



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

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

General Information

Nature of business and principal activities

The municipality is, within its financial and administrative capacity to:

- Provide democratic and accountable government for the community;
- To ensure the provision of services to the community in a sustainable manner;
- To promote social and economic development;
- To promote a safe and healthy environment; and
- To encourage the involvement of the community and community organisations in the matters of the municipality.

Mayoral committee

Executive Mayor

Cllr. R. Diale (01 July 2021 -8 November 2021)

Cllr MN Nkotswe (22 November 2021 to date)

Councillors

Cllr Hazel Molefe (Speaker) (01 July 2021 -31 October 2021)

Cllr. M. Matshaba (Single Whip) (01 July 2021 -31 October 2021)

Cllr. T. Manganye (Chair of MPAC) (01 July 2021 -31 October 2021)

Cllr. T. Bothokwane (Portfolio Head of Planning and Development) (01 July 2021 -31 October 2021)

Cllr. MN Nkotswe (Portfolio Head of Local Economic Development) (01 July 2021 -31 October 2021)

Cllr. T. Thobokwe (Portfolio Head of Corporate services) (01 July 2021 -31 October 2021)

Cllr. L. Kapari (Portfolio Head of Finance) (01 July 2021 -31 October 2021)

Cllr. X. Kheswa (Portfolio Head of Community Services and Public Safety) (01 July 2021 -31 October 2021)

Cllr. MS. Manganye (Portfolio Infrastructure Technical Services) (01 July 2021 -31 October 2021)

Cllr. Stephina Mashishi (Planning and Development) (22 November 2021 to date)

Cllr. Mosweu Manganye (Portfolio Head Community Services & Public Safety) (22 November 2021 to date)

Cllr. Motsisi Mogape (Portfolio Head Local Economic Development) (22 November 2021 to date)

Cllr. Dithoti Tshetlane (Portfolio Head Corporate Services) (22 November 2021 to date)

Cllr. Thapelo Thobokwe (Portfolio Head: Finance and BTO) (22 November 2021 to date)

Cllr. Tshepang Madisa (22 November 2021 to date)

Cllr. Nthabiseng Mollo (22 November 2021 to date)

Cllr. Zipporah Motswenyane (22 November 2021 to date)

Cllr H. Molefe (Portfolio Head: Infrastructure and Technical services)

Acting Accounting Officer

Mr B Maseloane

Chief Finance Officer (CFO)

Mr M Mkhize

Registered office

Stand No.933
Station Road
Unit 3
Mogwase Shopping Complex Mogwase
0314

Business address

Stand No.933
Station Road

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

General Information

	Unit 3 Mogwase Shopping Complex Mogwase 0314
Postal address	Private Bag X1011 Mogwase 0314
Bankers	Standard bank ABSA
Auditors	The Auditor General of South Africa

Moses Kotane Local Municipality

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

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of Southern Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officers acknowledge that they are ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officers to meet these responsibilities, the accounting 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 officers are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

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

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

The annual financial statements set out from page 7, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed by:

Mr. B Maseloane
Acting Municipal Manager

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2022.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet atleast 6 times per annum as per its approved terms of reference. During the current year 9 meetings were held.

Name of member	Number of meetings attended
Mr B Seabela (Chairperson)	9
Mr T Zororo	9
Ms L Moyo	9
Mr I Mogotsi	9

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 38(10)(1) of the MFMA and Treasury Regulation 3.1.

The audit committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee charter, which codifies specific responsibilities entrusted and delegated to it by the municipal Council, and details the manner in which the Audit committee operates.

We confirm that the Audit committee has reviewed the unaudited Annual Financial Statements and Annual Performance report for the 2021/2022 financial year.

The Audit committee is satisfied that the Internal audit is operating efficiently and effectively, and that they were involved in addressing the risks pertinent to the municipality. The Internal audit activity was also afforded the opportunity to review the unaudited Annual Financial Statements and Annual Performance report.

Chairperson of the Audit Committee

Date: _____

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Officer's Report

The accounting officers submit their report for the year ended 30 June 2022.

1. Review of activities

Main business and operations

The municipality is engaged in local service delivery to the surrounding community of Moses Kotane and operates under the Bojanala Platinum District Municipality.

Net surplus of the municipality is 6 207 997 (2021: surplus 151 321 846).

2. Going concern

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

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

3. Subsequent events

The accounting officers are not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

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

5. Accounting Officer

The accounting officers of the municipality during the year and to the date of this report are as follows:

Name	Changes
Mr. B Maseloane	Appointed on 01 August 2022
Mr V Letsoalo	Contract ended on 31 July 2022

6. Corporate governance

General

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

The municipality confirms and acknowledges its responsibility to exercise the Municipality's executive and legislative authority within the constitutional system of cooperative governance envisaged in Section 41 of the Constitution, as stated in the Local Government Municipal Systems Act. The accounting officer discusses the responsibilities of management in this respect, at Council meetings and monitor the municipality's compliance with the MSA on a three monthly basis.

Remuneration

The upper limits of the remuneration, allowances and benefits of the Accounting Officer, the Head of Departments and the Councillors of the municipality, as disclosed in note 26 and in note 27 of the financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of the Public Office Bearers Act and the Minister of the Provincial and Local Governments determination in accordance with the Act.

Mr. B Maseloane
Acting Municipal Manager

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021
Assets			
Non-Current Assets			
Investment property	3	150 684 493	149 338 217
Property, plant and equipment	4	2 952 875 661	2 937 283 131
Intangible assets	5	13 394 091	13 463 274
Heritage assets	6	14 000	14 000
Receivables from non-exchange transactions	10	2 675 057	2 166 687
		3 119 643 302	3 102 265 309
Current Assets			
Inventories	8	13 940 065	11 505 002
Receivables from exchange transactions	9	178 369	8 107
Receivables from non-exchange transactions	10	1 698 376	2 365 075
VAT receivable	11	11 753 460	23 543 191
Consumer debtors	12	126 644 718	129 471 547
Non current assets held for sale		691 040	691 040
Cash and cash equivalents	13	36 880 131	61 596 731
		191 786 159	229 180 693
Total Assets		3 311 429 461	3 331 446 002
Liabilities			
Non-Current Liabilities			
Other financial liabilities	15	8 844 377	14 635 612
Employee benefit obligation	7	17 014 000	15 705 000
Provisions	16	20 279 786	21 989 821
		46 138 163	52 330 433
Current Liabilities			
Other financial liabilities	15	5 784 650	8 063 281
Payables from exchange transactions	17	233 333 387	234 325 099
Employee benefit obligation	7	2 020 000	2 109 000
Unspent conditional grants and receipts	14	12 900 031	27 731 961
Provisions	16	-	1 840 995
		254 038 068	274 070 336
Total Liabilities		300 176 231	326 400 769
Net Assets		3 011 253 230	3 005 045 233
Accumulated surplus		3 011 253 230	3 005 045 233
Total Net Assets		3 011 253 230	3 005 045 233

