued)

#### Finance leases - lessor

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

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

#### Finance leases - lessee

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

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

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

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

#### Operating leases - lessor

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

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

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

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

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

#### Operating leases - lessee

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

### 1.12 Inventories

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

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

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

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

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.



# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.12 Inventories (continued)

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.13 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents.

### 1.14 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

[Specify judgements made]

# Mogalakwena Local Municipality

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## Accounting Policies

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### 1.15 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

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

[Specify judgements made]

### 1.16 Employee benefits

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

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

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

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

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

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

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

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

# Mogalakwena Local Municipality

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## Accounting Policies

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### 1.16 Employee benefits (continued)

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

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

#### Post-employment benefits

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

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

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

# Mogalakwena Local Municipality

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## Accounting Policies

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### 1.16 Employee benefits (continued)

#### **Multi-employer plans and/or State plans and/or Composite social security programmes**

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.16 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.16 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.16 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

#### Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

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

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

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

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

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

### 1.17 Provisions and contingencies

Provisions are recognised when:

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

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

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

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.17 Provisions and contingencies (continued)

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

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

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

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



# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.17 Provisions and contingencies (continued)

#### Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

### 1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

### 1.19 Revenue from exchange transactions

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

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

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

#### Measurement

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.19 Revenue from exchange transactions (continued)

#### Rendering of services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

### 1.20 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

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

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.20 Revenue from non-exchange transactions (continued)

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

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.

#### Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### Debt forgiveness and assumption of liabilities

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

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

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

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

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.20 Revenue from non-exchange transactions (continued)

#### Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

#### 1.21 Investment income

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

#### 1.22 Comparative figures

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

#### 1.23 Unauthorised expenditure

Unauthorised expenditure means:

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

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

#### 1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

#### 1.25 Irregular expenditure

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

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

#### 1.26 Segment information

A segment is an activity of an entity:

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

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

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.26 Segment information (continued)

#### Measurement

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

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

#### 1.27 Related parties

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

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

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

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

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

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

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

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

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

#### 1.28 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.

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.28 Events after reporting date (continued)

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

### 1.29 Consumer deposits

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

Consumers are also allowed to provide guarantees on application for new electricity connections instead of deposits. In cases where consumers default on their accounts, the Municipality can request the guarantee amounts from the consumers' bank as payment for the outstanding accounts.

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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Figures in Rand

2022

2021

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

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

#### 2.2 Standards and interpretations issued, but not yet effective

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

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GRAP 25                      Employee Benefits.

GRAP 103                    Heritage Assets

GRAP 104                   Financial Instruments

The new standards have no material impact for the financial period under review

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	137 013 310	-	137 013 310	132 990 352	-	132 990 352

#### Reconciliation of investment property - 2022

Investment property	<b>Opening balance</b>	<b>Fair value adjustments</b>	<b>Total</b>
	132 990 352	4 022 958	137 013 310

#### Reconciliation of investment property - 2021

Investment property	<b>Opening balance</b>	<b>Correction of error</b>	<b>Fair value adjustments</b>	<b>Total</b>
	73 934 000	55 984 763	3 071 589	132 990 352

Fair value of investment properties 4 132 723 3 071 589

#### Pledged as security

Investment property pledged as security is Rnil

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

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:



# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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Figures in Rand	2022	2021
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### 3. Investment property (continued)

In the exceptional cases when the municipality has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

#### Amounts recognised in surplus or deficit

Rental revenue from Investment property	1 449 007	1 568 934
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# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	226 102 941	(68 541 795)	157 561 146	226 102 941	(53 850 990)	172 251 951
Plant and machinery	21 100 651	(11 457 210)	9 643 441	30 336 427	(15 966 516)	14 369 911
Motor vehicles	46 693 372	(30 448 277)	16 245 095	56 414 046	(33 500 391)	22 913 655
Furniture and Office Equipment	8 661 177	(6 458 430)	2 202 747	8 724 243	(5 734 870)	2 989 373
IT equipment	10 073 224	(6 404 362)	3 668 862	10 297 151	(5 892 751)	4 404 400
Electrical Infrastructure	220 490 611	(147 637 414)	72 853 197	230 357 396	(123 294 841)	107 062 555
Community	315 416 507	(173 089 504)	142 327 003	298 792 364	(145 094 579)	153 697 785
Roads Infrastructure	1 374 072 938	(673 116 769)	700 956 169	1 374 072 938	(475 153 097)	898 919 841
Sanitation and solid waste infrastructure	187 742 209	(102 612 653)	85 129 556	187 742 208	(81 625 035)	106 117 173
Water network	2 531 215 158	(645 305 063)	1 885 910 095	2 478 123 528	(491 056 455)	1 987 067 073
Work in progress (WIP)	937 828 024	-	937 828 024	835 075 335	-	835 075 335
<b>Total</b>	<b>5 879 396 812</b>	<b>(1 865 071 477)</b>	<b>4 014 325 335</b>	<b>5 736 038 577</b>	<b>(1 431 169 525)</b>	<b>4 304 869 052</b>

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land and Buildings	172 251 951	-	-	-	-	(4 907 846)	(9 782 959)	157 561 146
Plant and machinery	14 369 911	-	(908 484)	-	-	(3 817 986)	-	9 643 441
Motor vehicles	22 913 655	-	(5 732 590)	-	-	(935 970)	-	16 245 095
Office equipment	2 989 373	-	(374 166)	-	-	(412 460)	-	2 202 747
IT equipment	4 404 400	-	(147 003)	-	-	(588 535)	-	3 668 862
Electrical Infrastructure	107 062 555	3 255 632	-	-	-	(12 462 583)	(25 002 407)	72 853 197
Community	153 697 785	16 624 142	-	-	-	(11 872 113)	(16 122 811)	142 327 003
Roads Infrastructure	898 919 841	-	-	-	-	(31 181 284)	(166 782 388)	700 956 169
Wastewater network	106 117 173	-	-	-	-	(3 879 580)	(17 108 037)	85 129 556
Water network	1 987 067 073	53 236 145	(42 908)	-	101 607	(40 643 109)	(113 808 713)	1 885 910 095
WIP	835 075 335	203 279 791	-	(68 722 600)	-	-	(31 804 502)	937 828 024
	<b>4 304 869 052</b>	<b>276 395 710</b>	<b>(7 205 151)</b>	<b>(68 722 600)</b>	<b>101 607</b>	<b>(110 701 466)</b>	<b>(380 411 817)</b>	<b>4 014 325 335</b>

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Transfers	Revaluations	Correction of error	Depreciation	Impairment loss	Total
Land and Buildings	151 372 889	25 441 234	-	-	-	(4 562 172)	-	172 251 951
Plant and machinery	15 628 614	64 075	-	-	908 484	(2 231 262)	-	14 369 911
Motor vehicles	22 165 046	-	-	-	5 732 590	(4 983 981)	-	22 913 655
Office equipment	3 335 219	13 998	-	-	374 166	(734 010)	-	2 989 373
IT equipment	5 534 196	67 996	-	1 749	135 254	(1 334 795)	-	4 404 400
Electrical Equipment	96 716 110	15 034 343	-	-	-	(4 687 898)	-	107 062 555
Community Assets	164 745 010	-	-	-	-	(11 047 225)	-	153 697 785
Roads Infrastructure	926 882 551	6 145 974	-	-	-	(34 108 684)	-	898 919 841
Wastewater network	107 834 336	1 966 661	-	-	-	(3 683 824)	-	106 117 173
Water network	1 649 209 937	374 868 862	-	-	-	(37 011 726)	-	1 987 067 073
Work in Progress (WIP)	1 093 063 788	169 821 719	(415 537 001)	-	-	-	(12 273 171)	835 075 335
	<b>4 236 487 696</b>	<b>593 424 862</b>	<b>(415 537 001)</b>	<b>1 749</b>	<b>7 150 494</b>	<b>(104 385 577)</b>	<b>(12 273 171)</b>	<b>4 304 869 052</b>

#### Pledged as security

Carrying value of assets pledged as security is R Nil

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment (continued)

#### Projects taking longer to complete

**Property, plant and equipment that was not used for any period of time during the reporting period that significantly impacted the delivery of goods and services of the entity (Carrying amount)**

			Notes
Baken RG MIni water scheme MoG27	304 818	304 818	N1
Taolome Mini water scheme MOG28	387 579	387 579	N2
Kgotso Millenium Park MOG29	109 340	109 340	N3
Water Abstraction Prozen Farm MOG26	217 203	217 203	N4
	<b>1 018 940</b>	<b>1 018 940</b>	

**Note 1** - The project design stage has been complete. Implementation has not been initiated

**Note 2** -The project design stage has been complete. Implementation has not been initiated

**Note 3** - The project design stage has been complete. Implementation has not been initiated.

**Note 4** - The project design stage has been complete. Implementation has not been initiated.

#### Halted Projects

	Carrying Value	Impairment	Total
Uitzicht taxi routes 11/12 R 2 m	103 964	-	103 964
Moruleng/Moela street	233 459	-	233 459
Lyden Roads & stormwater	202 328	-	202 328
Mokopane Sewer plant	65 881 419	-	65 881 419
New sewere plant/Mashodi	191 064 289	-	191 064 289
Mini Water Scheme 23: Fothane/Mamaala/Parakisi	16 658 657	-	16 658 657
Moshate Stadium	44 077 673	(44 077 673)	-
Ramorulane Roads & stormwater	288 715	-	288 715
'Mini Scheme 9: Mathekga, Moshuka, Segole	12 328 166	-	12 328 166
	<b>330 838 670</b>	<b>(44 077 673)</b>	<b>286 760 997</b>

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment (continued)

- 1.Uitzicht taxi routes - costs represents design fees of the project to still be implemented
- 2.Moruleng/Moela street - Costs represents design fees of the project to still be implemented.
- 3.Lyden Roads & stormwater -Costs represents design fees of the project to still be implemented.
- 4.Mokopane Sewer plant - The matter is currently in court. project has been halted.
- 5..Mini Water Scheme 23: Fothane/Mamaala/Parakisi -The matter is in court
- 6.Mini Water Scheme 23: Fothane/Mamaala/Parakisi -The matter is in court
7. Moshate Stadium - The matter is in court
- 8.Ramorulane Roads & stormwater -The phase one of the scoping report is complete.
- 9.'Mini Scheme 9: Mathekga, Moshuka, Segole -The matter is in court

