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**Auditor General South Africa
Mpumalanga Business Unit**

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Mpumalanga Business Unit



dr.jsmlm

Dr JS Moroka Local Municipality
(Registration number MP316)
Annual Financial Statements
for the year ended 30 June 2022

Dr JS Moroka Local Municipality

(Registration number MP316)

Annual Financial Statements for the year ended 30 June 2022

General Information

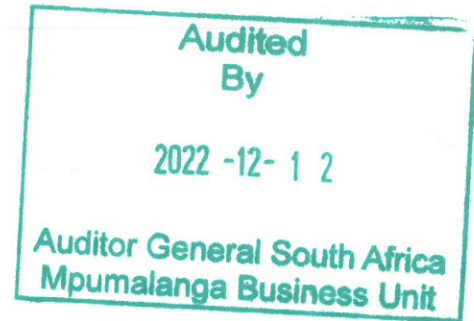
Nature of business and principal activities

Local Municipality

Mayoral committee

Executive Mayor
MMC Social Development
MMC Public Safety, Roads & Transport
MMC Planning & Infrastructure
MMC Finance & LED
MMC Admin & Corporate Services
Speaker
Council Whip
Councillors

Mtsweni NS
Mnguni PP
Mtsweni S
Madyibi C
Makola MJ
Legong MS
Nkoane MR
Nkgodi JS
Ditshogo K
Dlowu BM
Kekae MD
Kutu PF
Lamola BR
Lebelo LK
Lekgoathi MR
Mabena JS
Mabogoane KM
Machava SS
Mahlangu SK
Mahlangu JS
Mahlangu PL
Mahlangu K
Mahlangu P
Mahlangu LM
Majombosi TR
Makuwa IS
Malatjie RJ
Maleka AL
Maleka ME
Manganye SM
Manganye J
Maphalla JK
Mashiane CM
Mashilo JP
Mashishi DA
Mashishi MW
Masumbuka MP
Matlaila BJ
Maubane ONM
Mgidi MA
Mhlanga KP
Mnguni V
Moabi JM
Moimana AT
Mothibi MF
Mphela LK



Dr JS Moroka Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

General Information

Msiza DL
Mtimunye MS
Mtsweni TL
Ngoatle MN
Ngubeni PM
Nkgau JS
Nkwana MMT
Ntuli JM
Ntuli PA
Rankapole S
Rankapole MM
Simango BA
Skhosana LM
Skhosana AX

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Old Councillors

They served since start of year until 8 November 2021

Executive Mayor Mathabe RS

MMC Social Development Nkoane MR

MMC Public Safety, Roads & Transport Shabangu MM

MMC Planning & Infrastructure Mdluli DM

MMC Finance & LED Sekanka ME

MMC Admin & Corporate Services Sibanyoni LB

Speaker Mahlangu DP

Council Whip Ntlailane MS

Madonsela TL

Lekalakala TI

Mashishi MW

Phaahla SM

Aphane SP

Komape AN

Nkgodi JS

Maoka RN

Mnguni PP

Maja SR

Mahlangu JS

Nkoane MR

Banda MD

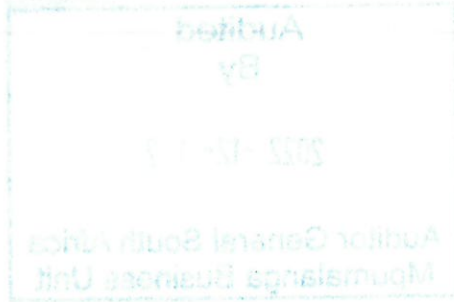
Mthiwethafa NC

Dr JS Moroka Local Municipality

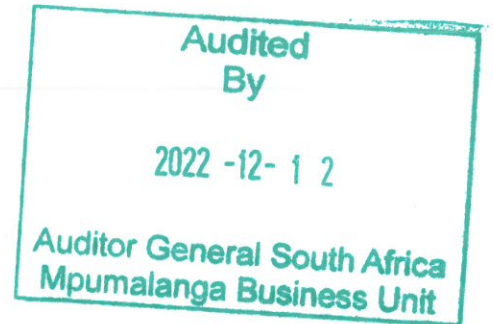
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Annual Financial Statements for the year ended 30 June 2022

General Information



Ratsoma PG
Ndlovu AZ
Mtsweni MG
Masango A
Mputhi JM
Mthimunye WE
Skhosana JC
Mkoneni JT
Masilela ML
Skosana CB
Namane AM
Mojela BN
Mkhondo MS
Matji JS
Makgaloa CM
Leballo JM
Lebelo LK
Nyatlo TM
Lekalakala TI
Legong TB
Majombosi TR
Makola KD
Moselane MM
Mahlangu K
Ngoatle MM
Mashigoana DK
Masombuka NZ
Ngoako MM
Mtsweni DN
Ntuli KB
Mokoala VD
Baloyi LW
Rankapole MM
Ratladi SJ
Maoka RN
Magakela BM
Maja SR
Moimana AT
Ntuli ML
Legong MS
Mahlangu MW
Mnguni PP
Moffomme MA
Ledwaba LL
Madisha RS
Sekwala JM



Accounting Officer Mhlanga B.M

Grading of local authority

Grade 4

Acting Chief Finance Officer (ACFO)

Mahlangu S.K

Accounting Officer

Mathebela MM

Registered office

A2601/3 Bongimfundo Street
Siyabuswa
0472

Business address

A2601/3 Bongimfundo Street
Siyabuswa

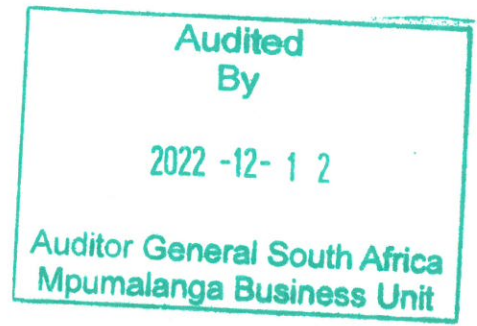
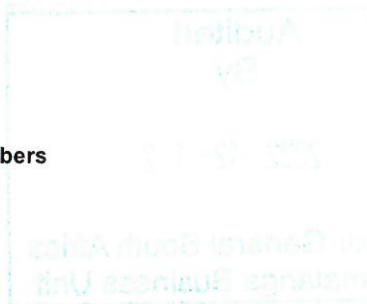
Dr JS Moroka Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

General Information

	0472
Postal address	Private Bag X4012 Siyabuswa 0472
Bankers	ABSA Bank Limited Marble Hall Branch
Auditors	Auditor General South Africa
Audit committee members	J Masite Langa M Chamane Moloi M Matabatha P Ntuli T Gafane



Dr JS Moroka Local Municipality

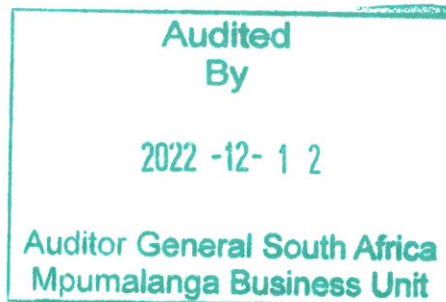
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Annual Financial Statements for the year ended 30 June 2022

Index

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

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GRAP	Generally Recognised Accounting Practice
MMC	Member of the Mayoral Committee
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Dr JS Moroka Local Municipality

(Registration number MP316)

Annual Financial Statements for the year ended 30 June 2022

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial and non 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 must be 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 she is ultimately responsible for the system of internal controls 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 01 July year to 30 June 2023 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The accounting officer certify that salaries, allowances and benefits of Councillors as disclosed in note 26 of these Annual Financial Statements are in line with the upper limits of framework envisaged in section 219 of the Constitution read with Remuneration of Public Office Bearers Act, Act no 20 of 1998 and section 124 of the Municipal Management Act, Act 56 of 2003.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements of Dr JS Moroka Municipality set out on pages 7 to 64, which have been prepared on going concern basis, were approved by the municipality on 30 August 2022 and were signed on its behalf by:

Mathebela MM
Accounting Officer

Siyabuswa

Tuesday, 30 August 2022



Dr JS Moroka Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

Accounting Officer's Report

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

1. Review of activities

Main business and operations

Net surplus of the municipality is 87 158 242 (2021: surplus 58 806 192).