* See Note 42

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	215 993 501	174 236 298
Commissions received		-	90 997
Rental income		234 046	73 926
Other income	22	4 041 139	1 221 009
Interest received	23	60 539 708	47 893 075
Total revenue from exchange transactions		280 808 394	223 515 305
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	130 570 391	144 972 077
Interest - Taxation revenue	21	26 873 644	21 686 192
Transfer revenue			
Government grants & subsidies	25	685 483 247	763 503 942
Public contributions and donations		983 124	-
Fines, Penalties and Forfeits		1 308 200	1 209 250
Interest - Investments	21	3 186 551	2 167 171
Total revenue from non-exchange transactions		848 405 157	933 538 632
Total revenue	18	1 129 213 551	1 157 053 937
Expenditure			
Employee related costs	26	(269 043 049)	(256 227 462)
Remuneration of councillors	27	(28 555 113)	(28 103 988)
Depreciation and amortisation	28	(131 765 495)	(139 064 291)
Finance costs	30	(4 035 520)	(4 241 520)
Lease rentals on operating lease	20	(1 826 087)	(760 870)
Debt Impairment	31	(321 004 723)	(204 695 480)
Bulk purchases	32	(113 426 383)	(104 944 858)
Contracted services	33	(92 666 427)	(102 798 356)
General Expenses	34	(146 844 770)	(153 651 722)
Total expenditure		(1 109 167 567)	(994 488 547)
Operating surplus		20 045 984	162 565 390
Loss on disposal of assets and liabilities		(14 916 203)	(11 490 161)
Loss on foreign exchange		(280 041)	-
Fair value adjustments		1 346 276	945 500
Impairment loss	29	-	(243 726)
Inventories losses/write-downs		11 981	(455 157)
		(13 837 987)	(11 243 544)
Surplus for the year		6 207 997	151 321 846

* See Note 42

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Changes in Net Assets for the period ended 30 June 2022

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	2 860 394 456	2 860 394 456
Adjustments		
Correction of errors	(6 671 070)	(6 671 070)
Balance at 01 July 2020 as restated*	2 853 723 387	2 853 723 387
Changes in net assets		
Surplus/(Deficit) for the year	151 321 846	151 321 846
Restated* Surplus for the year	151 321 846	151 321 846
Restated* Balance at 01 July 2021	3 005 045 233	3 005 045 233
Changes in net assets		
Surplus for the year	6 207 997	6 207 997
Total changes	6 207 997	6 207 997
Balance at 30 June 2022	3 011 253 230	3 011 253 230
Note(s)		

* See Note 42

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		93 183 309	100 663 877
Grants		670 651 317	748 820 815
Interest income		5 935 449	4 171 425
Other income		4 275 185	1 385 932
		<u>774 045 260</u>	<u>855 042 049</u>
Payments			
Cash paid to suppliers and employees		(607 081 072)	(631 101 752)
Finance costs		(2 095 248)	(3 033 417)
		<u>(609 176 320)</u>	<u>(634 135 169)</u>
Net cash flows from operating activities	35	<u>164 868 940</u>	<u>220 906 880</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(179 281 350)	(194 448 474)
Proceeds from sale of property, plant and equipment	4	-	585 819
Purchase of other intangible assets	5	(2 234 324)	(1 948 033)
Net cash flows of discontinued operations		-	1 010 000
		<u>-</u>	<u>-</u>
Net cash flows from investing activities		<u>(181 515 674)</u>	<u>(194 800 688)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(8 069 866)	(13 288 996)
Net cash flows from financing activities		<u>(8 069 866)</u>	<u>(13 288 996)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(24 716 600)</u>	<u>12 817 196</u>
Cash and cash equivalents at the beginning of the year		61 596 731	48 779 535
Cash and cash equivalents at the end of the year	13	<u>36 880 131</u>	<u>61 596 731</u>

* See Note 42

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	189 430 627	42 235 759	231 666 386	215 993 501	(15 672 885)	51.1
Rental income	76 252	423 748	500 000	234 046	(265 954)	Difference below R 1000 000
Other income - (rollup)	2 990 260	57 386	3 047 646	4 041 138	993 492	Difference below R1 000 000
Interest received - investment	51 510 944	8 520 901	60 031 845	60 539 708	507 863	Difference below R 100 0000
Total revenue from exchange transactions	244 008 083	51 237 794	295 245 877	280 808 393	(14 437 484)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	149 168 373	(30 710 991)	118 457 382	130 570 391	12 113 009	51.2
Interest, Dividends and Rent on Land	21 872 216	4 194 930	26 067 146	26 873 644	806 498	Difference below R 1000 000
Transfer revenue						
Government grants & subsidies-operational	719 200 002	(33 532 179)	685 667 823	685 483 247	(184 576)	Difference below R1 000 000
Interest - Investments	-	-	-	3 186 551	3 186 551	
Government grants- Capital	-	-	-	983 124	983 124	Difference below R1 000 000
Fines, Penalties and Forfeits	2 000 000	-	2 000 000	1 308 200	(691 800)	Difference below R1 000 000
Total revenue from non-exchange transactions	892 240 591	(60 048 240)	832 192 351	848 405 157	16 212 806	
Total revenue	1 136 248 674	(8 810 446)	1 127 438 228	1 129 213 550	1 775 322	
Expenditure						
Personnel	(260 970 750)	1 286 965	(259 683 785)	(269 043 049)	(9 359 264)	51.3
Remuneration of councillors	(25 340 033)	(3 172 958)	(28 512 991)	(28 555 113)	(42 122)	Difference below R1 000 000
Depreciation and amortisation	(167 683 656)	-	(167 683 656)	(131 765 495)	35 918 161	51.4
Finance costs	(3 518 305)	-	(3 518 305)	(4 035 520)	(517 215)	Difference below R1 000 000
Lease rentals on operating lease	(1 000 000)	(400 000)	(1 400 000)	(1 826 087)	(426 087)	Difference below R1 000 000