#### Repairs and Maintenance

Maintenance of Equipment  
Maintenance of Buildings and Facilities  
Engineering Civil  
Engineering Aeronautical

	<b>2022</b>	<b>2021</b>
	12 134 015	12 475 551
	369 787	1 257 787
	72 190 739	49 040 808
	1 025 000	1 146 608
	<b>85 719 541</b>	<b>63 920 754</b>

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

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

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 5. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	5 158 641	(4 215 219)	943 422	5 158 641	(4 215 219)	943 422

#### Reconciliation of intangible assets - 2022

	Opening balance	Total
Computer software, other	943 422	943 422

#### Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, other	1 416 210	(472 788)	943 422

#### Pledged as security

Carrying value of intangible assets pledged as security is RNil:

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 6. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
National Parks	5 867 835	-	5 867 835	5 867 835	-	5 867 835

#### Reconciliation of heritage assets 2022

	Opening balance	Total
National Parks	5 867 835	5 867 835

#### Reconciliation of heritage assets 2021

	Opening balance	Total
National Parks	5 867 835	5 867 835

### 7. Operating lease asset

Current assets	7 033 796	2 805 504
Current liabilities	(6 996)	(68 228)
	<b>7 026 800</b>	<b>2 737 276</b>

#### 7.1 Leasing Arrangements.

The Municipality as Lessor operate leases relate to property owned by the municipality with lease terms of between 1 to 25 years, with an option to extend.



# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>8. Inventories</b>		
Consumable stores	18 865 922	17 971 585
Water for distribution	216 126	176 148
Land inventory	355 039 020	358 025 020
	<b>374 121 068</b>	<b>376 172 753</b>
Carrying value of inventories carried at fair value less costs to sell	357 694 020	360 297 020
Inventories recognised as an expense during the year	15 786 334	10 134 275

The land inventory was recognised at fair value less cost to sell due to the fact that the municipality could not determine the acquisition date and amounts as the land was registered in the name of the municipality before the year 2000. Inventories are held for own use and measured at the lower of cost and current replacement cost. No write downs of inventory to net realisable value were required.

### Inventory pledged as security

No inventory was pledged as security at the end of the financial year and in the previous financial year.

### Water for distribution

Opening balance		176 148	126 236
Purchases		36 455 212	24 697 381
Sales/consumed	34	(12 221 052)	(17 324 844)
Distribution losses		(24 194 182)	(7 322 625)
<b>Closing balance</b>		<b>216 126</b>	<b>176 148</b>

### 9. Receivables from exchange transactions

Deposits		1 830 215	1 830 215
Housing debtors		525 532	453 901
Non current portion		19 153 112	12 158 323
Sundry debtors		12 042 527	21 772 966
Consumer debtors - Electricity		9 892 364	40 446 217
Consumer debtors - Water		43 648 486	94 466 517
Consumer debtors - Waste water		6 653 355	14 279 208
Consumer debtors - Refuse		8 605 515	18 497 991
Consumer debtors - Service Charges		1 548 682	3 767 350
		<b>103 899 788</b>	<b>207 672 688</b>

The reassessment based on the payment rate has shown conditions that did not exist in the prior year. Based on the current assessment the movement in the prior year has been transferred to the debt impairment in the current financial year.

### Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

### Trade receivables

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>10. Receivables from non-exchange transactions</b>		
Fines	2 421 962	1 763 258
Accrued Income	19 199 013	19 199 013
Overpayment - Contractors	316 495	2 574 156
Property rates - non current portion	5 987 445	2 922 023
Property Rates - current portion	16 903 721	36 563 259
	<b>44 828 636</b>	<b>63 021 709</b>
<b>Reconciliation of provision for Impairment of trade and other receivables</b>		
Opening Balance	772 840 216	390 392 883
Provision for Impairment	207 662 840	382 447 333
	<b>980 503 056</b>	<b>772 840 216</b>
<b>Receivables from exchange transactions: non current assets</b>		
Electricity	10 478 753	7 127 080
Refuse	1 125 003	577 139
Sewerage	1 040 165	557 297
Water	5 902 352	3 552 469
Service Charges	606 840	344 337
	<b>19 153 113</b>	<b>12 158 322</b>
	-	-
<b>Receivables from non -exchange transactions: non - current assets</b>		
Property Rates	5 987 445	2 922 023
Accrued Income	19 199 013	19 199 013
Over payments - Contractors	316 495	2 574 156
	<b>25 502 953</b>	<b>24 695 192</b>
<b>Reconciliations of traffic fines</b>		
Gross receivables traffic fines	9 401 991	6 997 672
Accumulated impairment	(6 980 029)	(5 234 414)
	<b>2 421 962</b>	<b>1 763 258</b>
<b>Receivables from non-exchange transactions pledged as security</b>		
No receivables from non exchange transaction were pledged as security		
<b>Reconciliation of provision for impairment of receivables from non exchange transactions</b>		
Opening balance	190 167 199	100 223 627
Provision for impairment	45 327 133	89 943 572
	<b>235 494 332</b>	<b>190 167 199</b>
<b>11. Consumer debtors disclosure</b>		
<b>Gross balances</b>		
Consumer debtors - Rates	252 390 820	226 738 108
Consumer debtors - Electricity	147 770 314	134 188 323
Consumer debtors - Water	652 013 049	560 630 696
Consumer debtors - Waste water	99 386 587	88 546 028
Consumer debtors - Refuse	128 547 597	114 706 889
Consumer debtors - Service Charges	23 133 910	23 361 503
	<b>1 303 242 277</b>	<b>1 148 171 547</b>

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>11. Consumer debtors disclosure (continued)</b>		
<b>Less: Allowance for impairment</b>		
Consumer debtors - Rates	(235 487 099)	(190 167 199)
Consumer debtors - Electricity	(137 877 950)	(112 548 696)
Consumer debtors - Water	(608 364 563)	(470 221 645)
Consumer debtors - Waste water	(92 733 232)	(74 266 820)
Consumer debtors - Refuse	(119 942 082)	(96 208 900)
Consumer debtors - Service charges	(21 585 229)	(19 594 155)
	<b>(1 215 990 155)</b>	<b>(963 007 415)</b>
<b>Net balance</b>		
Consumer debtors - Rates	16 903 721	36 570 909
Consumer debtors - Electricity	9 892 364	40 446 217
Consumer debtors - Water	43 648 486	94 466 517
Consumer debtors - Waste water	6 653 355	14 279 208
Consumer debtors - Refuse	8 605 515	18 497 991
Consumer debtors - Service Charges	1 548 682	3 767 350
	<b>87 252 123</b>	<b>208 028 192</b>
<b>Rates</b>		
Current (0 -30 days)	895 749	1 977 482
31 - 60 days	285 589	699 401
61 - 90 days	271 466	645 151
> 90 days	15 450 917	33 248 875
	<b>16 903 721</b>	<b>36 570 909</b>
<b>Electricity</b>		
Current (0 -30 days)	2 242 220	5 556 256
31 - 60 days	370 491	1 147 640
61 - 90 days	558 682	869 645
> 90 days	6 720 971	32 872 676
	<b>9 892 364</b>	<b>40 446 217</b>
<b>Water</b>		
Current (0 -30 days)	1 757 466	4 796 629
31 - 60 days	721 863	1 787 679
61 - 90 days	739 709	1 733 175
> 90 days	40 429 448	82 091 567
	<b>43 648 486</b>	<b>90 409 050</b>
<b>Waste water</b>		
Current (0 -30 days)	245 405	626 349
31 - 60 days	91 902	258 679
61 - 90 days	89 646	207 696
> 90 days	6 226 402	13 186 484
	<b>6 653 355</b>	<b>14 279 208</b>
<b>Refuse</b>		
Current (0 -30 days)	268 703	604 818
31 - 60 days	110 428	261 532
61 - 90 days	109 145	269 991
> 90 days	8 117 239	17 361 650
	<b>8 605 515</b>	<b>18 497 991</b>

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>11. Consumer debtors disclosure (continued)</b>		
<b>Service charges</b>		
Current (0 -30 days)	34 181	196 575
31 - 60 days	14 525	40 216
61 - 90 days	29 565	35 243
> 90 days	1 470 410	3 495 314
	<b>1 548 681</b>	<b>3 767 348</b>
<b>Summary of debtors by customer classification</b>		
<b>Residential</b>		
Current (0 -30 days)	44 056 729	51 802 524
31 - 60 days	15 656 864	16 468 975
61 - 90 days	17 064 685	15 015 979
> 90 days	772 909 429	670 812 965
	849 687 707	754 100 443
Less: Allowance for impairment	(792 806 051)	(632 491 858)
	<b>56 881 656</b>	<b>121 608 585</b>
<b>Business/ commercial</b>		
Current (0 -30 days)	28 945 521	26 966 362
31 - 60 days	6 426 148	7 119 598
61 - 90 days	7 938 572	5 978 723
> 90 days	285 363 498	235 110 336
	328 673 739	275 175 019
Less: Allowance for impairment	(306 670 941)	(230 799 439)
	<b>22 002 798</b>	<b>44 375 580</b>
<b>National and provincial government</b>		
Current (0 -30 days)	7 847 534	5 992 166
31 - 60 days	1 681 531	2 330 612
61 - 90 days	1 757 216	2 261 962
> 90 days	113 594 134	108 303 701
	124 880 415	118 888 441
Less: Allowance for impairment	(116 520 397)	(99 716 121)
	<b>8 360 018</b>	<b>19 172 320</b>
<b>12. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	26 906	26 906
Bank balances	1 742 853	16 739 458
Short-term deposits	66 454 687	56 258 981
	<b>68 224 446</b>	<b>73 025 345</b>

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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Figures in Rand 2022 2021