2. Subsequent events

The accounting officer is not aware of some matter or circumstance arising since the end of the financial year which might require adjustment to the financial information.

3. Accounting policies

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

4. Accounting Officer

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

Name	Nationality
Mathebela MM	South African

5. Bankers

The municipality banks primarily with ABSA Bank Limited.

6. Auditors

Auditor General South Africa will continue in office for the next financial period.

7. Public Private Partnership

In accordance with the PPP agreement, the Contractor shall open a separate account with a bank registered in the Republic of South Africa, for the purpose of administering and separate safekeeping of:

- moneys deposited as excess surpluses;
- any foreign exchange rate amounts;
- any service credits; and
- any penalties for later service commencement text.

During the financial period under review 30 June 2022, Dr JS Moroka Local Municipality did not enter into any Public Private Partnership agreements.

8. mSCOA adoption

During the financial year ended 30 June 2018 the municipality adopted the mSCOA, this resulted in the reclassification of some votes in the financial statements.



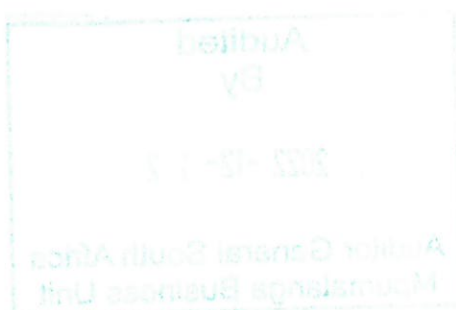
Dr JS Moroka Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	2	2 317 775	5 711 165
Receivables from non-exchange transactions	3	46 684 413	55 646 239
VAT receivable	4	38 587 085	41 931 761
Receivables from exchange transactions	5	187 728 937	132 157 516
Cash and cash equivalents	6	3 332 335	61 230 603
		278 650 545	296 677 284
Non-Current Assets			
Investment property	7	154 170	154 170
Property plant and equipment	8	1 881 652 567	1 813 442 144
Intangible assets	9	1 012 326	-
		1 882 819 063	1 813 596 314
Total Assets		2 161 469 608	2 110 273 598
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	89 877 097	123 332 562
Consumer deposits	11	833 861	813 746
Long service bonus liability	14	1 348 032	812 417
		92 058 990	124 958 725
Non-Current Liabilities			
Provisions	13	32 486 957	36 469 900
Long service bonus liability	14	14 221 231	13 311 627
		46 708 188	49 781 527
Total Liabilities		138 767 178	174 740 252
Net Assets		2 022 702 430	1 935 533 346
Accumulated surplus		2 022 702 431	1 935 533 348



Dr JS Moroka Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

		2022	2021 Restated*
	Note(s)		
Revenue			
Revenue from exchange transactions			
Service charges	15	80 563 778	75 466 451
Rental of facilities and equipment	16	166 257	161 051
Interest on receivables (trading)	23	45 132 529	40 737 713
Licences and permits	17	4 900 793	4 306 595
Operational revenue	18	6 659 206	7 467 908
Interest received - investment	19	1 387 519	1 336 113
Gain on landfill site provision	33	6 797 872	-
Actuarial gains/loses recognised	14	278 005	-
Total revenue from exchange transactions		145 885 959	129 475 831
Revenue from non-exchange transactions			
Property rates	20	35 351 611	35 770 418
Transfers and subsidies	21	555 955 265	586 183 244
Donations	22	9 538 218	7 443 579
Traffic fines		854 250	447 600
Total revenue from non-exchange transactions		601 699 344	629 844 841
Total revenue	23	747 585 303	759 320 672
Expenditure			
Employee related costs	24	(205 945 378)	(203 204 845)
Remuneration of councillors	25	(23 731 620)	(23 913 808)
Depreciation and amortisation	26	(66 224 165)	(64 468 185)
Impairment loss	27	(5 068 950)	(472 042)
Finance costs	28	(4 023 470)	(2 822 948)
Operating leases	29	(4 730 889)	(3 507 896)
Bad debts provision	30	(75 804 664)	(118 072 943)
Contracted services	31	(162 828 312)	(173 649 962)
Actuarial loss recognised	14	-	(1 375 470)
Loss on derecognition assets		(5 015 878)	(1 888 061)
Operational Cost	32	(107 053 735)	(107 138 320)
Total expenditure		(660 427 061)	(700 514 480)
Surplus (deficit) for the year		87 158 242	58 806 192

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Annual Financial Statements for the year ended 30 June 2022

Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Opening balance as previously reported	1 872 599 789	1 872 599 789
Adjustments		
Prior year adjustments (refer to note 38)	4 127 367	4 127 367
Balance at 01 July 2020 as restated	1 876 727 156	1 876 727 156
Changes in net assets		
Surplus for the year	58 806 192	58 806 192
Total changes	58 806 192	58 806 192
Restated* Balance at 01 July 2021	1 935 544 189	1 935 544 189
Surplus for the year	87 158 242	87 158 242
Total changes	87 158 242	87 158 242
Balance at 30 June 2022	2 022 702 431	2 022 702 431

Note(s)

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Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

	2022	2021
Note(s)		Restated*
Cash flows from operating activities		
Receipts		
Sale of services	60 962 431	34 132 996
Grants	555 955 265	571 263 000
Other receipts	13 271 693	13 282 567
	630 189 389	618 678 563
Payments		
Employee costs	(228 769 589)	(229 377 896)
Suppliers	(319 022 002)	(317 912 508)
	(547 791 591)	(547 290 404)
Net cash flows from operating activities	34 82 397 798	71 388 159
Cash flows from investing activities		
Purchase of property plant and equipment	8 (139 023 014)	(111 701 727)
Proceeds from sale of property plant and equipment	8 -	1 888 062
Purchase of other intangible assets	9 (1 273 052)	-
Net cash flows from investing activities	(140 296 066)	(109 813 665)
Net increase/(decrease) in cash and cash equivalents	(57 898 268)	(38 425 506)
Cash and cash equivalents at the beginning of the year	61 230 603	99 656 109
Cash and cash equivalents at the end of the year	6 3 332 335	61 230 603

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Dr JS Moroka Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Arthur Goniwe
Attorney General South Africa
Mpumalanga Business Unit

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue from exchange transactions						
Revenue						
Service charges	97 700 000	(90 000)	97 610 000	80 563 778	(17 046 222)	Lesser service charges were rendered by the municipality than expected
Rental of facilities and equipment	300 000	(210 000)	90 000	166 257	76 257	There was improved utilisation of facilities by the community members due to the Covid relaxed lockdowns.
Interest earned- Outstanding debtors	48 500 000	1 500 000	50 000 000	45 132 529	(4 867 471)	Decreased due to improvement collection from debtors.
Licence and permits	3 197 000	-	3 197 000	4 900 793	1 703 793	More licenses were issued during the year, due to improved activities after changes in covid regulations
Other income	5 149 000	-	5 149 000	6 659 206	1 510 206	The variance is due to increase in sundry income
Interest received - investment	6 500 000	(5 250 000)	1 250 000	1 387 519	137 519	More investments were made during the year than budgeted.
Total revenue	161 346 000	(4 050 000)	157 296 000	138 810 082	(18 485 918)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	40 000 000	13 050 000	53 050 000	35 351 611	(17 698 389)	Lesser properties were levied for property rates than anticipated.