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Debt Impairment	(218 876 530)	-	(218 876 530)	(321 004 723)	(102 128 193)	51.5
Bulk purchases	-	(70 000 000)	(70 000 000)	(113 426 383)	(43 426 383)	51.6
Contracted services	(101 987 330)	33 194 322	(68 793 008)	(92 666 427)	(23 873 419)	51.8
General Expenses	(77 276 227)	(31 774 330)	(109 050 557)	(146 844 770)	(37 794 213)	51.9
Total expenditure	(856 652 831)	(70 866 001)	(927 518 832)	(1 109 167 567)	(181 648 735)	
Operating surplus	279 595 843	(79 676 447)	199 919 396	20 045 983	(179 873 413)	
Loss on disposal of assets and liabilities	-	-	-	(14 916 203)	(14 916 203)	51.7
Impairment loss	-	-	-	(280 041)	(280 041)	Difference below R1 000 000
Fair value adjustments	-	-	-	1 346 276	1 346 276	
Inventories losses/write-downs	-	-	-	11 981	11 981	
	-	-	-	(13 837 987)	(13 837 987)	
Surplus before taxation	279 595 843	(79 676 447)	199 919 396	6 207 996	(193 711 400)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	279 595 843	(79 676 447)	199 919 396	6 207 996	(193 711 400)	

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
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Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
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2022 - Opening Balance

Financial Performance

Property rates	149 168 373	(30 710 991)	118 457 382	-		118 457 382	130 570 391		12 113 009	110 %	88 %
Service charges	189 430 627	42 235 759	231 666 386	-		231 666 386	215 993 501		(15 672 885)	93 %	114 %
Transfers recognised - operational	485 440 130	(11 891 833)	473 548 297	-		473 548 297	485 263 862		11 715 565	102 %	100 %
Other own revenue	78 449 672	13 196 965	91 646 637	-		91 646 637	96 212 787		4 566 150	105 %	123 %
Total revenue (excluding capital transfers and contributions)	902 488 802	12 829 900	915 318 702	-		915 318 702	928 040 541		12 721 839	101 %	103 %
Employee costs	(260 970 750)	1 284 079	(259 686 671)	-	-	(259 686 671)	(269 043 049)	-	(9 356 378)	104 %	103 %

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Remuneration of councillors	(25 340 033)	(3 172 958)	(28 512 991)	-	-	(28 512 991)	(28 555 113)	-	(42 122)	100 %	113 %
Debt impairment	(218 876 530)	-	(218 876 530)			(218 876 530)	(321 004 723)	-	(102 128 193)	147 %	147 %
Depreciation and asset impairment	(167 683 656)	-	(167 683 656)			(167 683 656)	(131 765 495)	-	35 918 161	79 %	79 %
Finance charges	(3 518 305)	-	(3 518 305)	-	-	(3 518 305)	(4 035 520)	-	(517 215)	115 %	115 %
Materials and bulk purchases	-	(70 000 000)	(70 000 000)	-	-	(70 000 000)	(113 426 383)	-	(43 426 383)	162 %	DIV/0 %
Contracted services	(101 987 330)	33 194 322	(68 793 008)	-	-	(68 793 008)	(92 666 428)	-	(23 873 420)	135 %	91 %
Other expenditure	(78 276 227)	(32 171 444)	(110 447 671)	-	-	(110 447 671)	(162 508 845)	-	(52 061 174)	147 %	208 %
Total expenditure	(856 652 831)	(70 866 001)	(927 518 832)	-	-	(927 518 832)	(1 123 005 556)	-	(195 486 724)	121 %	131 %
Surplus/(Deficit)	45 835 971	(58 036 101)	(12 200 130)	-		(12 200 130)	(194 965 015)		(182 764 885)	1 598 %	(425)%
Transfers recognised - capital	233 759 872	(21 640 347)	212 119 525	-		212 119 525	201 173 010		(10 946 515)	95 %	86 %
Surplus (Deficit) after capital transfers and contributions	279 595 843	(79 676 448)	199 919 395	-		199 919 395	6 207 995		(193 711 400)	3 %	2 %
Surplus/(Deficit) for the year	279 595 843	(79 676 448)	199 919 395	-		199 919 395	6 207 995		(193 711 400)	3 %	2 %

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

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

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Employee Benefit Obligation

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

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

Other key assumptions for employee benefit obligations are based on current market conditions. Additional information is disclosed in Note 7.

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1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures and impairment loss. The impairment loss is measured as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

In estimating the future cash flows, the municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable are revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

1.4 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.

Derecognition

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

Fair value

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

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

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

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

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

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Accounting Policies

1.4 Investment property (continued)

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.

1.5 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.

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		Infinite
Buildings	Straight-line	5 - 100 years
Infrastructure - Electricity	Straight-line	10 - 100 years
Infrastructure - Roads	Straight-line	5 - 100 years
Infrastructure - Water	Straight-line	5 - 100 years
Infrastructure - Stormwater	Straight-line	5 - 50 years

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Accounting Policies

1.5 Property, plant and equipment (continued)

Infrastructure - Sewerage	Straight-line	15 - 100 years
Infrastructure - ICT	Straight-line	10 - 50 years
Infrastructure - Airports	Straight-line	20 years
Access control security measures	Straight-line	3 - 5 years
Recreation facilities	Straight-line	10 - 100 years
Furniture and Fittings	Straight-line	7 years
Motor Vehicles	Straight-line	5 - 15 years
Office equipment	Straight-line	5 - 7 years
Plant and Equipment	Straight-line	4 - 15 years

For the detailed useful lives of assets, refer to the municipality's asset management policy.

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 cash flow statement.

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

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

1.6 Intangible assets

An asset is identifiable if it either:

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

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

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Accounting Policies

1.6 Intangible assets (continued)

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.

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	Straight-line	1 - 15 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.7 Heritage assets

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

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

Recognition

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

Moses Kotane Local Municipality

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Accounting Policies

1.7 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

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

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

Impairment

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

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised.

1.8 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').

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Accounting Policies

1.8 Financial instruments (continued)

- 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
- 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

Moses Kotane Local Municipality

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Accounting Policies

1.8 Financial instruments (continued)

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

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Accounting Policies

1.8 Financial instruments (continued)

Classification

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

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

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

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost

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Accounting Policies

1.8 Financial instruments (continued)

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Subsequent measurement of financial assets and financial liabilities

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

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The Municipality derecognises financial assets using trade date accounting.

The Municipality derecognises a financial asset only when:

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

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

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Accounting Policies

1.8 Financial instruments (continued)

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

Financial liabilities

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

The obligation for retentions is considered to have expired when the retention is unclaimed for more than 3 years from the date the defect liability period expired.

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

Presentation

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

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

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

1.9 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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Accounting Policies

1.9 Statutory receivables (continued)

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

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

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

Impairment losses

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

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

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, an municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

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

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

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Accounting Policies

1.9 Statutory receivables (continued)

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

1.10 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 - lessee

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

1.11 Inventories

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

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

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

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

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Moses Kotane Local Municipality

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Accounting Policies

1.11 Inventories (continued)

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.