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### 12. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
Standard bank Primary	2 437 542	16 426 885	24 327 166	1 742 853	16 741 223	9 372 424
Standard Bank Call Account - 002	190 045	1 333 704	1 032 599	190 045	1 333 704	1 032 695
Standard bank Call Account - 052	66 264 642	54 878 193	25 478 193	66 264 642	54 878 193	25 480 573
<b>Total</b>	<b>68 892 229</b>	<b>72 638 782</b>	<b>50 837 958</b>	<b>68 197 540</b>	<b>72 953 120</b>	<b>35 885 692</b>

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# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>13. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Municipal Infrastructure Grant (MIG)	24 638 574	57 313 025
Integrated National Electricity Programme (INEP)	25 000 000	3 074 196
Expanded Public Works Programme (EPWP)	-	1 259 000
Water Services Infrastructure Grant (WSIG)	7 176 485	6 933 579
Housing Development Agency (HDA)	-	(8 022 190)
Regional Bulk Infrastructure Grant (RBIG)	3 585 231	7 519 792
	<b>60 400 290</b>	<b>68 077 402</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	68 077 402	75 045 520
Additions during the year	224 096 687	249 187 057
Income recognition during the year	(231 773 799)	(256 155 175)
	<b>60 400 290</b>	<b>68 077 402</b>

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

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

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

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 14. Provisions

#### Reconciliation of provisions - 2022

	Opening Balance	Movement in provision	Total
Environmental rehabilitation	98 398 517	(44 416 762)	53 981 755
Provision - Long Service Award	16 311 280	(213 851)	16 097 429
Performance bonus	1 864 043	-	1 864 043
Post Retirement Medical Aid Provision	43 781 696	19 775 869	63 557 565
Other provisions - Insurance	300 000	-	300 000
	<b>160 655 536</b>	<b>(24 854 744)</b>	<b>135 800 792</b>

#### Reconciliation of provisions - 2021

	Opening Balance	Movement in provision	Total
Landfill site rehabilitation	32 316 092	66 082 425	98 398 517
Long Service Awards	13 390 360	2 920 920	16 311 280
Performance Bonus Provision	1 003 591	860 452	1 864 043
Post retirement medical aid provision	49 457 906	(5 676 210)	43 781 696
Other provisions - Insurance	300 000	-	300 000
	<b>96 467 949</b>	<b>64 187 587</b>	<b>160 655 536</b>

Non-current liabilities	123 052 672	158 106 679
Current liabilities	12 748 120	2 548 857
	<b>135 800 792</b>	<b>160 655 536</b>

#### Landfill site rehabilitation provision

Provision for rehabilitation of landfill sites relates to the legal obligation to restore and rehabilitate the Mokopane and Rebone landfill sites used for waste disposal..

The risks and uncertainties that inevitably surround many events and circumstances shall be taken into account in reaching the best estimate of a provision. The risks and uncertainties that inevitably surround many events and circumstances shall be taken into account in reaching the best estimate of a provision.

Risk describes variability of outcome.

A risk adjustment may increase the amount at which a liability is measured. Caution is needed in making judgements under conditions of uncertainty, so that revenue or assets are not overstated and expenses or liabilities are not understated, however, uncertainty, so that revenue or assets are not overstated and expenses or liabilities are not understated.

However uncertainty does not justify the creation of excessive provisions or deliberate overstatement of liabilities. For example if the projected costs of a particularly adverse outcome are estimated on a prudent basis, that outcome is not then deliberately treated as more probable than is realistically the case.

Care is needed to avoid duplicating adjustments for risk and uncertainty with consequent overstatement of provision

#### Assumptions

The landfill Closure and Rehabilitation Costing Methodology (LCRCM) consists of five (5) components namely:

The element that make up the final rehabilitation and closure

Basic unit costs for each element

Variables that have an impact on one or more cost elements and result in a loading (positive or negative) on the basic unit cost

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 14. Provisions (continued)

A set of algorithms that define the calculation of the amount of the various cost elements by describing the relationship between basic unit costs and the impact of the variables thereon

Discounting of the rehabilitation and closure costs

GRAP 19 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields ( at balance sheet date ) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term/life of the landfill site.

#### Key Financial Assumptions used

	For Rebone and Mokopane Landfills (%)
Discount rate	11
CPI	7
Net effective discount rate	3
	-

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

Carrying Value	2022	2021
Present value of the defined benefit obligation-wholly unfunded	53 981 755	58 819 141

Non - Current liabilities	2022	2021
	53 981 755	58 819 141

Change in the present value of the defined benefit obligation are as follows	2022	2021
Opening balance	58 819 141	32 316 092
Net expense recognised in the statement of financial performance	(4 837 386)	26 503 049
	<b>53 981 755</b>	<b>58 819 141</b>

Net Expense recognised in the statement of financial performance	2022	2021
Change in the landfill closure provision	(4 837 386)	26 503 049

#### Long service award

Actuarial Method and assumptions

The valuation of the defined benefit obligation is performed at year end by an independent expert

Objective

Funding is the making of advance provision to meet the cost of accruing benefit promises. The funding objectives implicit in GRAP25/IAS19 are to maintain a provision 100% of the accrued service liability. The maintenance of such a provision gives employees a measure of security in respect of accrued benefit rights and also helps ensure that the employer does not maintain excessive resources within the provision made

Method

The method of funding prescribed by GRAP25 is called the " Project Unit Method". Under this method the accrued service liabilities are determined by projecting all future payments which will be made by the employer in respect of benefits accrued up to valuation date. Assumptions are made in respect of, inter-alia, medical scheme contribution increases, withdrawals, deaths and ill health, early and normal retirements. These payments are discounted at the valuation rate of discount to determine the present value of the liabilities at the valuation date.



# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 14. Provisions (continued)

The assumptions used in the calculation as discussed above are set out below:

#### Pace of Funding

It is important to note that the assumptions do not affect the actual cost of the benefit paid, only the pace at which those costs are provided for in the accounts of the Mogalakwena Municipality

An exercise of this nature should be completed every 2 to 3 years in order to monitor progress and ensure that the strategy adopted is still appropriate.

#### ANALYSIS OF THE ACTUARIAL (GAIN)/LOSS

The actuarial ((gain)/loss summarises the effects of the valuation assumptions compared to the actual experience of the participants.

#### Key financial Assumptions

	<b>Value p.a (%)</b>
Discount rate	11
General earnings inflation rate (long term)	7
Salary increase rate	8
Net Discount rate	3
	-

#### Key Demographic Assumptions

	<b>Female (%)</b>	<b>Male (%)</b>
<b>Mortality during employment - SA 85- 90</b>		
<b>Average retirement age - 62</b>		
Age 20	9	9
Age 25	8	8
Age 30	6	6
Age 35	5	5
Age 40	5	5
Age 45	4	4
Age 50	3	3
	-	-

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

	<b>2022</b>	<b>2021</b>
<b>Carrying Value</b>		
The present value of the defined benefit obligation - wholly unfunded	16 097 429	14 364 000
	<b>2022</b>	<b>2021</b>
Non - current liabilities	14 380 320	12 708 000
Current liabilities	1 717 109	1 656 000
	<b>16 097 429</b>	<b>14 364 000</b>

#### Change in the present value of the defined obligation are as follows

Net expense recognised in the statement of financial performance	3 389 429	2 072 207
--	-----------	-----------

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

	<b>2022</b>	<b>2021</b>
Opening Balance	14 364 000	13 390 360
Net expense recognised in the statement of financial performance	1 733 429	973 640

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>14. Provisions (continued)</b>	<b>16 097 429</b>	<b>14 364 000</b>
Net expense recognised in the statement of financial position		
	<b>2022</b>	<b>2021</b>
Current service costs	1 479 000	1 166 277
Interest cost	1 257 000	-
Actuarial (gains)/losses	653 429	(123 668)
Expected benefits vesting	(1 656 000)	(1 668 567)
	<b>1 733 429</b>	<b>(625 958)</b>

### Post Employment Medical Aid Provision

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

Eligible employees will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement

All continuation members and their eligible dependents receive a 60% subsidy.

Upon a member's death in retirement, the surviving dependents will continue to receive the same subsidy, however, upon a member's death in service the surviving dependents will not continue to receive the subsidy.

All subsidies are subject to a maximum of R5 007. for the year ending 30 June 2022. The maximum subsidy amount has been assumed to increase in the future at 75% of salary inflation.

Age Band	Active employees on medical aid		Active employees not on medical aid	
	Number	Average past service (years)	Number	Average past service (years)
<25	-	-	1	3.41
25 - 29	7	2.31	23	3.41
30 - 34	26	6.80	70	4.03
35 - 39	52	7.61	108	5.59
40 - 44	69	11.09	117	6.96
45 - 59	52	15.25	129	8.96
50 - 54	53	17.42	109	10.64
55 - 59	34	12.34	77	16.03
60 - 64	20	12.27	27	18.06
>=65	1	26.83	1	25.33
Total	314	11.98	662	8.83

The total number of members on continuation is 41 pensioners..

### Key Financial Assumptions

Value  
p.a (%)

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>14. Provisions (continued)</b>		
Discount rate		12
Consumer price inflation		7
Health care cost inflation rate		9
Maximum subsidy inflation rate		6
Net-of-health-care-cost-inflation		3
		-

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

### Carrying amount

Present value of the defined benefit obligation_Wholly Unfunded	63 557 036	54 711 000
Non - current liabilities	61 394 036	52 833 000
Current liabilities	2 163 529	1 878 000
	<b>63 557 565</b>	<b>54 711 000</b>

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

Opening Balance	54 711 000	49 457 906
Net expense recognised in the statement of financial performance	8 846 565	5 253 094
	<b>63 557 565</b>	<b>54 711 000</b>
<b>Net expense recognised in the statement of financial performance</b>		
Current services costs	2 846 000	4 161 877
Interest cost	5 444 000	6 793 744
Actuarial (gains)/losses	2 434 565	(4 679 281)
Expected subsidy (Benefit) payments	(1 878 000)	(1 023 246)
	<b>8 846 565</b>	<b>5 253 094</b>

### Sensitivity analysis

As mentioned in the introduction of this report, the valuation is only an estimate of the cost of providing post-employment medical aid benefits. The actual cost to the Municipality will be dependent on actual future levels of assumed variables.