Dr JS Moroka Local Municipality

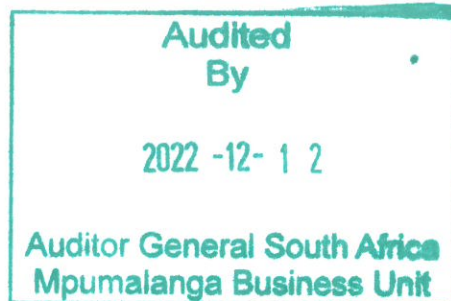
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Annual Financial Statements for the year ended 30 June 2022

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
Transfer revenue						
Government grants & subsidies	423 226 000	62 291 000	485 517 000	555 955 265	70 438 265	The difference is due to increased expenditure on conditional grants which were then recognised in revenue..
Public contributions and donations	-	-	-	9 538 218	9 538 218	There were donations received from Nkangala District municipality which was not budgeted for..
Fines, Penalties and Forfeits	380 000	-	380 000	854 250	474 250	More tickets were issued during the year due to increase volume of traffic after relaxation of lockdown.
Total revenue from non-exchange transactions	463 606 000	75 341 000	538 947 000	601 699 344	62 752 344	
Total revenue	624 952 000	71 291 000	696 243 000	740 509 426	44 266 426	
Expenditure						
Employee cost	(215 829 000)	5 534 000	(210 295 000)	(205 945 378)	4 349 622	Lesser spending due to higher number of positions which were not filled during the year.
Remuneration of councillors	(25 600 000)	-	(25 600 000)	(23 731 620)	1 868 380	There was a variance on the councillors remuneration due to changes which took place on councillors during the year.



Dr JS Moroka Local Municipality

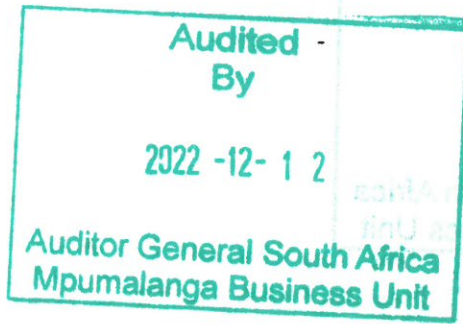
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Annual Financial Statements for the year ended 30 June 2022

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
Depreciation and amortisation	(61 319 000)	-	(61 319 000)	(66 224 165)	(4 905 165)	There were more additions to assets there by increase in depreciation.
Impairment loss	-	-	-	(5 068 950)	(5 068 950)	Impairment loss was not budgeted for in the 2021 budget. The 2021 actual impairment loss expense was raised after physical verification of assets was concluded.
Finance costs	(3 200 000)	-	(3 200 000)	(4 023 470)	(823 470)	Increase due to the interest calculated for land fill sites and long service bonus
Operating leases	-	-	-	(4 730 889)	(4 730 889)	There was no budget allocated to operating leases.
Debt Impairment	(77 345 000)	4 521 000	(72 824 000)	(75 804 664)	(2 980 664)	The increase is due to long outstanding debt impaired in current year.
Contracted services	(112 480 000)	(24 068 000)	(136 548 000)	(162 828 312)	(26 280 312)	There was increase due to additional services procured after relaxation of covid lockdowns.
Operational Expenses	(123 173 000)	9 733 000	(113 440 000)	(107 053 735)	6 386 265	The variance is due to decrease activities of other expenditure and the gain in landfill site.
Total expenditure	(618 946 000)	(4 280 000)	(623 226 000)	(655 411 183)	(32 185 183)	
Operating surplus	6 006 000	67 011 000	73 017 000	85 098 243	12 081 243	



Dr JS Moroka Local Municipality

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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
Other fair value adjustments	-	-	-	6 797 872	6 797 872	This variance is due to not being budgeted for as this requires the expert to bring valuation report which comes at year end.
Actuarial gains	-	-	-	278 005	278 005	Actuarial gains/loss was not budgeted for in the 2022 budget. The 2022 actuarial gain/loss is obtainable after valuation by Actuarial expert.
Loss on derecognition of assets	-	-	-	(5 015 878)	(5 015 878)	Loss on disposal was not budgeted for in the 2022 budget. There was a lot of derecognition in 2022 which resulted in loss on disposal which was raised after physical verification of assets was concluded.
	-	-	-	2 059 999	2 059 999	
Surplus before taxation	6 006 000	67 011 000	73 017 000	87 158 242	14 141 242	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	6 006 000	67 011 000	73 017 000	87 158 242	14 141 242	

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Reconciliation

Dr JS Moroka Local Municipality

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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
Statement of Financial Position						
Assets						
Current Assets						
Inventories	3 295 000	-	3 295 000	2 317 775	(977 225)	More inventory was consumed due to increased activities after covid lockdown regulations were related during the year.
Receivables from non-exchange transactions				46 684 413	46 684 413	Receivables exchange was not budgeted for in the 2022 budget.
VAT receivable	28 513 000	-	28 513 000	38 587 085	10 074 085	The actual vat is higher than budget due to higher spending on grants.
receivables from exchange transactions	166 394 000	-	166 394 000	187 728 937	21 334 937	The variance is mainly due to lower collection rate as result of covid earlier during the year.
Cash and cash equivalents	86 457 000	-	86 457 000	3 332 335	(83 124 665)	Lesser cash due to higher spending on grants.
	284 659 000	-	284 659 000	278 650 545	(6 008 455)	
Non-Current Assets						
Investment property	154 170	-	154 170	154 170	-	
Property plant and equipment	1 958 248 000	64 291 000	2 022 539 000	1 881 652 567	(140 886 433)	Less PPE projects were implemented in the current year, hence the decrease
Intangible assets	264 000	-	264 000	1 012 326	748 326	There were additions for intangible assets which were procured during the year
	1 958 666 170	64 291 000	2 022 957 170	1 882 819 063	(140 138 107)	