1.12 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

Identification

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

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

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

Value in use

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

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

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Accounting Policies

1.12 Impairment of cash-generating assets (continued)

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.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.13 Impairment of non-cash-generating assets

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

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Accounting Policies

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

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

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

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

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

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

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

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

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

Useful life is either:

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

Designation

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

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

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

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

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

Identification

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

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

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

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Accounting Policies

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

Value in use

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.14 Employee benefits

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

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

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

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Accounting Policies

1.14 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

1.15 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.

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

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

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

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

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

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Accounting Policies

1.15 Provisions and contingencies (continued)

Provisions are not recognised for future operating surplus.

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

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

Moses Kotane Local Municipality

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Accounting Policies

1.15 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.13.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- 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;
- 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 reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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.

1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Capital commitments are disclosed in the financial statements and they represent the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

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

- Contracts should be non-cancellable or only cancellable at significant cost ; and
- Contracts should relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.17 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.

Moses Kotane Local Municipality

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Accounting Policies

1.17 Revenue from exchange transactions (continued)

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

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

Measurement

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

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

Sale of goods

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

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

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 .

Moses Kotane Local Municipality

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Accounting Policies

1.17 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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

1.18 Revenue from non-exchange transactions

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

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

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

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.

Recognition

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

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

Moses Kotane Local Municipality

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Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Measurement

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

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

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

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Moses Kotane Local Municipality

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Accounting Policies

1.19 Investment income

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

1.20 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.

1.21 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.22 Fruitless and wasteful expenditure

Fruitless 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.

Moses Kotane Local Municipality

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Accounting Policies

1.23 Irregular expenditure

Irregular expenditure is defined in section 1 of the MFMA as follows:

“irregular expenditure”, in relation to a municipality or municipal entity, means—

- (a) 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 been condoned in terms of section 170;
- (b) 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;
- (c) 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 No. 20 of 1998); or
- (d) 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 terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of “unauthorised expenditure”.

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

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

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

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

Irregular expenditure 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.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Segment information

A segment is an activity of an entity:

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

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

1.25 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.25 Budget information (continued)

General purpose financial reporting by 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 budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.26 Related parties

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

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

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

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

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

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

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

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

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

1.27 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.

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.27 Events after reporting date (continued)

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

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2009	Unlikely there will be a material impact
• GRAP 25 (as revised 2021): Employee Benefits	01 April 2009	Unlikely there will be a material impact
• iGRAP 7 (as revised 2021): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2009	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2009	Unlikely there will be a material impact
• GRAP 104 (amended): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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3. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	150 684 493	-	150 684 493	149 338 217	-	149 338 217

Reconciliation of investment property - 2022 - Opening Balance

	Opening balance	Fair value adjustments	Total
Investment property	149 338 217	1 346 276	150 684 493

Reconciliation of investment property - 2021

	Opening balance	Additions	Transfers	Fair value adjustments	Total
Investment property	142 213 774	13 346 856	(542 300)	(5 680 113)	149 338 217

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

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

Pledged as security

Investment property was not pledged as security for financial liabilities.

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

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

Details of valuation

The value indicated is established by comparing the subject property with similar properties, called comparable sales. Comparable sales are recent property transactions of property that were sold in accordance with the definition of market value.

These comparable sales are judged as being the most comparable to the subject property to indicate a range of value in which the subject property's value could be determined. The subject property is then measured against the comparable sales, in various elements of comparison that might influence and ultimately determine the value of the subject property.

Moses Kotane Local Municipality

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4. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	17 290 211	-	17 290 211	17 291 253	-	17 291 253
Buildings	216 056 699	(108 566 116)	107 490 583	216 433 248	(102 747 274)	113 685 974
Plant and machinery	4 756 829	(3 791 933)	964 896	4 819 619	(3 494 415)	1 325 204
Furniture and Fixtures	50 947 590	(42 161 140)	8 786 450	50 323 550	(39 757 830)	10 565 720
Motor vehicles	33 671 444	(23 747 620)	9 923 824	33 219 457	(22 005 577)	11 213 880
Infrastructure	4 837 551 329	(2 503 937 962)	2 333 613 367	4 766 936 421	(2 414 144 008)	2 352 792 413
Community Building WIP	533 539 582	(281 135 478)	252 404 104	520 509 174	(270 005 523)	250 503 651
Infrastructure WIP	753 272	-	753 272	753 272	-	753 272
Community assets WIP	207 709 347	-	207 709 347	170 578 753	-	170 578 753
	13 939 607	-	13 939 607	8 573 011	-	8 573 011
Total	5 916 215 910	(2 963 340 249)	2 952 875 661	5 789 437 758	(2 852 154 627)	2 937 283 131

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022 - Opening Balance

	Opening balance	Additions	Change in provision for landfill site	Disposals	Transfers	Depreciation	Total
Land	17 291 253	-	-	(1 042)	-	-	17 290 211
Buildings	113 685 974	-	-	(154 323)	-	(6 041 068)	107 490 583
Plant and machinery	1 325 204	-	-	(30 545)	-	(329 763)	964 896
Furniture and fixtures	10 565 720	2 783 266	-	(470 536)	-	(4 092 000)	8 786 450
Motor vehicles	11 213 880	983 123	-	(95 063)	-	(2 178 116)	9 923 824
Infrastructure	2 352 792 413	102 246 088	(3 650 307)	(14 947 166)	-	(102 827 661)	2 333 613 367
Community Building WIP	250 503 651	16 366 787	-	(472 965)	-	(13 993 369)	252 404 104
Infrastructure WIP	753 272	-	-	-	-	-	753 272
Community WIP	170 578 753	154 800 341	-	(15 388 019)	(102 281 728)	-	207 709 347
	8 573 011	21 697 743	-	-	(16 331 147)	-	13 939 607
	2 937 283 131	298 877 348	(3 650 307)	(31 559 659)	(118 612 875)	(129 461 977)	2 952 875 661

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Change in provision for landfill site	Disposals	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Land	17 291 253	-	-	-	-	-	-	-	17 291 253
Buildings	120 261 477	-	-	-	-	(6 553 777)	(21 726)	-	113 685 974
Plant and machinery	1 703 893	54 200	-	(72 182)	-	(361 965)	-	1 258	1 325 204
Furniture and fittings	14 383 987	438 590	-	(206 562)	-	(4 082 498)	-	32 203	10 565 720
Motor vehicles	15 136 519	-	-	(1 599 226)	-	(2 338 993)	-	15 580	11 213 880
Infrastructure	2 294 410 974	168 302 645	4 479 567	(6 623 139)	-	(107 777 634)	-	-	2 352 792 413
Community Building WIP	265 983 750	-	-	-	-	(15 480 099)	-	-	250 503 651
Infrastructure WIP	753 272	-	-	-	-	-	-	-	753 272
Community Assets WIP	184 902 636	184 841 395	-	(30 862 633)	(168 302 645)	-	-	-	170 578 753
	12 854 622	9 065 245	-	-	(13 346 856)	-	-	-	8 573 011
	2 927 682 383	362 702 075	4 479 567	(39 363 742)	(181 649 501)	(136 594 966)	(21 726)	49 041	2 937 283 131