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

- 1;% increase in medical inflation results in a 14.9% increase in the accrued liability whilst 1% decrease in the medical inflation rate will result in a 12.24 decrease in the accrued liability.

Post retirement mortality

PA(90)-2 (PA(90) with a two-year age adjustment) means that, to each beneficiary we assigned a mortality rate of an individual two years younger than that beneficiary, i.e. lighter mortality implying that the individual lives longer than expected in the valuation basis.

Therefore, the below change in the mortality assumption would result in a 2.78% increase in the accrued liability.

Post retirement mortality	30 June 2022 Valuation basis	PA(90) -2
Employer's Accrued liability	63 557 565	65 322 091
Employers's current service cost	3 337 879	3 427 033
Employers interest cost	7 753 247	7 838 994
	<b>-</b>	<b>-</b>

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

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### 14. Provisions (continued)

#### Medical Inflation

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

We have tested the effect of at 1% p.a. change in the medical aid inflation assumption. The effect is as follows:

Medical Inflation	-1 Medical Aid Inflation	Valuation Assumption	+1 Medical Aid Inflation
Employers Accrued Liability	55 779 384	63 557 565	73 050 539
Service cost	2 763 160	3 337 879	4 065 522
Interest cost	6 788 494	77 753 247	8 928 325
	<u>-</u>	<u>-</u>	<u>-</u>

#### Valuation method

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date

#### Post employment medical aid liabilities

The expected value of each employee and their spouse's future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation (calculation). We also allowed for mortality, retirements and withdrawals from service as set out below. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement. Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. We assumed that 100% of all active members on medical aid will remain on medical aid once they retire. We also assumed that all active members will remain on the same medical aid option at retirement

#### Valuation of Assets

As at the valuation date, the medical aid liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not consider any assets as part of our valuation.

#### Valuation of assumptions

In estimating the liability for post-employment medical aid benefits a number of assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary.

#### Discount rate

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

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2021 the duration of liabilities was 14.08 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2022 is 12.41% per annum, and the yield on the inflation linked bonds of a similar term was about 4.16% per annum, implying an underlying expectation of inflation of 7.44% per annum  $([1 + 12.41\% - 0.5\%] / [1 + 4.16\%] - 1)$ .

#### Medical aid inflation

A healthcare cost inflation rate of 8.94% was assumed. This is 1.5% in excess of the expected inflation over the expected term of the liability, consistent with the previous actuary.

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 14. Provisions (continued)

However, it is the relative levels of the discount rate and healthcare inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 3.19% per annum  $([1 + 12.41\%] / [1 + 8.94\%] - 1)$

#### Demographic data

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

Assumption	Active employees	Pensioners
Normal retirement age	65	-
Fully accrued age	62	-
Employment age used for past service period	Actual service entry age	Actual service entry age
Age difference between spouses	4 years	4 years
Proportion married	60% assumed married at retirement	Actual marital status
Continuation percentage	Active employees to continue subsidy at 75% in retirement	-
Eligibility of active employees not on medical aid	Assumed that 15% will join a medical aid at retirement	-
Mortality	SA85 - 90 (Normal)	PA (90) -1 with a 1% mortality improvement p.a from 2010

#### Withdrawals Rates

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

Age	Withdrawal rates (Female)	Withdrawal rates (Male)
20	9.0%	9.0%
25	8.0%	8.0%
30	6.0%	6.0%
35	5.0%	5.0%
40	5.0%	5.0%
45	4.0%	4.0%
50	3.0%	3.0%
55+	-	-

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>15. Payables from exchange transactions</b>		
Trade payables	221 848 786	206 028 792
Payments received in advanced - contract in process	17 123 651	15 377 753
Control and clearing accounts	(11 303 039)	(10 849 877)
Deposits received	1 825 043	1 660 878
Retention creditors	68 400 017	83 980 167
Leave accrual	55 516 673	47 796 677
Bonus	8 682 253	8 640 266
Licenses and permits	20 686 921	13 480 416
Other Creditors	218 970	218 970
	<b>382 999 275</b>	<b>366 334 042</b>
<b>16. VAT payable</b>		
VAT Payable	97 770 247	88 638 230
<b>17. Consumer deposits</b>		
Electricity	23 491 311	19 825 998
Water	4 489 214	4 489 214
Housing rental	103 754	94 094
	<b>28 084 279</b>	<b>24 409 306</b>
<p>Consumer deposits are paid by consumers on application of the new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality reserves a right to utilise the deposit in settling the outstanding balances.</p>		
<b>18. Revenue</b>		
Sale of goods	243 685	224 251
Rendering of services	49 643	51 888
Service charges	416 148 339	408 501 894
Rental of facilities and equipment	5 667 256	1 568 934
Licences and permits	13 650 820	10 684 735
Miscellaneous other revenue	1 689 153	(2 391 803)
Administration and management fees received	4 814 233	15 564 648
Other income	1 632 516	1 829 272
Interest received - investment	53 462 038	47 214 877
Property rates	88 000 647	81 764 812
Property rates - penalties imposed	13 442 499	12 229 329
Government grants & subsidies	715 613 196	756 128 281
Fines, Penalties and Forfeits	806 925	533 950
	<b>1 315 220 950</b>	<b>1 333 905 068</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Sale of goods	243 685	224 251
Service charges	416 148 339	408 501 894
Rendering of services	49 643	51 888
Rental of facilities and equipment	5 667 256	1 568 934
Licences and permits	13 650 820	10 684 735
(Losses)/Gains from land sale	1 689 153	(2 391 803)
Administration and management fees received	4 814 233	15 564 648
Recoveries	1 632 516	1 829 272
Interest received - investment	53 462 038	47 214 877
	<b>497 357 683</b>	<b>483 248 696</b>

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>18. Service concession arrangements (continued)</b>		
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	88 000 647	81 764 812
Property rates - penalties imposed	13 442 499	12 229 329
<b>Transfer revenue</b>		
Government grants & subsidies	715 613 196	756 128 281
Fines, Penalties and Forfeits	806 925	533 950
	<b>817 863 267</b>	<b>850 656 372</b>
<b>19. Service charges</b>		
Sale of electricity	282 178 209	271 097 824
Sale of water	94 001 377	99 691 246
Sewerage and sanitation charges	39 241 258	36 848 628
Other service charges	727 495	864 196
	<b>416 148 339</b>	<b>408 501 894</b>
<b>20. Rental of facilities and equipment</b>		
<b>Premises</b>		
Premises	5 667 256	1 568 934
<b>21. Fines, Penalties and Forfeits</b>		
Law Enforcement Fines	806 925	533 950
<b>22. Licences and permits (exchange)</b>		
Road and Transport	13 650 820	10 684 735
<b>23. Lease rentals on operating lease</b>		
<b>Equipment</b>		
Contractual amounts	27 633	359 126
<b>Plant and equipment</b>		
Contractual amounts	127 645	-
	<b>155 278</b>	<b>359 126</b>
<b>24. Other Income</b>		
Administration and management fees received - third party	4 814 233	15 564 648
Miscellaneous receipts	1 632 516	1 829 272
	<b>6 446 749</b>	<b>17 393 920</b>
<b>25. Interest revenue</b>		
<b>Interest revenue</b>		
Bank	3 192 211	4 196 431
Interest charged on trade and other receivables	50 269 827	43 018 446
	<b>53 462 038</b>	<b>47 214 877</b>

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>26. Property rates</b>		
<b>Rates</b>		
Residential	35 976 086	33 628 623
Commercial	41 351 073	38 171 099
State	10 337 973	9 649 168
Municipal	-	(486)
Public Service Organisations	335 515	316 408
	<u>88 000 647</u>	<u>81 764 812</u>
Property rates - penalties imposed	13 442 499	12 229 329
	<u><b>101 443 146</b></u>	<u><b>93 994 141</b></u>

Valuation on land and buildings are performed every 5 years. The last general valuation roll was performed on 1 July 2019 interim valuation are processed on a monthly basis (been sent to municipality end of September ) taking into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an annual basis with the final date for payment being 30 June of each financial year. Interest at 9% per annum is levied on annual rates one month after the due date for payment



# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>27. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	483 337 000	554 269 324
Extended Public Works Programme (EPWP)	1 292 000	-
Financial Management Grant (FMG)	1 950 000	1 700 000
	<b>486 579 000</b>	<b>555 969 324</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant (MIG)	162 929 647	96 106 975
Intergrated National Electrification Programme (INEP)	-	22 657 712
Regional Bulk Infrastructure Grant (RBIG)	39 347 456	44 477 849
Water Services Infrastructure Grant (WSIG)	26 757 093	36 916 421
	<b>229 034 196</b>	<b>200 158 957</b>
	<b>715 613 196</b>	<b>756 128 281</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received	236 316 480	212 808 291
Unconditional grants received	483 337 000	555 969 324
	<b>719 653 480</b>	<b>768 777 615</b>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
.		
<b>Municipal Infrastructure Grant (MIG)_</b>		
Balance unspent at beginning of year	57 313 025	51 833 582
Current-year receipts	130 622 000	153 420 000
Conditions met - transferred to revenue	(162 929 647)	(95 907 829)
Funds returned to Treasury	(366 804)	(52 032 728)
	<b>24 638 574</b>	<b>57 313 025</b>
Conditions still to be met - remain liabilities (see note 13).		
<b>Intergrated National Electrification Programme (INEP)</b>		
Balance unspent at beginning of year	3 074 196	9 116 594
Current-year receipts	25 000 000	12 000 000
Conditions met - transferred to revenue	-	(18 042 398)
Funds returned to Treasury	(3 074 196)	-
	<b>25 000 000</b>	<b>3 074 196</b>
Conditions still to be met - remain liabilities (see note 13).		
The purpose of this grant is to improve access to basic services infrastructure of the municipality.		
<b>Financial Management Grant (FMG)</b>		

# Mogalakwena Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>27. Government grants and subsidies (continued)</b>		
Balance unspent at beginning of year	-	709 399
Current-year receipts	1 950 000	1 700 000
Conditions met - transferred to revenue	(1 950 000)	(1 700 000)
Funds returned to Treasury	-	(709 399)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 13).