Dr JS Moroka Local Municipality

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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
Total Assets	2 243 325 170	64 291 000	2 307 616 170	2 161 469 608	(146 146 562)	
Liabilities						
Current Liabilities						
Payables from exchange transactions	105 695 000	-	105 695 000	89 877 097	(15 817 903)	Decrease due to faster payment and avoiding of interest and penalties
Consumer deposits	730 000	-	730 000	833 861	103 861	The higher consumer deposit is due additional deposits being received from new clients opening new accounts.
Long service bonus liability	1 440 000	-	1 440 000	1 348 032	(91 968)	Long service is lesser as result of changes of valuation.
	107 865 000	-	107 865 000	92 058 990	(15 806 010)	
Non-Current Liabilities						
Provisions	33 754 000	-	33 754 000	32 486 957	(1 267 043)	Lesser due to changes in valuation.
Long service bonus liability	-	-	-	14 221 231	14 221 231	Changes due to valuation done by experts.
	33 754 000	-	33 754 000	46 708 188	12 954 188	
Total Liabilities	141 619 000	-	141 619 000	138 767 178	(2 851 822)	
Net Assets	2 101 706 170	64 291 000	2 165 997 170	2 022 702 430	(143 294 740)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	2 101 706 170	64 291 000	2 165 997 170	2 019 129 591	(146 867 579)	

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Auditor General South Africa
Mpumalanga Business Unit

Dr JS Moroka Local Municipality

(Registration number MP316)

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
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	91 505 000	-	91 505 000	60 962 431	(30 542 569)	The variance is due to lower collection than expected. The lower collection was due to partially the covid restrictions.
Grants	555 516 000	-	555 516 000	555 955 265	439 265	The difference is LG SETA grant which was not included in the budget.
Other receipts	21 479 000	-	21 479 000	13 271 693	(8 207 307)	The lower amount received is due to lower investments resulting in lower interest
	668 500 000	-	668 500 000	630 189 389	(38 310 611)	
Payments						
Employee costs	(233 750 000)	-	(233 750 000)	(228 769 589)	4 980 411	The variance is due to vacant positions not filled as was budgeted.
Payments to suppliers	(246 533 000)	-	(246 533 000)	(319 022 002)	(72 489 002)	The variance is due to more payments being made than expected. Payments being made early to avoid and interest and penalties.
	(480 283 000)	-	(480 283 000)	(547 791 591)	(67 508 591)	
Net cash flows from operating activities	188 217 000	-	188 217 000	82 397 798	(105 819 202)	
Cash flows from investing activities						

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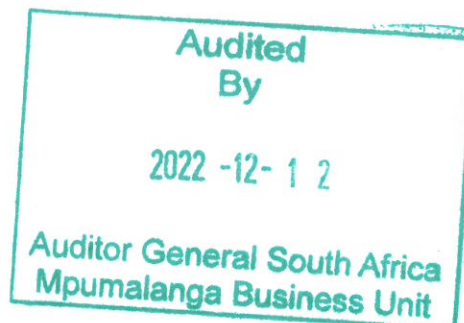
Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Purchase of property plant and equipment	(129 357 000)	-	(129 357 000)	(139 023 014)	(9 666 014)	The variance is due to increased projects compared to prior year. There were intangible assets which were acquired during the year.
Purchase of other intangible assets	-	-	-	(1 273 052)	(1 273 052)	
Net cash flows from investing activities	(129 357 000)	-	(129 357 000)	(140 296 066)	(10 939 066)	
Net increase/(decrease) in cash and cash equivalents	58 860 000	-	58 860 000	(57 898 268)	(116 758 268)	
Cash and cash equivalents at the beginning of the year	27 597 000	-	27 597 000	61 230 603	33 633 603	
Cash and cash equivalents at the end of the year	86 457 000	-	86 457 000	3 332 335	(83 124 665)	

Adjustment budget

The original budget approved by council for the current year was adjusted. The reason son for adjustment were as follows:
 (a) Adjustments proposed and approved; were for revenue under-collection (MFMA section 28(2)(a)); additional revenue appropriation on existing programmes (section 28(2)(b)); projected savings (section 28(2)(d)); error correction (sec
 b) Adjustments caused by changes in funding allocations



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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.

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, except for the changes set out in note Changes in accounting policy.

1.1 Presentation currency

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

1.2 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

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.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

the useful life of the property, is as follows:

Item	Useful life
Property - land	indefinite

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

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

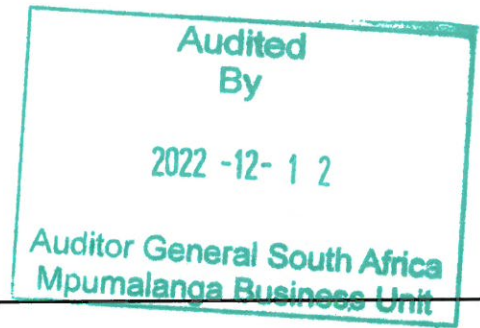
When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

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1.2 Investment property (continued)

1.3 Property plant and equipment

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

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

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; 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 are depreciated on the straight line basis 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.

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

Item	Depreciation method	Average useful life
Land	Straight line	indefinite
Buildings	Straight line	5-60
Plant and machinery	Straight line	3 - 50
Furniture and fixtures	Straight line	3 - 20

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1.3 Property plant and equipment (continued)

Transport Assets	Straight line	3 - 20
Office equipment	Straight line	3 - 20
IT equipment	Straight line	3 - 20
Infrastructure	Straight line	3 - 60
Community	Straight line	10 - 50

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

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

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

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

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

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 change in accounting policy.

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).

1.4 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

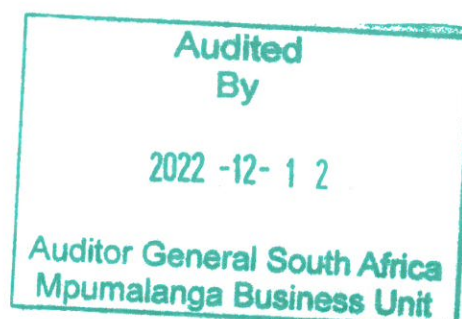
- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results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

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1.4 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

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

1.5 Intangible assets

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

An intangible asset is recognised when:

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

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

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

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.

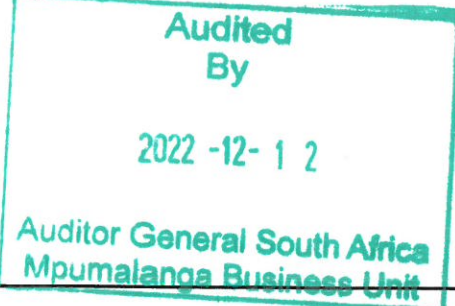
Internally generated goodwill is not recognised as an intangible asset.

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1.5 Intangible assets (continued)

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

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3 - 17

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

1.6 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.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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.

A derivative is a financial instrument or other contract with all three of the following characteristics:

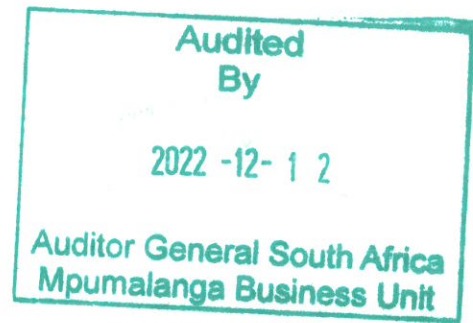
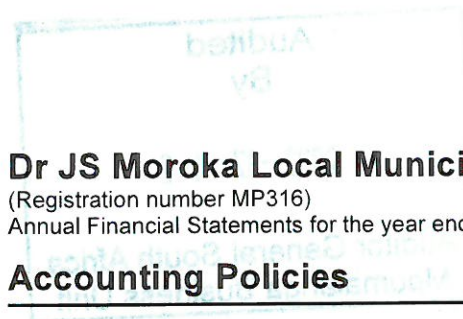
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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



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1.6 Financial instruments (continued)

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

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

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

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

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

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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:

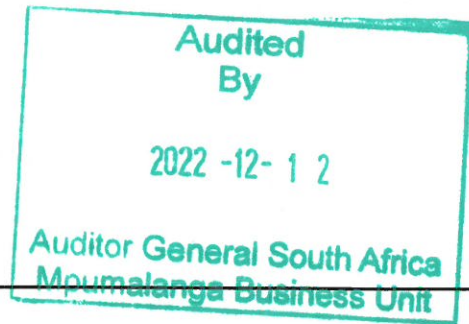
- derivatives;
- combined instruments that are designated at fair value;

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1.6 Financial instruments (continued)

- 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.