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
4. Property, plant and equipment (continued)		
Pledged as security		
The mayoral house is pledged as security for the mortgage bond for R 1 520 000 with ABSA bank.		
Property, plant and equipment in the process of being constructed or developed		
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Koffiekraal Highmast Lights	1 273 213	1 273 213
Brakuil Highmast lights	-	2 189 709
Manamela Highmast Lights	1 369 365	1 369 365
Ratau Highmast Lights	476 245	476 245
Voordonker Highmast Lights	-	461 829
Moubana Highmast Lights	-	1 304 381
Legkraal Highmast Lights	1 126 266	1 126 266
Koffiekraal Highmast Lights Phase 2	1 001 507	1 001 507
Mononono Highmast Lights PH2	583 084	583 084
Mononono Highmast Lights PH2	320 915	320 915
Welverdien High Mast Lights	1 247 575	1 247 575
Moubana Highmast Lights PH 2	-	800 997
Nkogolwe Highmast Lights-PH2	735 640	735 640
	-	-
	8 133 810	12 890 726

Included in property, plant and equipment are high mast lights that have been identified as taking significantly longer period of time to complete than expected, due to the delay in connection of the high mast lights to the eskom power grid.

Reconciliation of Work-in-Progress 2022 - Opening Balance

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	170 578 753	8 573 011	753 272	179 905 036
Additions/capital expenditure	154 849 226	21 697 743	-	176 546 969
Disposals	(15 388 019)	-	-	(15 388 019)
Transferred to completed items	(102 445 009)	(16 331 147)	-	(118 776 156)
	207 594 951	13 939 607	753 272	222 287 830

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Buildings	Total
Opening balance	184 902 636	12 854 622	753 272	198 510 530
Additions/capital expenditure	184 841 395	9 065 245	-	193 906 640
Disposals	(30 862 633)	-	-	(30 862 633)
Transferred to completed items	(168 302 645)	(13 346 856)	-	(181 649 501)
	170 578 753	8 573 011	753 272	179 905 036

Expenditure incurred to repair and maintain property, plant and equipment

The municipality's amount is R39 952 271 ((2020-21) R53 468 293) for the financial reporting year. In determining the repairs and maintenance amount the municipality has exclusively disclosed amounts charged by service providers.

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.

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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5. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	31 575 097	(18 181 006)	13 394 091	31 288 806	(17 825 532)	13 463 274

Reconciliation of intangible assets - 2022 - Opening Balance

	Opening balance	Additions	Amortisation	Total
Computer software, other	13 463 274	2 234 324	(2 303 507)	13 394 091

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software, other	13 984 567	1 948 033	(2 469 326)	13 463 274

Pledged as security

Intangible assets were not pledged as security for financial liabilities

Moses Kotane Local Municipality

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6. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	14 000	-	14 000	14 000	-	14 000

Reconciliation of heritage assets 2022 - Opening Balance

	Opening balance	Total
Historical monuments	14 000	14 000

Reconciliation of heritage assets 2021

	Opening balance	Total
Historical monuments	14 000	14 000

Pledged as security

Heritage assets was not pledged as a security for financial liabilities

Expenditure incurred to repair and maintain heritage assets

There were no expenditure incurred to repair and maintain heritage assets during the year under review

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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7. Employee benefit obligations

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(19 034 000)	(17 814 000)
Non-current liabilities	(17 014 000)	(15 705 000)
Current liabilities	(2 020 000)	(2 109 000)
	(19 034 000)	(17 814 000)

The municipality's obligation for Long Service Awards is a defined benefit plan. This plan is wholly unfunded as no contributions are made by the municipality into funds that are legally separate from the municipality and from which the employee benefits are paid (each subsequent financial year's expected payments of long service bonuses are budgeted for). The municipality, in substance, underwrites the actuarial and investment risks associated with the plan.

Consequently, the expense recognised for the defined benefit plan is the full additional liability accrued due to additional benefit entitlement. The municipality's net obligation in respect of the defined benefit long service allowances is the present value of the defined benefit obligation less the fair value of any plan assets, together with adjustments for unrecognised actuarial gains or losses and past service cost.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows of the benefits that will be paid to employees and using suitable interest rates.

The calculation is performed by registered actuaries using the projected unit credit method. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2022.

There are 563 employees that are currently entitled to Long Service Awards.]

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

Opening balance	17 814 000	16 651 000
Benefits paid	(2 121 275)	(2 025 000)
Net expense recognised in the statement of financial performance	3 341 275	3 188 000
	19 034 000	17 814 000

Net expense recognised in the statement of financial performance

Current service cost	1 711 000	1 539 000
Interest cost	1 544 000	1 138 000
Actuarial (gains) losses	86 275	511 000
	3 341 275	3 188 000

Moses Kotane Local Municipality

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7. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11,03 %	9,20 %
General earnings inflation rate (long term)	7,33 %	5,78 %
Net discount rate	3,45 %	3,23 %

The earnings are inclusive of the corresponding 1 July general increase. The next general earnings increase was assumed to take place on 1 July 2023.

In estimating the unfunded liability for LSA of Moses Kotane Local Municipality a number of assumptions are required. GRAP 25 requires the actuarial assumptions to be unbiased (i.e. neither imprudent nor excessively conservative) and mutually compatible (i.e. reflective of the economic relationships between factors such as return on assets and inflation rates).

Discount Rate

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 11.03% per annum has been used. The corresponding liability-weighted index-linked yield is 3.95%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2022. These yields were obtained by calculating the duration of the total liability and then taking the fixed-interest and index-linked yields from the respective yield curves at that duration using an iterative process (because the yields depend on the duration, which in turn depends on the liability). The duration of the total liability was estimated to be 9 years.

Earnings Inflation Rate

This assumption is required to reflect the estimated growth in earnings of the eligible employees until retirement. It is important in that the LSA are based on an employee's earnings at the date of the award.

The assumption is traditionally split into two components, namely General Earnings Inflation and Promotional Earnings Escalation.

General Earnings Inflation

This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, earnings inflation is between 1.0% and 1.5% above CPI inflation.