The finance management grant is meant to capacitate the finance department in dealing with financial administration of the municipality

### Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	1 259 000	1 293 999
Current-year receipts	1 292 000	1 259 000
Conditions met - transferred to revenue	(1 292 000)	-
Funds returned to Treasury	(1 259 000)	(1 293 999)
	<u>-</u>	<u>1 259 000</u>

Conditions still to be met - remain liabilities (see note 13).

The purpose of this grant is to enable the municipality to offer opportunities for experiential learning programme to unemployed members of community..

### Regional Bulk Infrastructure Grant (RBIG)

Current-year receipts	34 215 179	36 958 057
Conditions met - transferred to revenue	(34 215 179)	(36 958 057)
	<u>-</u>	<u>-</u>

### Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	6 933 579	12 594 344
Current-year receipts	27 000 000	43 850 000
Conditions met - transferred to revenue	(26 757 094)	(36 916 421)
Funds returned to Treasury	-	(12 594 344)
	<u>7 176 485</u>	<u>6 933 579</u>

Conditions still to be met - remain liabilities (see note 13).

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>28. Employee related costs</b>		
Basic	201 527 222	195 767 356
Bonus	-	821 167
Medical aid - company contributions	16 379 065	7 802 654
UIF	1 744 387	1 638 629
SDL	2 685 795	3 009 442
Leave pay	21 935 544	30 664 345
Defined contribution plans	41 081 997	40 635 039
Travel, motor car, accommodation, subsistence and other allowances	30 379 988	30 741 702
Overtime payments	20 299 553	39 881 335
Long-service awards	476 429	(167 874)
13th Cheques	16 189 418	17 037 494
Acting allowances	4 496 719	2 672 252
Housing benefits and allowances	332 642	331 542
Cellphone Allowance	5 584 998	7 207 710
Bargaining Council	110 176	294 566
	<b>363 223 933</b>	<b>378 337 359</b>
<b>Remuneration of acting municipal manager</b>		
Annual Remuneration	391 510	930 921
Performance Bonuses	-	86 130
Contributions to UIF, Medical and Pension Funds	-	190 955
Other benefits	34 985	420 179
	<b>426 495</b>	<b>1 628 185</b>
<b>Remuneration of acting chief finance officer</b>		
Annual Remuneration	26 743	168 819
Performance Bonuses	-	8 350
Contributions to UIF, Medical and Pension Funds	-	1 810
Other benefits	33 138	79 048
	<b>59 881</b>	<b>258 027</b>
<b>Acting Manager - Community Services</b>		
Annual Remuneration	250 658	733 764
Performance Bonuses	-	64 222
Contributions to UIF, Medical and Pension Funds	-	121 887
Other benefits	56 821	237 211
	<b>307 479</b>	<b>1 157 084</b>
<b>Acting Manager - Corporate Services</b>		
Annual Remuneration	384 761	583 031
Performance Bonuses	-	78 687
Contributions to UIF, Medical and Pension Funds	-	90 360
Other benefits	63 947	355 177
	<b>448 708</b>	<b>1 107 255</b>

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>28. Employee related costs (continued)</b>		
<b>Acting Manager - Traffic and Emergency Services</b>		
Annual Remuneration	424 299	536 848
Performance Bonuses	-	80 234
Contributions to UIF, Medical and Pension Funds	-	76 024
Other benefits	63 947	249 215
	<b>488 246</b>	<b>942 321</b>
<b>Acting Manager Technical Services</b>		
Annual Remuneration	244 660	304 833
Performance Bonuses	-	12 384
Contributions to UIF, Medical and Pension Funds	-	2 148
Other benefits	58 661	159 749
	<b>303 321</b>	<b>479 114</b>
<b>Acting Manager - Planning and Economic Development</b>		
Annual Remuneration	135 867	164 838
Other benefits	34 985	33 860
	<b>170 852</b>	<b>198 698</b>
<b>29. Remuneration of councillors</b>		
Executive Major	170 303	494 205
Mayoral Committee Members	2 197 637	4 163 224
Speaker	219 570	445 651
Councillors	8 586 441	19 040 129
	<b>11 173 951</b>	<b>24 143 209</b>
<b>In-kind benefits</b>		
The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor has two full-time bodyguards.		
<b>Additional information</b>		
The salaries, allowances and benefits of political office-bearers and councillors of the municipality are within the upper limits of the framework envisaged in section 219 of the Constitution 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 this Act.		
<b>30. Depreciation and amortisation</b>		
Property, plant and equipment	109 161 098	103 760 934
Intangible assets	6 435	479 223
	<b>109 167 533</b>	<b>104 240 157</b>
<b>31. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	380 411 819	12 273 171

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>32. Finance costs</b>		
Finance, other interest and penalties	<u>9 850 092</u>	<u>33 185 802</u>
.		
<b>33. Debt impairment</b>		
Contributions to debt impairment provision	<u>252 985 591</u>	<u>599 519 134</u>

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>34. Bulk purchases</b>		
Electricity - Eskom	249 069 430	231 200 036
Water	36 455 212	24 647 469
	<b>285 524 642</b>	<b>255 847 505</b>

### Electricity losses

	Number 2022	Number 2021		
Units purchased	181 275 403	187 153 761	246 289 195	215 153 761
Units sold	(137 616 317)	(140 416 363)	(188 565 011)	(161 420 317)
<b>Total loss</b>	<b>43 659 086</b>	<b>46 737 398</b>	<b>57 724 184</b>	<b>53 733 444</b>
<b>Comprising of:</b>				
Non-technical losses	43 659 086	46 737 398	57 724 184	53 733 444
<b>Percentage Loss:</b>				
Non-technical losses	24 %	25 %	23 %	

### Water losses

	Number 2022	Number 2021		
Units purchased	5 633 193	4 807 202	50 698 737	38 020 317
Units sold	(2 944 951)	(3 881 459)	(26 504 555)	(30 700 000)
<b>Total</b>	<b>2 688 242</b>	<b>2 324 472</b>	<b>24 194 182</b>	<b>7 320 317</b>
<b>Comprising of:</b>				
Non-technical losses	-	925 743	-	3 520 317
<b>Percentage Loss:</b>				
Non-technical losses	48 %	19 %	48 %	

Distribution losses relating to electricity is due to illegal connection.

Distribution losses relating to water is due to damage on water infrastructure network resulting in leakages and illegal connection

### 35. Contracted services

#### Outsourced Services

Gardening Services	-	28 450
Fire Services	2 750	-
Medical Services [Medical Health Services & Support	-	23 196
Security Services	55 609 947	37 510 318
Transport Services	15 975 815	4 767 133
Electrical	71 544	350
Water Tankers	12 246 307	45 449 316

#### Consultants and Professional Services

Business and Advisory	53 377 385	30 283 437
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# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>35. Contracted services (continued)</b>		
<b>Contractors</b>		
Bore Waterhole Drilling	109 800	-
Medical Services	-	136 320
Tracing Agents and Debt Collectors	170 571	296 627
Traffic and Street Lights	259 611	358 797
	<b>137 823 730</b>	<b>118 853 944</b>
<b>36. General expenses</b>		
Accommodation	437 081	132 205
Advertising	2 139 311	1 425 649
Auditors remuneration	11 846 491	8 739 044
Bank charges	1 558 608	1 381 690
Cleaning	1 442 089	114 356
Commission paid	1 224	20 163
Computer expenses	2 670 145	3 719 231
Consumables	15 786 334	10 134 275
Delivery expenses	262 477	136 975
Entertainment	-	3 524
Grass cutting and bush clearing	1 418 988	-
Indigent relief	6 197 029	5 973 445
Insurance	7 358 742	4 006 440
Landfill site maintenance and provision	(2 486 936)	53 203 198
Motor vehicle expenses	2 402 144	902 921
Other expenses	5 683 711	12 380 864
Printing and stationery	1 301 342	1 278 295
SDL and Ward Committees	1 917 550	3 778 000
Staff welfare	126 767	326 995
Subscriptions and membership fees	59 548	22 763
Subsistence and Travelling costs	3 528 984	7 851 976
Telephone and fax	1 820 976	1 036 008
Uniforms	1 211 238	518 896
	<b>66 683 843</b>	<b>117 086 913</b>
<b>37. Repairs and maintenance</b>		
Maintenance of equipment	12 134 015	12 475 551
Maintenance of buildings and facilities	369 787	1 257 787
Engineering civil	72 190 739	49 040 808
Engineering Aeronautical	1 025 000	1 146 608
	<b>85 719 541</b>	<b>63 920 754</b>
<b>38. Fair value adjustments</b>		
Investment property (Fair value model)	4 149 258	-
Other financial assets		
• Fair value adjustment - Investment property	(109 765)	-
	<b>4 039 493</b>	<b>-</b>
<b>39. Auditors' remuneration</b>		
Fees	11 846 491	8 739 044

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021	
<b>40. Operating deficit</b>			
Operating deficit for the year is stated after accounting for the following:			
<b>Operating lease charges</b>			
Equipment			
• Contractual amounts	27 633	359 126	
Plant and equipment			
• Contractual amounts	127 645	-	
	<b>155 278</b>	<b>359 126</b>	
Loss on sale of property, plant and equipment	(5 411)	(5 811 870)	
Impairment on property, plant and equipment	380 411 819	12 273 171	
Amortisation on intangible assets	6 435	479 223	
Depreciation on property, plant and equipment	109 161 098	103 760 934	
Employee costs	380 793 936	402 480 568	
<b>41. Cash generated from operations</b>			
Deficit	(364 293 263)	(370 711 653)	
<b>Adjustments for:</b>			
Depreciation and amortisation	109 167 533	104 240 157	
Loss on sale of assets and liabilities	(1 689 153)	-	
Fair value adjustments	(4 039 493)	-	
Impairment deficit	380 411 819	12 273 171	
Debt impairment	252 985 591	599 519 901	
Movements in operating lease assets and accruals	(4 289 524)	-	
Movements in provisions	(24 854 744)	(17 949 211)	
Prior period non cash movements	(169 479 988)	(401 496 675)	
Other non-cash items	5 411	-	
<b>Changes in working capital:</b>			
Inventories	2 051 685	6 778 130	
Receivables from exchange transactions	91 614 577	218 317 059	
Other receivables from non-exchange transactions	4 706 861	63 239 415	
Payables from exchange transactions	16 665 233	(25 186 345)	
VAT	9 132 017	6 360 488	
Unspent conditional grants and receipts	(7 677 112)	(6 968 118)	
Consumer deposits	3 674 973	432 437	
	<b>294 092 423</b>	<b>188 848 756</b>	
<b>42. Financial instruments disclosure</b>			
<b>Categories of financial instruments</b>			
<b>2022</b>			
<b>Financial assets</b>			
	<b>At fair value</b>	<b>At amortised cost</b>	<b>Total</b>
Trade and other receivables from exchange transactions	-	84 746 676	84 746 676
Other receivables from non-exchange transactions	-	19 325 683	19 325 683
Cash and cash equivalents	68 221 942	-	68 221 942
	<b>68 221 942</b>	<b>104 072 359</b>	<b>172 294 301</b>
<b>Financial liabilities</b>			



# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

	2022	2021
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### 42. Financial instruments disclosure (continued)

	At amortised cost	Total
Payables from exchange transactions	382 999 275	382 999 275
VAT Payables	97 770 247	97 770 247
Consumer deposits	28 084 279	28 084 279
Unspent conditional grants	60 400 279	60 400 279
	<b>569 254 080</b>	<b>569 254 080</b>

### 2021

#### Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	195 514 365	195 514 365
Other receivables from non-exchange transactions	-	38 334 167	38 334 167
Cash and cash equivalents	73 025 345	-	73 025 345
	<b>73 025 345</b>	<b>233 848 532</b>	<b>306 873 877</b>

#### Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	366 334 042	366 334 042
VAT Payable	88 638 230	88 638 230
Consumer deposits	24 409 306	24 409 306
Unspent conditional grants	68 077 402	68 077 402
	<b>547 458 980</b>	<b>547 458 980</b>

### 43. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Property, plant and equipment	394 156 931	356 011 034
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##### Total capital commitments

Already contracted for but not provided for	394 156 931	356 011 034
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#### Authorised operational expenditure

##### Total commitments

##### Total commitments

Authorised capital expenditure	394 156 931	356 011 034
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This committed expenditure relates to plant and equipment and will be financed by retained surpluses, existing cash resources, funds internally generated, and conditional grants.

The municipality also has numerous contracts based on rates and commitment value cannot be reliably determined.

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 44. Contingencies

#### LITIGATION CASES (ACTIVE)

Name of Plaintiff / Defendant and nature of claim	2022	2021
Matter between Mmusho Security & Projects and MLM. Breach of contract. The matter is being defended and still pending	R6 451 649.60	R6 451 649.60
Matter between CSI Africa and MLM. Claim for services rendered. The matter is being defended and still pending	R 376 256.15	R376 256.15
Matter between High Risk Reaction Unit and MLM. Claim for security services rendered. Matter is being defended and still pending.	R7 397 916.00	R7 397 916.00
Matter between Voice Press and MLM. Claim for services rendered. The matter is being defended and still pending.	R633 000.00	R633 000.00
Matter between S&M Montani and MLM. Claim for damages due to strike action. The matter is being defended and still pending.	R9 150 000.00	R9 150 000.00
Matter between Mokgwathi Masilo Bethuel and MLM. Damages due to negligence. The matter is being defended and still pending.	R2 824 210.00	R2 824 210.00
Matter between General and Mahlatsi Security Services and MLM. Claim for breach of contract. The matter is being defended and pending	R6 949 045.23	R6 949 045.23
Matter between Unlawful occupiers and MLM. Claim for illegal occupation of land. The matter is being defended and still pending	R2 200 000.00	R2 200 000.00
Matter between Prism Architects (Pty) (Ltd) and MLM. Claim for services rendered. The matter is being defended and still pending.	R413 370.94	R413 370.94
Matter between Tsentse Manufacturing and MLM. Claim for services rendered. The matter is being defended and still pending	R4 014 418.34	R4 014 418.34
Matter between Pheehane and MLM. Claim for services rendered. The matter is being defended and still pending	R800 000.00	R800 000.00
Matter between Bettie Mahlangu and one other and MLM. Claim for services rendered. The matter is being defended and still pending	R974 950.80	R974 950.80
Matter between Jack Lesetja Raphesu and MLM. Claim for services rendered. The matter is being defended and still pending	R762 466.54	R762 466.54
Matter between Mokerong Driving School and MLM. Claim for services rendered. The matter is being defended and still pending	R1 350 000.00	R1 350 000.00
Matter between GSM Mohlabi Inc and MLM. Claim for services rendered. The matter is being defended and still pending	R973 000.00	R973 000.00
Matter between Malose Andries Makhafola and MLM. Third party claim. The matter is being defended and still pending	R2 900 000.00	R2 900 000.00
Matter between Ngoako Seabela In and MLM. Claim for services rendered. The matter is being defended and still pending	R2 437 760.49	R4 200 000.00
Matter between Cum Laude Projects and MLM. Claim for services rendered. The matter is being defended and still pending	R430 000.00	R430 000.00

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>44. Contingencies (continued)</b>		
Yellow Stone Supplier and MLM. Claim for services rendered. The matter is being defended and still pending	R595 000.00	R595 000.00
Matter between Tainama Civils Matter and MLM. Claim for services rendered. The matter is being defended and still pending	R4 900 000.00	R4 900 000.00
<b>Total</b>	<b>R54 333 044.09</b>	<b>R56 095 283.60</b>
<b>Claims lodged against the municipality</b>	<b>Claim number</b>	<b>Claim amount</b>
Third party claim lodged against the municipality for pothole damage_H.W Sithole	9482721	R2 584,54
Third party claim lodged against the municipality for damage property_J Ratsiu	9880245	R4 720,00
Third party claim lodged against the municipality for pothole damage_D Pitje	10390304	R2 610 000,00
Third party claim lodged against the municipality for damage due to unmarked road_I Nyalungu	10614434	R34 854,50
Third party claim lodged against the municipality for colliding with municipal vehicle_A Dique	10713516	R21 954,00
Third party claim lodged against the municipality for pothole damage_C C Legodi	10713527	R14 659,52
Third party claim lodged against the municipality for food damage_M C Bernards	10713499	R303,36
Third party claim lodged against the municipality for vehicle damage_E M Rathupa	10713487	R1 780,00
Third party claim lodged against the municipality for vehicle damage_L J Piterse	10713513	R2 642,42
Third party claim lodged against the municipality for vehicle damage_J P Mashamite	10713608	R28 400,00
Third party claim lodged against the municipality for vehicle damage_L makhuba	10830028	R7 382,52
Third party claim lodged against the municipality for house damage_Makhafola	10830028	R500 000,00
Third party claim lodged against the municipality for vehicle damage_H J van Stade	10830196	R2 659.30
Third party claim lodged against the municipality for Injury on duty_J Sethosa	TBA	TBA
Third party claim lodged against the municipality for vehicle damage_X Tlakula	10895911	R3812.50

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>44. Contingencies (continued)</b>		
Third party claim lodged against the municipality for vehicle damage_J Steele	10895916	R6 040.04
Third party claim lodged against the municipality for vehicle damage_Maake	11049688	R10 456.52
Third party claim lodged against the municipality for vehicle damage_H Kgafela	390194	R32 322.26
Third party claim lodged against the municipality for loss of life_O Malatji	15366	R2 800 000.00
Third party claim lodged against the municipality for vehicle damage_L Kekana	18824	TBA
Third party claim lodged against the municipality for vehicle damage_J Gubayi	25750	TBA
Third party claim lodged against the municipality for damage to vehicle_F Peens	32892	R22 785.58
Third party claim lodged against the municipality for damage to vehicle_TF Sekhulai	47929	9 746.00
Third party claim lodged against the municipality for damage to vehicle_E Ledwaba	20996	R11 003.80
Third party claim lodged against the municipality for damage to vehicle_K Greef	17836	TBA
Third party claim lodged against the municipality for injury on duty_S Mathe	62239	TBA
Third party claim lodged against the municipality for damage to vehicle_L M Kgosana	22386	R150 000.00
Third party claim lodged against the municipality for damage to vehicle_FLR 636 L	85848	TBA
Third party claim lodged against the municipality for damage to vehicle_M P Mathekga	9194	R17 613 .45
Third party claim lodged against the municipality for damage to vehicle_N M Molokomme	18809	R13 078.69
Third party claim lodged against the municipality for damage to vehicle_J Motsopye	78809	R21 088.39
Third party claim lodged against the municipality for loss of income_J H B Duplessis	11206	R1 343 022.60
Third party claim lodged against the municipality for damage to vehicle_M A Mabasa	99346	R112 100.28
Third party claim lodged against the municipality for damage to vehicle_T Baloyi	11666	R1 490
Third party claim lodged against the municipality for damage to vehicle_K P Motsai	15507	R14 500.00

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>44. Contingencies (continued)</b>		
Third party claim lodged against the municipality for damage to vehicle_M T Mofya	51030	R1 290
Third party claim lodged against the municipality for personal injury_B E Kekana	12975	TBA
Third party claim lodged against the municipality for damage to property_L A Putter	21765	R17 000.00
Third party claim lodged against the municipality for damage to property_L A Putter	61123	R14 275.00
Third party claim lodged against the municipality for damage to property_GN Ramango	17734	R8 100.00
Third party claim lodged against the municipality for damage to vehicle_Molekana	12868	R7 633.76
Third party claim lodged against the municipality for damage to vehicle_N Mashishi	15579	R33 044.38
<b>Total</b>		<b><u>R7 882 343.41</u></b>

### The following are contingent liabilities whose values are not yet ascertainable

Matter between Malose Andries Makhafola v MLM..Non compliance with constitutional responsibilities. Matter before the court

Matter between SM Thlaku and 2 others.Claim for damages due to unfair removal.

Matter between Unlawful occupiers and MLM. Claim for Illegal occupation of land.The matter is being defended and still pending.