1.7 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

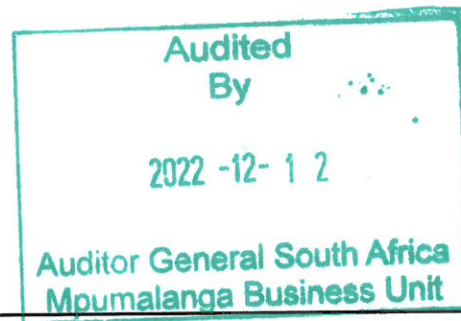
Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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1.8 Inventories

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of the business.

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.

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.

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

1.9 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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 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:

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

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1.9 Impairment of cash-generating assets (continued)

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

Discount rate

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

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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).

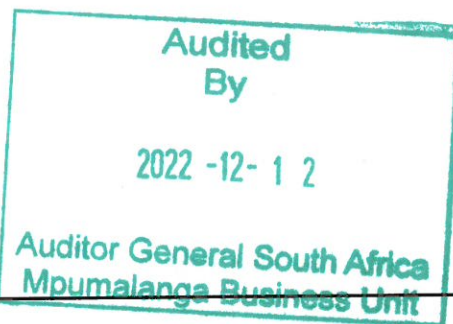
Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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Impairment of non-cash-generating assets (continued)

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:

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

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow: [Specify criteria]

1.10 Employee benefits

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

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

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

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.

The salaries, allowances and benefits of Councillors are dealt with the upper limits of framework envisaged in section 219 of the constitution read with Remuneration of Public Office Bearers Act, Act no 20 of 1998 and section 124 of the Municipal Finance Management Act, Act 56 of 2003.

The salaries, wages, allowances and benefits for employees for rendering of services are recognised in the statement of financial performance in the period incurred.

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1.10 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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.

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 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;
- plus any liability that may arise as a result of a minimum funding requirement

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

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

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

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

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.

1.11 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.

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1.11 Provisions and contingencies (continued)

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.

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

Provisions are not recognised for future operating deficits.

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 a 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 the note to annual financial statements..

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.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

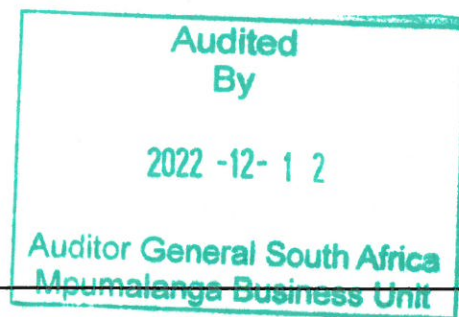
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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1.11 Provisions and contingencies (continued)

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

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:

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 test 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 1.9.

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

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

1.12 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

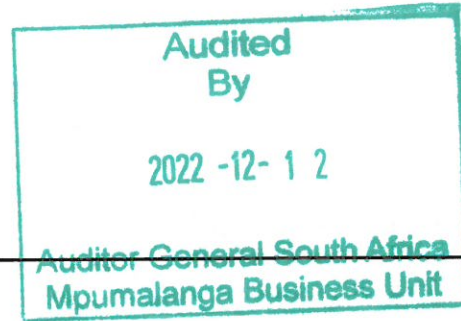
Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

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1.12 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 services performed to date as a percentage of total services to be performed.

Interest

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

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

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.13 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an 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.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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, an 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.

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1.13 Revenue from non-exchange transactions (continued)

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.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

1.14 Investment income

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

1.15 Borrowing costs

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

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

1.16 Comparative figures

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

1.17 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.18 Fruitless and wasteful expenditure

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

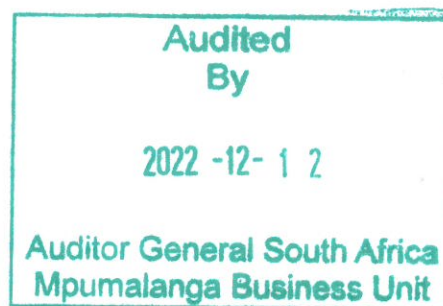
All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted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

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1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not condoned in terms of section 170;

Expenditure incurred by a municipality or municipal entity in Contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;

Expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act 30 No. 20 of 1998); or

Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in 35 terms of such policy or by-law

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

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

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

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

1.20 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.21 Budget information

The general purpose of financial reporting by the municipality, shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2021/07/01 to 2022/06/30.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 14.

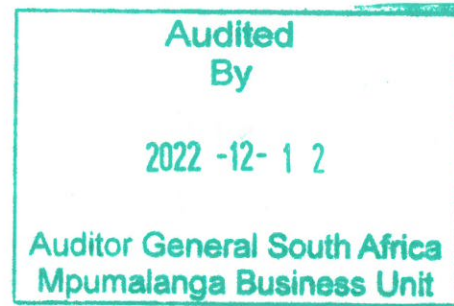
1.22 Related parties

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

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1.22 Related parties (continued)

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.23 Events after reporting date

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

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

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

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

1.24 Capital Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in outflow of resources.

Capital commitments are not recognised in statement of financial position as a liability, but are included in the disclosure notes.

1.25 Value-Added Tax

The municipality applies the payments basis for VAT purposes as per the Value-Added Tax Act. Output tax is payable as and when the purchase consideration are received and input will be claimed as and when payments is made.

1.26 Receivables form non-exchange transactions

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset shall be recognised as an asset when , and only when:

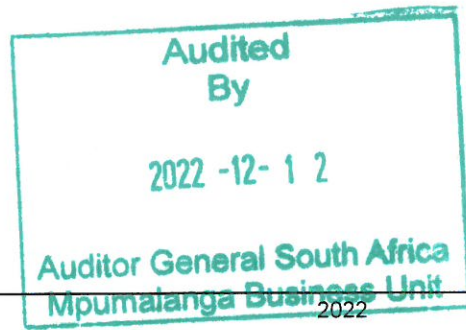
- (a) It is probable that the future economic benefits or service potential associated with the asset will flow to the entity
- (b) The fair value of the assets can be measured reliably.