The expected CPI inflation assumption of 6.33% was obtained from the differential between market yields on index-linked bonds (3.95%) consistent with the estimated terms of the liabilities and those of nominal bonds (11.03%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $((1+11.03\%-0.50\%)/(1+3.95\%))-1$.

Thus, a general earnings inflation rate of 7.33% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 3.45%. It was assumed that the next general earnings increase will take place on 1 July 2023.

Demographic Assumptions

Demographic assumptions are required about the future characteristics of current employees who are eligible for LSA.

Promotional Earnings Scale

The annual inflation rates below are in addition to the General Earnings Inflation assumption of 7.33% per annum for all employees.

Age band	Additional promotional scale
20 – 24	5.0%
25 – 29	4.0%
30 – 34	3.0%
35 – 39	2.0%
40 – 44	1.0%
> 44	0.0%

Moses Kotane Local Municipality

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7. Employee benefit obligations (continued)

Average Retirement Age

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement. Employees who have passed the assumed average retirement age, have been assumed to retire at their next birthday.

Withdrawal from Service

If an employee leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates. A sample of the assumed rates is set out below.

Age	Females	Males
20	9%	9%
25	8%	8%
30	6%	6%
35	5%	5%
40	5%	5%
45	4%	4%
50	3%	3%
55+	0%	0%

Other assumptions

Assumed discount rate have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed discount rate would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	(46 000)	51 000
Effect on defined benefit obligation	(1 028 000)	1 143 000

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

	2022	2021	2020	2019	2018
Defined benefit obligation	19 034 000	17 814 000	16 651 000	15 390 122	15 607 093

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8. Inventories		
Maintenance materials	13 879 271	11 442 863
Water for distribution	60 794	62 139
	13 940 065	11 505 002
Carrying value of inventories carried at fair value less costs to sell	-	-
Inventories recognised as an expense during the year	4 903 897	2 831 787
9. Receivables from exchange transactions		
Gross Balances	3 071 513	3 053 803
Less: Impairment allowance	(2 893 144)	(3 045 696)
	178 369	8 107
Statutory receivables included in receivables from exchange transactions above are as follows:		
Gross Balances	645 044	605 394
Less: Allowance for Impairment	(449 721)	(602 274)
	195 323	3 120
Other non-financial asset receivables included in receivables from exchange transactions above are as follows:		
Gross balances	2 443 422	2 443 422
Less: Allowance for impairment	(2 443 422)	(2 443 422)
	-	-
Financial asset receivables included in receivables from exchange transactions above	178 369	8 107
Trade and other receivables pledged as security		
There are no trade and other receivables pledged as security at the end of the year		
Fair value of trade and other receivables		
Trade and other receivables	160 970	8 107
Sundry debtors ageing		
The ageing of sundry debtors is as follows:		
Between 0 - 30 days	8 670	11 612
Between 31 - 60 days	3 335	4 710
Between 61 - 90 days	3 613	2 937
Above 91 days	629 426	592 119
Other receivables ageing		
The ageing of other receivables is as follows:		
91 days and above	2 443 422	2 443 422

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
10. Receivables from non-exchange transactions		
Fines	535 526	1 531 195
Service charges	328 970	-
Other receivables from non-exchange revenue	3 508 937	3 000 567
	4 373 433	4 531 762
Non-current assets	2 675 057	2 166 687
Current assets	1 698 376	2 365 075
	4 373 433	4 531 762
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Fines	535 526	1 531 195
Other non-financial asset receivables included in receivables from non-exchange transactions above are as follows:		
Other receivables	328 970	-
Financial asset receivables included in receivables from non-exchange transactions above	3 508 937	3 000 567
Total receivables from non-exchange transactions	4 373 433	4 531 762

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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10. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Fines are issued in terms of the National Road Traffic Regulations of 2000 and the National Road Traffic Act 93 of 1996.

Determination of transaction amount

All fines are governed by the specific regulation which is applicable to the offence.

Interest or other charges levied/charged

Fines - No interest or other charges are charged on outstanding fines.

No discount rate is applied on the above mentioned statutory receivables to estimate future cash flows.

Basis used to assess and test whether a statutory receivable is impaired

Fines - Payment percentage of fines is used to assess whether fines are impaired.

There are no trade and other receivables from non exchange pledged as security during the year.

The ageing-2022	Fines	Eskom deposits	Other receivables	Total
Current (0-30 days)	62 050	-	-	62 050
31 - 60 days	19 700	-	-	19 700
61 - 90 days	88 310	-	-	88 310
91 - 120 days	77 550	-	-	77 550
121 days and above	13 258 525	2 675 057	833 880	16 767 462
Less: Allowance for impairment	(12 970 616)	-	-	(12 970 616)
	535 519	2 675 057	833 880	4 044 456

The ageing- 2021	Fines	Eskom deposits	Other receivables	Total
Current (0-30 days)	68 900	-	-	68 900
31 - 60 days	60 150	-	-	60 150
61 - 90 days	104 300	108 010	-	212 310
91 - 120 days	41 900	-	-	41 900
121 days and above	12 484 714	2 058 677	-	14 543 391
Less: Allowance for impairment	(11 228 769)	-	833 880	(10 394 889)
	1 531 195	2 166 687	833 880	4 531 762

Receivables from non-exchange transactions pledged as security

There are no receivables from non exchange transactions pledged as security as at 30 June 2022

11. VAT receivable/payable

VAT	11 753 460	23 543 191
VAT Receivable reconciliation		
VAT Receivable from SARS	8 594 419	17 970 099
VAT input provision	12 567 726	12 639 260
VAT output provision	(9 408 685)	(7 066 168)
	11 753 460	23 543 191

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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11. VAT receivable/payable (continued)

The Municipality claims VAT in terms of the VAT Act 89 of 1991

VAT output is charged on taxable services and VAT input is claimed for goods and services received from suppliers who are registered as VAT vendors. The VAT receivable or payable at the end of the financial year is based on the difference between input VAT charged on operational goods and services supplied to the Municipality, input VAT charged on capital goods and services and the output VAT charged for services rendered by the Municipality.