Matter between Unlawful occupiers and MLM. Claim for Illegal occupation of land.The matter is being defended and still pending

Matter between VuthaMkhonto/Epholeleng Security and MLM.Interdict against MLM for termination of services. The matter is being defended and still pending

Matter between MEC:COGHSTA + 1 and MLM. Dispute over a non compliance matter. The matter is being defended and still pending

Matter between Cllr Salome Matlala and MLM. Claim for services rendered. The matter is being defended and still pending

### Contingent Assets.

Litigations is in process and the municipality is a plaintiff in the following cases, should the judgement or ruling be in favour of the municipality, the municipality will be entitled to receive the estimated value of the damages as indicated below.The merits must still be determined and could result in a lesser or greater amount.

Name of Plaintiff / Defendant and nature of claim	2022	2021
MLM has lodged a civil claim Tainama Civils. The matter is currently before the court	R13 000 000.00	R13 000 000.00
MLM has lodged a civil claim against Tainama Civils relating to retention payout.The matter is currently before the court	R5 200 000.00	R5 200 000.00

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 44. Contingencies (continued)

<b>Total</b>	<b><u>R18 200 000.00</u></b>	<b><u>R18 200 000.00</u></b>
<b>Claims lodged against the Insurers</b>	<b>Claim</b>	<b>Amount</b>
MLM lodged an insurance claim for property damage	N/A	R675 000.00
MLM lodged an insurance claim for property damage	N/A	R7 343.50
MLM lodged an insurance claim for property theft	IMEI 202764	R11 500.00
MLM lodged an insurance claim for property damage	DST 443L	R4 222.41
MLM lodged an insurance claim for property loss	N/A	R11 500
MLM lodged an insurance claim for property damage	N/A	R213 268.74
MLM lodged an insurance claim for property damage	DST 445L	R1 475.87
MLM lodged an insurance claim for property damage	DST 447L	R260.08
MLM lodged an insurance claim for property damage	BGL 515L	R117 000.00
MLM lodged an insurance claim for property damage	CTZ 107L	R99 111.85
MLM lodged an insurance claim for property damage	DCX 693L	R421 450.00
MLM lodged an insurance claim for property damage	S/N 91/322	R4 500 000.00
MLM lodged an insurance claim for property damage	CBN 558L	R5000.00
MLM lodged an insurance claim for property loss	S/N 2385148	R9 179.00
MLM lodged an insurance claim for property loss	S/N 2385436	R9000.00
<b>Total</b>		<b><u>R6 085 311.45</u></b>

### The following are contingent assets whose value are not yet ascertainable

MLM has lodged a civil claim against illegal occupiers of the land. The matter is currently before the court

MLM has lodged a civil claim against illegal occupiers of the land at Portion 80 of farm Piet Potgietersrus. The matter is currently before the court

The following claims were lodged by the municipality for damage to property against the insurance however we could not ascertain the value.

Description	Ref no
Damage to Transformer	00159773
Damage to Stadium	133088
Damage to Transformer	S/NSOS3352M
Damage to transformer	S/N10101/994
Damage to transformer	S/NTB1804011
Damage to transformer	S/NRET153110REV1

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 44. Contingencies (continued)

Damage to transformer	S/N5056870M
Damage to transformer	33607
Damage to property	15624
Damage to property	DMP 612L
Damage to property	FHS891L
Damage to property	CBN558L

### 45. Related parties

#### Relationships

Accounting Officer	Refer to accounting officer's report note
Councillors	Refer to note 29
Key Management	Refer to note 28

### 46. Change in estimate

#### Property, plant and equipment

The useful life of all the assets was reviewed and a change in useful lives was applied to various assets. The useful life of these assets has increased.

The change in useful lives has changed the consumption of depreciation prospectively, in that less depreciation will be realised on an annual basis.

### 47. Prior-year adjustments

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

#### Statement of financial position

##### 2021

	Note	As previously reported	Correction of error	Restated
Property plant and equipment		5 052 524 333	(747 655 281)	4 304 869 052
Investment property		73 934 000	59 056 352	132 990 352
Receivables from exchange - non current assets		12 158 323	(12 158 323)	
Receivables from non exchange transactions: non current assets		24 695 192	(13 493 862)	11 201 330
Inventories		375 078 645	1 094 108	376 172 753
Receivables from exchange transactions		63 463 178	132 051 187	195 514 365
Receivables from non exchange transactions		11 141 530	27 184 729	38 326 259
Payables from exchange transactions		(354 056 962)	(12 277 080)	(366 334 042)
Unspent conditional grants		(68 579 800)	502 398	(68 077 402)
Provisions		(128 247 782)	(29 858 897)	(158 106 679)
		<b>5 062 110 657</b>	<b>(595 554 669)</b>	<b>4 466 555 988</b>

# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 47. Prior-year adjustments (continued)

#### Statement of financial performance

2021

	Note	As previously reported	Correction of error	Restated
Service charges		385 307 270	23 194 624	408 501 894
(Losses)/Gains on sale of assets		377 639	(2 769 442)	(2 391 803)
Administration and management fees received		-	15 564 648	15 564 648
Government grants and subsidies		767 077 615	(10 949 334)	756 128 281
Employee related costs		(381 530 575)	3 193 334	(378 337 241)
Depreciation and amortisation		(135 052 906)	30 812 749	(104 240 157)
Impairment loss		-	(12 273 171)	(12 273 171)
Finance costs		(17 539 118)	(15 646 684)	(33 185 802)
Repairs and Maintenance		(63 920 754)	8 962 223	(54 958 531)
Contracted services		(108 087 914)	(10 766 030)	(118 853 944)
Loss on disposal of assets and liabilities		-	(5 811 870)	(5 811 870)
General expenses		(91 991 553)	(25 095 360)	(117 086 913)
<b>Surplus for the year</b>		<b>354 639 704</b>	<b>(1 584 313)</b>	<b>353 055 391</b>

#### Cash flow statement

#### Errors

#### The following prior period errors adjustments occurred:

Inventories - Adjustment for losses on the fair valuing of land inventory.

Receivables from exchange transactions - Reassessment of the debt impairment provision to align to GRAP 104 requirements.

Receivables from non exchange transactions - Reassessment of the debt impairment provision to align to GRAP 104 requirements.

Investment property - Effects of the take on the Investment register.

Property, plant and equipment - Significant decrease due to the FAR take on (mainly derecognition of the water assets-boreholes).

Payables from exchange transactions - Audit adjustments made on Payables and other payables.

Provisions - Effects of raising the provision on defined benefit journals posted after year end in caseware and not in Solar.

Service charges - Differences of R23 194 624 are due to audit adjustment that were made on the Caseware file and not updated on the Solar system.

(Losses)/Gains on sale of assets - These are PPE land gains that were approved and adjusted for in the Solar system.

Administration and management fee received - Reclassification of the Waterberg revenue from Grant income to Admin revenue. The differences are adjustments on INEP grants incorrectly recorded as Grant revenue.

Government grants and subsidies - Reclassification of the waterberg receipts from Grant revenue of R15 564 648 to Admin

Employee related costs - Current services cost portion of the Post employment medical aid and Landfill Actuarial valuations posted after year end.

Depreciation and amortisation - Adjustments made as a result of the entire take-on of the FAR.

Impairment loss - Adjustments made as a result of the entire take-on of the FAR.



# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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Figures in Rand	2022	2021
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### 47. Prior-year adjustments (continued)

Finance costs - Finance cost portion of the Post employment medical aid and Landfill Actuarial valuations posted after year end.

Repairs and maintenance - Adjustment of repairs and maintenance that have been reclassified to PPE.

Contracted services - Reclassification of contracted services costs from General expenses.

Loss on disposal of assets and liabilities - Correction of the mapping as there were no losses on disposal.

General expenses - Reclassification of repairs and maintenance and contracted service costs of the respective line items.

### Fruitless and wasteful expenditure

Opening balance	-	46 125 389
Adjustments made	-	1 569 528
<b>Restated opening balance</b>	<b>-</b>	<b>47 694 917</b>

Adjustment made to opening balance of fruitless and wasteful expenditure is due to interest relating to SARS and Lepelle Northern Water that was not account for in the previous financial period..

### Unauthorised expenditure

### 48. Comparative figures

Certain comparative figures have been reclassified and restated. The impact on the reclassifications and restatements is documented on prior period error note.

### 49. Risk management

#### Financial risk management

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

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

The Municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Municipality's financial performance

#### Capital Risk Management

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

The capital structure of the Municipality consists of cash and cash equivalents disclosed in note 11

There are no externally imposed capital requirements

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

# Mogalakwena Local Municipality

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### 49. Risk management (continued)

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Trade receivables comprise a widespread customer base. The municipality manages its credit risk through payment of deposits disconnection in the case of non-payment..

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2022	2021
Cash and cash equivalents	68 221 942	73 025 345
Receivables from exchange transactions	86 483 860	51 267 294
Receivables from non - exchange transactions	19 325 683	40 475 510

#### Market risk

##### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

### 50. Events after the reporting date

No adjusting events after balance sheet date.

### 51. Unauthorised expenditure

Opening balance as previously reported	3 546 803 979	2 930 651 011
<b>Opening balance as restated</b>	<b>3 546 803 979</b>	<b>2 930 651 011</b>
Add: Expenditure identified - current	319 308 613	616 152 968
<b>Closing balance</b>	<b>3 866 112 592</b>	<b>3 546 803 979</b>

The municipality have established the misconduct board as required by National Treasury to investigate the UIF cases

The Unauthorised expenditure are currently being investigated by the Misconduct Board and has not been finalised at year end

### 52. Fruitless and wasteful expenditure

Opening balance as previously reported	47 694 917	42 536 181
<b>Opening balance as restated</b>	<b>47 694 917</b>	<b>42 536 181</b>
Add: Expenditure identified - current	7 781 589	3 589 208
Add: Expenditure identified - prior period	-	1 569 528
<b>Closing balance</b>	<b>55 476 506</b>	<b>47 694 917</b>

The municipality have established the misconduct board as required by National Treasury to investigate the UIF cases

The fruitless and wasteful expenditure are currently being investigated by the Misconduct Board and has not been finalised at year end

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### 52. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	<b>Disciplinary steps taken/criminal proceedings</b>	
Eskom	758 977	208 788
SARS	25 410	615 250
Telkom	2 177	15 799
AGSA	49 089	192 760
Claims rejected	5 270 575	269 565
Mohlabi Incorporated attorneys	-	94 813
Cooperative Muratori and Cementisti	-	1 442 887
Tecoplan	-	13 392
Rexus Trading	-	711 620
Christian Adventure Africa	-	24 000
Avis car rental	-	335
Commercial Attorney Trust	490 433	-
Interest and penalty relating to prior year	-	1 051 122
Lepelle	236 780	518 406
Moshate stadium	948 149	-
	<b>7 781 590</b>	<b>5 158 737</b>

Interest and penalties relating to Lepelle Northern Water and SARS were understated in the previous year. The prior year figure for Fruitless and wasteful expenditure has been adjusted with an amount of R1 569 528.