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Notes to the Annual Financial Statements



2021

2. Inventories

Consumable stores	2 317 775	5 711 165
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3. Receivables from non-exchange transactions

Fines	7 262 044	6 431 339
Allowance for impairment	(6 914 189)	(6 248 965)
Consumer debtors - Rates	92 171 493	94 177 999
Allowance for impairment	(45 834 934)	(38 714 133)
	46 684 414	55 646 240

Rates

Current (0 -30 days)	4 197 509	3 963 420
31 - 60 days	2 533 057	2 048 566
61 - 90 days	2 513 721	1 620 174
Above 90 days	37 092 272	47 831 706
Total	46 336 559	55 463 866

4. VAT Receivables

VAT	38 587 085	41 931 761
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5. Receivables from exchange transactions

Gross balances

Water	228 193 642	167 060 326
Sewerage	16 582 324	12 549 442
Refuse	17 323 991	13 075 730
Interest and other	180 156 811	126 016 097
	442 256 768	318 701 595

Less: Allowance for impairment

Water	(115 505 379)	(86 459 384)
Sewerage	(14 390 696)	(10 484 052)
Refuse	(16 287 393)	(11 988 124)
Interest and other	(108 344 363)	(77 612 519)
	(254 527 831)	(186 544 079)

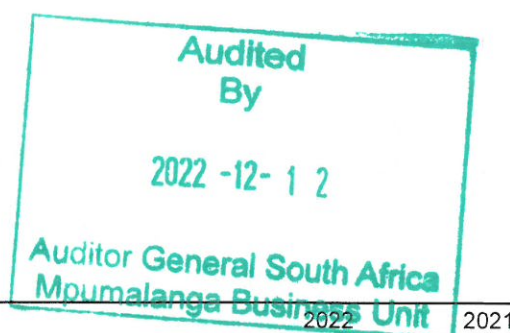
Net balance

Water	112 688 263	80 600 942
Sewerage	2 191 628	2 065 390
Refuse	1 036 598	1 087 606
Interest and other	71 812 448	48 403 578
	187 728 937	132 157 516

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5. Receivables from exchange transactions (continued)

Included in above is receivables from exchange transactions

Water	112 688 263	80 600 942
Sewerage	2 191 628	2 065 389
Refuse	1 036 598	1 087 606
Interest and other	71 812 448	48 279 839
	187 728 937	132 033 776

Net balance	187 728 937	132 033 776
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Water

Current (0 -30 days)	7 712 012	6 598 964
31 - 60 days	7 975 589	13 390 167
61 - 90 days	1 945 345	7 176 455
Above 90 days	95 055 317	53 435 356
	112 688 263	80 600 942

Sewerage

Current (0 -30 days)	647 699	435 318
31 - 60 days	521 794	178 762
61 - 90 days	520 888	703 787
Above 90 days	501 247	747 523
	2 191 628	2 065 390

Refuse

Current (0 -30 days)	379 208	156 385
31 - 60 days	378 386	329 510
61 - 90 days	279 004	262 109
Above 90 days	-	339 602
	1 036 598	1 087 606

Other (specify)

Current (0 -30 days)	5 560 620	5 775 743
31 - 60 days	5 490 217	14 880 709
61 - 90 days	4 529 094	14 603 733
Above 90 days	56 232 517	13 143 393
	71 812 448	48 403 578

Reconciliation of allowance for impairment

Balance at beginning of the year	(225 258 212)	(462 170 172)
Contributions to allowance	(75 104 553)	(109 352 634)
Debt impairment written off against allowance	-	346 264 594
	(300 362 765)	(225 258 212)

Included in other receivables are

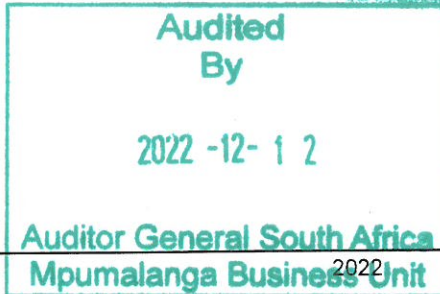
Interest accrued	139 343	80 751
Debtors on sale of stands	-	1 049 777
Impairment of debtors on sale of stands	-	(1 049 777)
Other receivables	508 737	504 032
	648 080	584 783

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6. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	(166 427)	31 298 971
Short-term investments	3 498 762	29 931 632
Total	3 332 335	61 230 603

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
ABSA Bank-40-6952-9871	-	7 267 015	7 035 904	-	7 267 015	7 035 904
ABSA Bank-40-5295-3971- Cheque account(Primary account)	(166 427)	31 298 971	51 039 262	(166 427)	31 298 971	51 039 262
ABSA Bank-40-9074-1909- Call deposits	1 993 285	21 210 242	40 172 453	1 993 285	21 210 242	40 172 453
ABSA Bank-40-9720-6394- Call deposits	1 505 477	1 454 375	1 408 490	1 505 477	1 454 375	1 408 490
Total	3 332 335	61 230 603	99 656 109	3 332 335	61 230 603	99 656 109

7. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	154 170	-	154 170	154 170	-	154 170

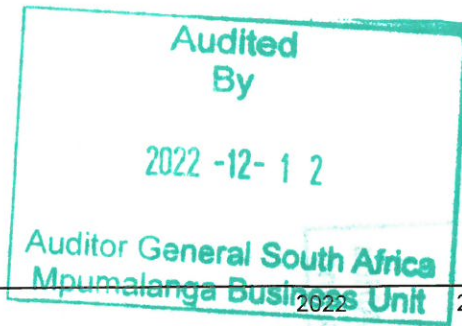
Reconciliation of investment property - 2022

	Opening balance	Total
Land	154 170	154 170

Reconciliation of investment property - 2021

	Opening balance	Total
Investment property	154 170	154 170

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.



Notes to the Annual Financial Statements

7. Investment property (continued)

Details of valuation

The valuation was based on the report conducted by Professional Mobile Mapping professional valuer. The general evaluation came into effect on 01 July 2018.

The valuations was based on deemed cost approach, in line with the municipality adopted approach in valuation of investment properties. The deemed cost is described as per GRAP Directive 7 [4].

8. 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	87 395 669	-	87 395 669	87 395 669	-	87 395 669
Buildings	108 279 334	(80 330 605)	27 948 729	99 312 598	(77 253 982)	22 058 616
Plant and machinery	47 848 153	(19 375 654)	28 472 499	47 685 094	(25 028 415)	22 656 679
Furniture and fixtures	12 398 610	(9 284 353)	3 114 257	12 246 110	(8 656 572)	3 589 538
Transport assets	32 498 666	(25 878 231)	6 620 435	44 343 557	(38 571 713)	5 771 844
Office equipment	3 656 097	(2 394 497)	1 261 600	3 396 089	(2 055 721)	1 340 368
IT equipment	28 876 638	(10 606 651)	18 269 987	27 307 521	(9 457 613)	17 849 908
Infrastructure	2 013 986 049	(417 014 165)	1 596 971 884	1 900 654 042	(365 397 726)	1 535 256 316
Community	229 081 620	(117 484 113)	111 597 507	230 684 262	(113 161 056)	117 523 206
Total	2 564 020 836	(682 368 269)	1 881 652 567	2 453 024 942	(639 582 798)	1 813 442 144

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8. Property plant and equipment (continued)