The current VAT rate used, as determined by National Government is, 15% The municipality is registered for VAT on the Payment Basis

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
12. Consumer debtors		
Gross balances		
Rates	547 121 758	453 908 638
Water	1 138 263 578	917 453 109
Sewerage	24 223 473	20 565 601
Refuse	124 906 357	108 579 152
Water consumption from the last readings	1 855 508	1 133 496
	1 836 370 674	1 501 639 996
Less: Allowance for impairment		
Rates	(487 028 356)	(382 732 418)
Water	(1 076 791 889)	(862 405 413)
Sewerage	(21 127 722)	(18 705 027)
Refuse	(124 777 989)	(108 325 591)
	(1 709 725 956)	(1 372 168 449)
Net balance		
Rates	60 093 402	71 176 220
Water	61 471 689	55 047 696
Sewerage	3 095 751	1 860 574
Refuse	128 368	253 561
Water consumption from the last readings	1 855 508	1 133 496
	126 644 718	129 471 547
Statutory receivables included in consumer debtors above are as follows:		
Rates	60 093 403	71 176 220
Other non-financial asset receivables included in consumer debtors above are as follows:		
Water consumption from the last readings	1 855 508	1 133 496
Financial asset receivables included in consumer debtors above	64 695 807	57 161 831
Total consumer debtors	126 644 718	129 471 547
Included in above is receivables from exchange transactions		
Water	61 471 687	55 047 696
Sewerage	3 095 750	1 860 574
Refuse	128 369	253 561
Water consumption from the last readings	1 855 508	1 133 496
	66 551 314	58 295 327
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	60 093 403	71 176 220
Net balance	126 644 717	129 471 547

Moses Kotane Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
12. Consumer debtors (continued)		
Rates		
Current (0 -30 days)	13 944 088	20 564 272
31 - 60 days	11 340 941	12 901 208
61 - 90 days	11 097 658	10 309 789
91 - 120 days	10 657 712	10 481 201
121+ days	491 054 250	399 652 169
Debt impairment	(478 001 247)	(382 732 419)
	60 093 402	71 176 220
Water		
Current (0 -30 days)	21 231 500	28 784 692
31 - 60 days	23 830 877	21 960 186
61 - 90 days	27 419 392	22 362 375
91 - 120 days	23 376 908	22 887 817
121 - 365 days	1 046 033 992	821 458 040
Debt impairment	(1 080 420 980)	(862 405 414)
	61 471 689	55 047 696
Sewerage		
Current (0 -30 days)	1 052 445	410 626
31 - 60 days	408 046	279 423
61 - 90 days	403 045	291 120
91 - 120 days	338 073	296 718
121 - 365 days	22 021 864	19 287 714
Debt impairment	(21 127 722)	(18 705 027)
	3 095 751	1 860 574
Refuse		
Current (0 -30 days)	1 595 434	1 448 738
31 - 60 days	1 786 094	1 440 571
61 - 90 days	1 522 516	1 431 713
91 - 120 days	1 508 029	1 643 079
121+ days	118 494 284	102 615 052
Debt impairment	(124 777 989)	(108 325 592)
	128 368	253 561
Water consumption from last readings		
Current (0 -30 days)	1 855 508	1 133 496
Reconciliation of allowance for impairment		
Balance at beginning of the year	(1 372 168 449)	(1 146 857 740)
Allowance for impairment utilised during the year	5 723 871	651 061
Debt impairment increase during the year	(343 281 378)	(225 961 770)
	(1 709 725 956)	(1 372 168 449)

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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12. Consumer debtors (continued)

Statutory receivables general information

Transaction(s) arising from statute

Municipal Property Rates Act (MRP Act) section 2 states that a metropolitan or local municipality may levy a rate on property in its area.

Determination of transaction amount

Rates amounts are determined in terms of section 11 of the MRP Act and the approved rates policy of the municipality

Interest or other charges levied/charged

Interest is charged on past due balances

Basis used to assess and test whether a statutory receivable is impaired

Payment history of receivables is used to assess whether the receivable is impaired

Discount rate applied to the estimated future cash flows

No discount rate is applied on above mentioned statutory receivables to estimate future cash flow

Credit quality of consumer debtors

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	-	20 000
Bank balances	17 734 851	7 850 788
Short-term deposits	19 145 280	53 725 943
	36 880 131	61 596 731

Cash and cash equivalents held by the municipality that are not available for use by the municipality	107 700	107 700
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The municipality has a facility for R 1 000 000 with Standard Bank

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
Standard Bank- Current Account- 41980182	11 140 035	5 059 333	2 352 823	11 130 390	5 123 737	2 352 823
CAII MIG Standard Bank- Account Number 228810957004	12 250 721	23 884 598	26 590 239	12 250 721	23 884 598	26 590 239
Call MKLM Standard Bank- 22881095	982 553	8 928 986	157 604	982 553	8 928 986	157 604
WSIG Account MKLM MUNIC INFRA- Account number - 228810957	5 317 732	18 504 336	17 635 167	5 317 732	18 504 336	17 635 167
ABSA Rustenburg Branch - AccountNumber - 4050414471	1 047 601	104 270	651 498	1 047 609	104 281	651 498
ABSA Fixed Deposit- 12 months Eskom-Account Number - 2062250801	406 398	384 187	357 015	424 010	404 461	380 844
Standard BANK Barongwa- Account Number - 41980255	629 038	641 081	648 200	629 038	641 081	648 199
Traffic- Account Number - 41980247	4 927 813	1 981 689	363 048	4 927 813	1 981 689	363 048
Standard Bank - Fleet- Account Number-228810957001	170 265	2 003 562	-	170 265	2 003 562	-
Total	36 872 156	61 492 042	48 755 594	36 880 131	61 576 731	48 779 422

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant	8 438 909	25 369 253
Library Grant	1 440 274	1 014 325
Water and Sanitation Grant	2 403 400	1 205 753
EPWP Grant	8 826	57 833
Financial Management Grant	898	-
PMU Grant	607 724	84 797
	12 900 031	27 731 961

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
14. Unspent conditional grants and receipts (continued)		
Movement during the year		
Balance at the beginning of the year	27 731 961	42 631 424
Additions during the year	206 608 318	206 426 815
Savings	-	(216 336)
Income recognition during the year	(208 682 415)	(220 869 840)
Rollover denied	(12 757 833)	(240 102)
	12 900 031	27 731 961
15. Other financial liabilities		
At amortised cost		
INCA annuity loan	5 937 790	7 844 424
ABSA annuity loan	696 687	2 695 280
DBSA	7 994 550	12 159 189
	14 629 027	22 698 893
Total other financial liabilities	14 629 027	22 698 893
<u>DBSA Streetlighting and roads and stormwater</u>		
Type of loan	Annuity loan	
Original amount	R15 767 612	
Period of loan	20 years	
Date loan received	June 2004	
Redemption date	June 2024	
Interest rate	Fixed 11.44%	
Purpose of loan	Roads and Streetlights	
Terms and conditions	Payable half yearly December and June	
<u>DBSA Water</u>		
Type of loan	Annuity loan	
Original amount	R27 123 463	
Period of loan	15 years	
Date loan received	December 2008	
Redemption date	December 2023	
Interest rate	Fixed 8.80%	
Purpose of loan	Water Projects	
Terms and conditions	Payable half yearly December and June	
<u>INCA Civic Ext 2</u>		
Type of loan	Annuity loan	
Original amount	R10 000 000	
Period of loan	20 years	
Loan raised	January 2008	
Redemption date	December 2027	
Interest rate	9.48%	
Purpose of loan	Extension Civic Centre	
Terms and conditions	Payable half yearly December and June	