### 53. Irregular expenditure

Opening balance as previously reported	2 537 944 049	2 383 427 890
<b>Opening balance as restated</b>	<b>2 537 944 049</b>	<b>2 383 427 890</b>
Add: Irregular Expenditure - current	242 800 290	152 122 877
Add: Irregular Expenditure - prior period	-	2 393 282
Add: Irregular Expenditure - Identified during the audit	52 935 098	-
<b>Closing balance</b>	<b>2 833 679 437</b>	<b>2 537 944 049</b>

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### 53. Irregular expenditure (continued)

Incidents/cases identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	
No evidence that bids were properly advertised	406 523	4 497 331
Non - compliance with SCM regulations (Evaluation criteria)	19 470 207	14 250 481
Non - compliance with SCM policy and SCM regulation	23 191 572	5 895 460
Incorrect application of regulation 32	17 697	-
Incorrect application of regulation 36	81 576 980	70 551 600
Invalid contracts	-	3 571 853
Quotations	475 116	-
Awards made without adjudication committee's recommendation	2 011 973	3 998 185
Incorrect composition	-	1 517 636
Security services procured through quotations	-	25 110 068
Other non compliance	168 585 321	25 123 544
	<b>295 735 389</b>	<b>154 516 158</b>

The municipality have established the misconduct board as required by National Treasury to investigate the UIF cases  
The Irregular expenditure are currently being investigated by the Misconduct Board and has not been finalised at year end

### 54. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government- SALGA

Opening balance	-	1
Current year subscription / fee	4 151 792	8 739 044
Amount paid - current year	(4 151 792)	(8 739 044)
Amount paid - previous years	-	(1)
	<u>-</u>	<u>-</u>

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### 54. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Audit fees

Opening balance	-	1
Current year subscription / fee	11 508 403	8 739 044
Amount paid - current year	(11 508 403)	(8 739 044)
Amount paid - previous years	-	(1)
	<u>-</u>	<u>-</u>

#### PAYE, SKILLS DEVELOPMENT AND UIF

Opening balance	-	(1)
Current year subscription / fee	53 080 935	58 338 592
Amount paid - current year	(53 080 935)	(53 457 442)
Amount paid - previous years	-	1
	<u>-</u>	<u>4 881 150</u>

#### Pension and Medical Aid Deductions

Opening balance	-	(1)
Current year subscription / fee	80 310 808	72 729 959
Amount paid - current year	(80 310 808)	(72 729 959)
Amount paid - previous years	-	1
	<u>-</u>	<u>-</u>

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2022:

There were no councillors accounts which were owing more than 90 days in the current financial period.

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
M.A Tsebe	1 270	3 656	4 926
L.D Langa	1 844	335	2 179
	<u>3 114</u>	<u>3 991</u>	<u>7 105</u>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

There are no councillors' that are in arrear accounts for longer than 90 days in 2022

30 June 2021	Highest outstanding amount	Aging (in days)
LD Langa	199	90
SCG Senosha	3 075	90
MM Rapatsa	955	90
RA Matsemela	8 613	90
MA Tsebe	3 656	90
	<u>16 498</u>	<u>-</u>

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### 55. Deviation from supply chain management regulations

#### Supply Chain Management Regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by council. The expenses incurred as listed hereunder have been approved

#### Deviation recon

Emergency	61 448 508	65 086 651
Impractical	37 256 803	-
	<b>98 705 311</b>	<b>65 086 651</b>

Deviation from supply chain management regulations Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

The municipality has procured goods and services to an amount of R 98 705 311 (2021 \_ R65 086 651) during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations

National Treasury issued a directive to all government institutions not to advertise any tenders from 16 February 2022, after the supreme court of appeal upheld the constitutional court judgement declaring the PPPFA Regulations (2017) unlawful. This meant that the municipality in adherence with the directive, could not in all practical terms advertise any new tenders. The municipality opted for regulation 36 appointments (deviations) in order to procure goods and services needed.

# Mogalakwena Local Municipality

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### 56. Segment information

#### General information

#### Identification of segments

The municipality is organised and reports to management on the basis of six major functional areas: The functions are identified through the services there are rendering to the community. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

#### Types of goods and/or services by segment

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

#### Reportable segment

Corporate services  
Community services  
Electrical services  
Planning and development  
Technical services  
Traffic and emergency

#### Goods and/or services

Property rental services  
Management of parks and buildings  
Electrical services  
Human settlement services  
Utilities, maintenance and repairs  
Community safety

# Mogalakwena Local Municipality

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### 56. Segment information (continued)

#### Segment surplus or deficit, assets and liabilities

#### Segment surplus or deficit

2022

	Revenue from non- exchange transactions	Revenue from exchange transactions	Total Segment revenue	Salaries and wages	Depreciation and amortisation	Other expenses	Total Segment expenditure	Total segment (deficit) surplus
<b>Revenue</b>								
Corporate services	-	(4 356 276)	(4 356 276)	32 486 272	1 011 706	12 438 173	45 936 151	(50 292 427)
Community services	(1 292 092)	(19 125 460)	(20 417 552)	78 103 260	13 135 892	1 816 232	93 055 384	(113 472 936)
Electrical services	-	(282 086 307)	(282 086 307)	36 179 832	12 676 634	246 272 897	295 129 363	(577 215 670)
Planning and development	-	(140 785)	(140 785)	20 474 754	42 395	963 689	21 480 838	(21 621 623)
Technical services	(230 884 311)	(115 473 038)	(346 357 349)	91 982 488	76 875 026	93 843 939	262 701 453	(609 058 802)
Traffic and emergency	(747 645)	(12 982 808)	(13 730 453)	41 772 492	869 093	57 089 724	99 731 309	(113 461 762)
<b>Total</b>	<b>(232 924 048)</b>	<b>(434 164 674)</b>	<b>(667 088 722)</b>	<b>300 999 098</b>	<b>104 610 746</b>	<b>412 424 654</b>	<b>818 034 498</b>	<b>485 123 220)</b>
<b>Revenue related reconciling items</b>								
Corporate services			(5 885 387)					(5 885 387)
Technical services			(37 746 965)					(37 746 965)
Other unallocated revenue			(597 722 368)					(597 722 368)
<b>Entity's revenue</b>			<b>308 443 442)</b>					
<b>Entity's Surplus (deficit) for the period</b>								<b>: 126 477 940)</b>



# Mogalakwena Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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### 56. Segment information (continued)

#### Segment assets and liabilities

2022

	Segment assets	Total segment assets	Total segment liabilities
Corporate services	518 029 910	518 029 910	-
Community services	13 461 278	13 461 278	(65 028 141)
Electrical services	321 470 698	321 470 698	(40 045 495)
Planning and Development	164 111 746	164 111 995	-
Technical services	500 111 995	500 111 995	(75 369 530)
Traffic and emergency	266 715 819	266 715 819	-
<b>Total segment assets</b>	<b>783 901 446</b>	<b>783 901 695</b>	<b>(180 443 166)</b>
<b>Reconciling items</b>			
Unallocated assets		89 169 176	-
Unallocated liabilities			-(524 618 710)
<b>Total as per Statement of financial Position</b>		<b>873 070 871</b>	<b>(705 061 876)</b>

#### Measurement of segment surplus or deficit, assets and liabilities

#### Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

# Mogalakwena Local Municipality

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### 57. Budget differences

#### Material differences between budget and actual amounts

##### N1. Sales and rendering of services

There is a negative variance of 84.5% on sales and rendering of services. This line item includes sale of tender documents. The municipality did not issue out tenders as per a advisory note on procurement issued by National Treasury in February 2022 hence the poor performance.

##### N2. Service charges

There is a negative variance of 16.3% on services charges. The main factor contributing to the variance is sale of water. There has been serious water shortages in Mogalakwena Municipality which accounts for the lower water usage.

##### N3. Rental facilities

There is a negative variance of 20.8% on rental of facilities. The rental market has been weak.

##### N4. Agency services

There is a negative variance of 37.1% on agency services. The line item has been under-budgeted as a result of discrepancies in mapping between the AFS and Budget. mSCOA seeks to resolve such discrepancies.

##### N5. Interest received – outstanding debtors

There is a positive variance of 42.7% on interest received on outstanding debtors. The positive variance is due to more consumers defaulting on their accounts thus resulting in higher interest being levied against outstanding accounts.

##### N6. Government grants and subsidies

There is a negative variance of 27.5% on government grants and subsidies. Due to poor spending in the previous financial year, the municipality had to return over R4.7million to the national revenue fund. The municipality did not spend 100% of the allocated capital grants in the 2021-2022 f/y.

##### N7. Licence and permits

There is a negative variance of 87.3%. The line item has been over-budgeted as a result of differences in mapping between the AFS and Budget

##### N8. Depreciation and amortisation

There is a negative variance of 47.37% on depreciation and amortisation. The municipality under-budgeted for depreciation and amortisation for the financial year.

##### N9. Debt impairment

The negative variance of 128.1% on debt impairment is as a result of the assessed receivable accounts impairment exceeding the budget. There is a large number of consumer accounts that are outstanding for a long period which the municipality had to impair for the financial year..

##### N10. Other expenditure

There is a negative variance of 26.5% on other expenditure. The municipality underspent on the line items due to cash constraints during the financial year.

##### N11. Transfers and subsidies

There is a negative variance of 73.3% on transfers and subsidies. The municipality did not utilise the budgeted amount as a cost containment measure..