Reconciliation of property plant and equipment - 2022

	Opening balance	Additions	Loss on derecognition of assets	Donations received	Work in progress	Depreciation	Impairment loss	Total
Land	87 395 669	-	-	-	-	-	-	87 395 669
Buildings	22 058 616	-	(21 050)	-	9 057 387	(2 158 552)	(987 672)	27 948 729
Plant and machinery	22 656 679	4 208 048	(715 590)	5 022 263	-	(2 698 901)	-	28 472 499
Furniture and fixtures	3 589 538	152 500	-	-	-	(618 970)	(8 811)	3 114 257
Transport Assets	5 771 844	3 216 637	(1 576 182)	-	-	(791 864)	-	6 620 435
Office equipment	1 340 368	260 008	-	-	-	(302 700)	(36 076)	1 261 600
IT equipment	17 849 908	1 428 157	(15 804)	213 414	-	(769 544)	(436 144)	18 269 987
Infrastructure	1 535 256 316	-	(1 995 225)	-	119 067 534	(52 524 258)	(2 832 483)	1 596 971 884
Community	117 523 206	-	(692 027)	-	1 632 743	(6 098 651)	(767 764)	111 597 507
	1 813 442 144	9 265 350	(5 015 878)	5 235 677	129 757 664	(65 963 440)	(5 068 950)	1 881 652 567

Reconciliation of property plant and equipment - 2021

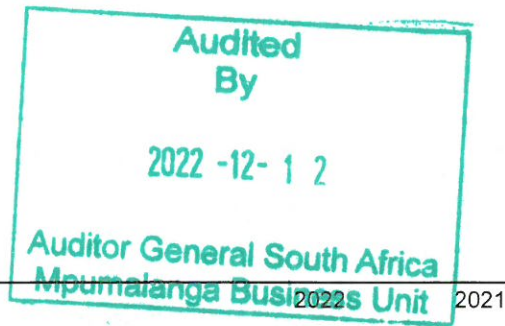
	Opening balance	Additions	Acquisition	Loss on derecognition of assets	Transfers received	Work in progress	Depreciation	Impairment loss	Total
Land	87 395 669	-	-	-	-	-	-	-	87 395 669
Buildings	24 227 651	-	-	-	-	-	(2 169 035)	-	22 058 616
Plant and machinery	7 101 055	12 235 747	299 679	(31 292)	5 383 622	-	(2 302 567)	(29 565)	22 656 679
Furniture and fixtures	4 248 065	-	260 121	(318 554)	-	-	(600 094)	-	3 589 538
Transport Assets	6 890 007	-	-	-	-	-	(1 118 163)	-	5 771 844
Office equipment	1 115 327	-	706 681	(342 565)	-	-	(139 075)	-	1 340 368
IT equipment	19 428 179	409 557	535 624	(1 250 885)	-	-	(1 260 609)	(11 958)	17 849 908
Infrastructure	1 483 144 944	-	-	(243 648)	2 059 088	99 056 423	(48 456 736)	(303 755)	1 535 256 316
Community	123 606 898	147 485	-	(529 873)	-	-	(5 701 304)	-	117 523 206
	1 757 157 795	12 792 789	1 802 105	(2 716 817)	7 442 710	99 056 423	(61 747 583)	(345 278)	1 813 442 144

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8. Property plant and equipment (continued)

WIP projects taking a significantly longer period of time to complete than expected

The Fresh Produce Project started in 2008 first payment was in 2009. Due to various factors such as community protests regarding the initial site of the project, the Municipality was forced to move the project to its current location during the 2012/2013 financial year. The project has been delayed with community protests since inception. During 2013/2014 financial year the delays were due to contractor not having material on site due to cash flow problems. Further more there delays due to sub contractor not being paid hence they stopped work. Due to the slow progress of the initial contractor and his unwillingness to complete project on time, a new contractor had to be appointed which caused further delays. The revised completion date was 2015 but was once again delayed due to community protests causing the project not to be completed. The new completion date was scheduled for 2016/2017 financial year end but due to protest in May to July of 2016 the project was further delayed.

Reconciliation of Work-in-Progress 2022

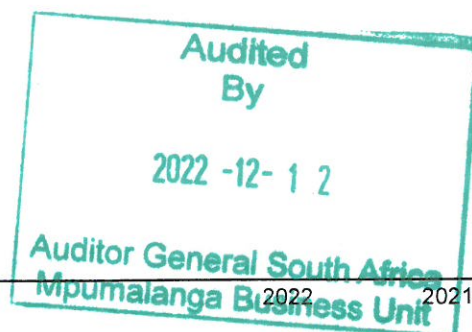
	Included within Infrastructure	Included within Community	Buildings	Total
Opening balance	113 698 064	39 657 332	-	153 355 396
Additions/capital expenditure	119 067 534	1 632 743	9 057 387	129 757 664
Transferred to completed items	(87 324 798)	-	-	(87 324 798)
	145 440 800	41 290 075	9 057 387	195 788 262

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Total
Opening balance	114 400 612	39 657 332	154 057 944
Additions/capital expenditure	99 056 423	-	99 056 423
Transferred to completed items	(99 758 971)	-	(99 758 971)
	113 698 064	39 657 332	153 355 396

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9. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 726 935	(1 714 609)	1 012 326	1 453 883	(1 453 883)	-

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software	-	1 273 052	(260 726)	1 012 326

Reconciliation of intangible assets - 2021

10. Payables from exchange transactions

Trade payables	20 375 986	50 197 769
Income received in advance	6 435 424	13 821 514
ENatis	1 631 383	1 404 794
Leave accrued	20 877 538	20 557 582
Accrued bonus	4 867 069	4 862 879
Payroll accruals	1 306 689	479 944
Third party payables	-	3 503 519
Retentions	34 383 008	28 504 561
	89 877 097	123 332 562

11. Consumer deposits

Water	639 295	626 795
Refuse	7 869	7 869
Housing rental	186 697	179 082
	833 861	813 746

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Movement during the year

Balance at the beginning of the year	-	14 920 245
Additions during the year	136 383 000	97 833 000
Income recognition during the year	(136 383 000)	(112 753 245)
	-	-

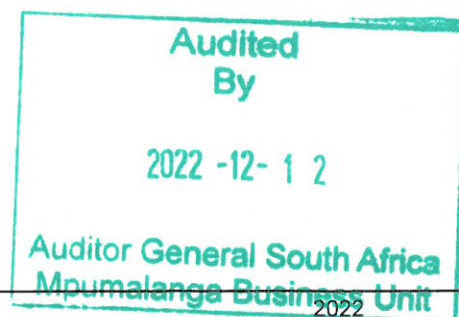
See note 21 for reconciliation of grants from National/Provincial Government.

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2022 2021

13. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Movements	Change in discount factor	Total
Siyabuswa landfill	23 028 150	(4 392 015)	1 628 896	20 265 031
Libangeni landfill	13 441 750	(2 405 856)	1 186 032	12 221 926
	36 469 900	(6 797 871)	2 814 928	32 486 957

Reconciliation of provisions - 2021

	Opening Balance	Movement	Change in discount factor	Total
Siyabuswa landfill	20 385 414	1 437 815	1 204 921	23 028 150
Libangeni landfill	7 828 583	5 033 014	580 153	13 441 750
	28 213 997	6 470 829	1 785 074	36 469 900

Environmental rehabilitation provision

The municipality has two landfill site for which the calculation was made and those calculations of the closure costs have been based on an estimations.

Siyabuswa landfill has now been closed, a remaining life of zero years has been used for these valuations since 2013.

The expected remaining life of the Libangeni landfill is estimated at 29 years.

Financial assumptions used

Unit costs

Unit costs for each of the cost elements are obtained annually by means of a commercial quotation. Details of this are provided separately.

Consumer Price Index

The CPI2 is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date. The average of the CPI for the last quarter amounted to 6.6085%.

Discount rate

GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (municipality). Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used.

The rate most consistent with the remaining life of the landfills published at the end of the quarter that includes the financial year-end date was used.

For this landfills the rate associated with a maximum period of 10 years is used i.e. 4% above CPI.

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2022 2021

14. Long service bonus liability

Opening balance	14 124 044	11 959 040
Service cost	1 327 100	1 180 567
Interest cost	1 208 541	1 037 875
Actuarial gains/ loss	(278 005)	1 375 470
Benefits paid	(812 417)	(1 428 908)
	15 569 263	14 124 044

Long service bonus broken

	2022	2021
Current portion	1 348 032	812 417
Non current	14 221 231	13 311 627

Nature of Liability

The employer's long service bonus awards consist of an obligation to pay out a bonus in the year of the employee attaining the required service. This obligation represents a liability to the employer and the value is represented by the present value of the total long service bonus awards expected to become payable under the employer's current policy. Dr JS Moroka offers bonuses for every 5 years of completed service from 10 years to 45 years.

Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed. Dr JS Moroka advised that in most cases, employees choose to exercise the option to wholly convert their accumulative leave bonus days into cash.

Summary of actuarial assumptions

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2021 the duration of liabilities was 6.71 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2022 is 11.32% per annum, and the yield on inflation-linked bonds of a similar term was about 3.73% per annum. This implies an underlying expectation of inflation of 6.84% per annum ($[1 + 11.32\% - 0.50\%] / [1 + 3.73\%] - 1$).

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 7.84% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 3.23% per annum ($[1 + 11.32\%] / [1 + 7.84\%] - 1$).

Liability valuation method

Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in future based on service accrued to the valuation date and awards projected to retirement date. In determining these liabilities, due allowance has been made for future award increases. For each employee, this projection is based on the probability of being employed at each service award date, taking into account the assumed rates of withdrawal, early retirement and death. In accordance with the requirements of IAS19, the Projected Unit Credit method of funding has been applied.

15. Service charges

Sale of water	68 226 329	63 570 867
Sewerage and sanitation charges	7 770 754	7 446 276
Refuse removal	4 566 695	4 449 308
	80 563 778	75 466 451

16. Rental of facilities and equipments

Municipal buildings	129 015	116 406
Community halls	37 242	44 645
	166 257	161 051

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17. Licence and permits

Motor vehicle	3 931 751	4 121 069
Trading permits	158 257	185 526
	4 090 008	4 306 595

18. Operational revenue

Community service fee	113 605	237 727
Advertising	5 693	69 060
Sundry income	6 333 416	1 561 168
Application for tenders	133 922	948 270
Administration fees	72 570	4 651 683
	6 659 206	7 467 908

19. Interest received

Interest revenue

Interest on fixed deposit	1 387 519	1 336 113
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20. Property rates

Rates received

Residential	14 723 996	8 327 061
Commercial	1 361 585	2 315 432
State	27 451 269	24 422 239
Small holdings and farms	(1 087 155)	5 385 015
Less: Income forgone	(7 098 084)	(4 679 329)
	35 351 611	35 770 418

Valuations Roll

Residential	3 726 705 335	3 726 705 335
Commercial	388 891 161	388 891 161
State	1 455 313 620	1 455 313 620
Small holdings and farms	141 794 397	141 794 397
	5 712 704 513	5 712 704 513

The valuation on land and building are performed every 5 years. The general valuation roll came into effect on the 01 July 2018. The basic rates of R0.0190 agriculture commercial, R0.0082 on the value of agricultural residential, R0.0190 on the value of commercial business land and buildings, R0.0140 consent use, R0.0190 government institutions, R0.082 on the value of state land and buildings, R0.0020 farming, R0.0279 vacant land empty sites, 0.0279 non permitted use, R0.0090 multi purpose business and residential and R0.0082 on the value of residential land and buildings are applied to determine assessment rates. These rates were agreed to the approved tariff policy.

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21. Transfers and Subsidies

Equitable share	419 133 000	477 158 317
Municipal Infrastructure Grant	132 482 000	104 137 086
Financial Management Grant	2 450 000	1 871 300
WSIG Grant	-	237 842
EPWP Grant	1 451 000	2 778 699
LG SETA Grant	439 265	-
	555 955 265	586 183 244

Equitable Share

In terms of section 227 of the Constitution, the equitable share grant is used to subsidise the provision of basic services and the day to day operations of the municipality.

Municipal infrastructure grant

Balance unspent at beginning of year	-	10 954 087
Current-year receipts	132 482 000	93 183 000
Conditions met - transferred to revenue	(132 482 000)	(104 137 087)
	-	-

Conditions still to be met - remain liabilities (see note 12).

The grant is used to supplement municipal capital budgets to eradicate backlogs on municipal infrastructure utilised in providing basic services. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

Financial Management Grant

Balance unspent at beginning of year	-	967 940
Current-year receipts	2 450 000	2 600 000
Conditions met - transferred to revenue	(2 450 000)	(3 567 940)
	-	-

Conditions still to be met - remain liabilities (see note 12).

The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

EPWP

Balance unspent at beginning of year	-	1 174 661
Return to Treasury	-	(1 174 661)
Current year receipts	1 451 000	2 050 000
Conditions met - transferred to revenue	(1 451 000)	(2 050 000)
	-	-

Conditions still to be met - remain liabilities (see note 12).

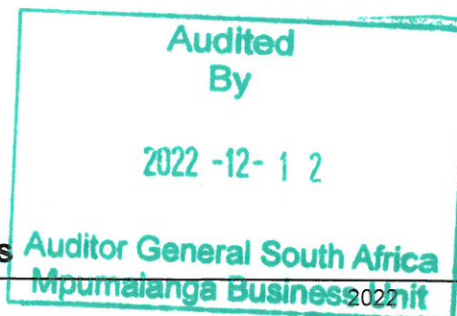
The grant was used to provide poverty and income relief through temporary work for the unemployed to carry out socially useful activities. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

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21. Transfers and Subsidies (continued)

WSIG Grant

Balance unspent at beginning of year	-	237 842
Conditions met - transferred to revenue	-	(237 842)
	-	-

The grant was used to finance the refurbishment, operation and maintenance of the water treatment plant.

Integrated National Electrification Programme Grant

Balance unspent at beginning of year	-	1 585 716
Return to treasury	-	(1 585 716)
	-	-

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

22. Public contributions and donations

Nkangala District Municipality	9 538 218	7 443 579
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23. Revenue

Service charges	80 563 778	75 466 451
Rental of facilities and equipment	166 257	161 051
Interest received (trading)	45 132 529	40 737 713
Licences and permits	4 900 793	4 306 595
Operational revenue	6 659 206	7 467 908
Interest received - investment	1 387 519	1 336 113
Property rates	35 351 611	35 770 418
Transfers and subsidies	555 955 265	586 183 244
Public contributions and donations	9 538 218	7 443 579
Fines, Penalties and Forfeits	854 250	447 600
	740 509 426	759 320 672

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	80 563 778	75 466 451
Rental of facilities and equipment	166 257	161 051
Interest on receivables	45 132 529	40 737 713
Licences and permits	4 900 793	4 306 595
Operational Revenue	6 659 206	7 467 908
Interest received - investment	1 387 519	1 336 113
	138 810 082	129 475 831

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