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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15. Other financial liabilities (continued)

INCA Paypoint

Type of loan	Annuity loan
Original amount	R3 000 000
Period of loan	15 years
Loan raised	March 2009
Redemption date	March 2024
Interest rate	8.36%
Purpose of loan	Community Halls
Terms and conditions	Payable half yearly March and September

Mayoral House bond

Type of loan	Mortgage Bond
Original amount	R1 520 000
Period of loan	20 years
Date loan received	June 2007
Redemption date	June 2027
Interest rate	variable
Purpose of loan	Mayoral house
Terms and conditions	Debit order monthly

Non-current liabilities

At amortised cost	8 844 377	14 635 612
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Current liabilities

At amortised cost	5 784 650	8 063 281
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Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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16. Provisions

Reconciliation of provisions - 2022 - Opening Balance

	Opening Balance	Payments during the year	Interest Charged	Change in landfill closure provision	Total
Environmental rehabilitation	21 989 821	-	1 940 272	(3 650 307)	20 279 786
Workmen's compensation	1 840 995	(1 840 995)	-	-	-
	23 830 816	(1 840 995)	1 940 272	(3 650 307)	20 279 786

Reconciliation of provisions - 2021

	Opening Balance	Utilised during the year	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	16 302 154	-	4 479 563	1 208 104	21 989 821
Workmen's compensation	1 590 515	(1 590 515)	1 840 995	-	1 840 995
	17 892 669	(1 590 515)	6 320 558	1 208 104	23 830 816

Non-current liabilities	20 279 786	21 989 821
Current liabilities	-	1 840 995
	20 279 786	23 830 816

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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16. Provisions (continued)

Environmental rehabilitation provision

In terms of the licensing of the landfill refuse sites, the municipality will incur rehabilitation costs to restore the site at the end of its useful life. Provision has been made for the net present value of the restoration costs.

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.

CPI

The CPI 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 landfills with an expected remaining life of three years or less, the rate associated with a maximum period of 3 years is used.
- For landfills with an expected remaining life of four of five years, the rate associated with a maximum period of 5 years is used.
- For landfills with an expected remaining life of more than five years, the rate associated with a maximum period of 10 years is used.

Assumption

CPI	6.6085%
Discount rate	10.6085%
Net effective discount rate	4.0000%

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
17. Payables from exchange transactions		
Trade payables	69 603 631	75 156 287
Payments received in advance	71 305 572	69 957 728
Other payables	2 554 547	8 256 714
Accrued leave pay	42 166 361	40 021 752
Retentions	32 468 874	29 064 941
Unallocated receipts	8 046 160	6 794 905
Accrued bonus	7 188 242	5 072 772
	233 333 387	234 325 099
18. Revenue		
Service charges	215 993 501	174 236 298
Commissions received	-	90 997
Rental income	234 046	73 926
Other income	4 041 139	1 221 009
Interest from exchange transactions	60 539 708	47 893 075
Property rates	130 570 391	144 972 077
Interest from non exchange transactions	30 060 195	23 853 363
Government grants & subsidies	685 483 247	763 503 942
Public contributions and donations	983 124	-
Fines, Penalties and Forfeits	1 308 200	1 209 250
	1 129 213 551	1 157 053 937
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	215 993 501	174 236 298
Commissions received	-	90 997
Rental income	234 046	73 926
Other income - (rollup)	4 041 139	1 221 009
Interest received - investment	60 539 708	47 893 075
	280 808 394	223 515 305
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	130 570 391	144 972 077
Transfer revenue		
Government grants & subsidies	685 483 247	763 503 942
Interest - non exchange transactions	30 060 195	23 853 363
Public contributions and donations	983 124	-
Fines, Penalties and Forfeits	1 308 200	1 209 250
	848 405 157	933 538 632
19. Service charges		
Sale of water	199 358 562	160 492 822
Sewerage and sanitation charges	5 259 293	2 920 634
Refuse removal	11 375 646	10 822 842
	215 993 501	174 236 298

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to the approved tariffs.

Moses Kotane Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
20. Lease rentals on operating lease		
Equipment		
Contractual amounts	1 826 087	760 870
21. Interest from non-exchange receivables		
Outstanding debtors	26 873 644	21 686 192
Interest - Investments	3 186 551	2 167 171
	30 060 195	23 853 363
22. Other income		
Clearance certificates	57 907	92 829
Drainage fees	366	78
Sale of tender documents	639 080	610 045
Valuation services	3 058	2 229
Cemetery	19 909	17 333
Town planning	71 912	117 664
Recoveries	27 607	30 551
Photocopies and faxes	28 808	12 861
Water connections	25 463	79 226
LG Seta refund	427 100	258 193
Insurance claims received	310 394	-
Licence fees	2 429 535	-
	4 041 139	1 221 009
The amounts disclosed above for Other Income are in respect of services rendered which are billed to or paid for by the users of the services as required according to approved tariffs.		
23. Interest Income - Exchange items		
Interest revenue		
Bank	2 478 898	2 009 241
Interest charged on trade and other receivables	58 060 810	45 883 834
	60 539 708	47 893 075

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
24. Property rates		
Rates received		
Commercial	45 509 253	46 778 948
State	77 620 385	92 884 579
Residential	1 220 694	3 944 120
Mining	6 284 933	3 706 052
Industrial	4 474	6 225
Less: Income forgone	(69 348)	(2 347 847)
	130 570 391	144 972 077

Assessment rates are levied on the total value of property of which the valuation must be performed every four years in terms of the Municipal Property Rates Act. Interim valuations are processed on a monthly basis to take into account changes in individual property value due to alterations, completions, consolidations and subdivisions.

Rates are levied monthly on property owners and are payable at the end of each month. Owners are allowed to pay the 12 monthly instalments annually by 30 September each year. Interest is levied on outstanding rates amounts.

The new general valuation was implemented on 01 July 2021.

Valuations

Residential	1 670 405 073	1 832 131 436
Commercial	1 381 454 407	1 330 567 500
Industrial	146 984 720	157 639 000
State	1 708 904 034	1 512 309 448
Church and parks	17 490 000	16 255 000
Mining	72 885 000	25 031 000
Public Benefit Organizations	419 800	419 800
Agriculture	1 456 812 162	1 828 996 902
Municipal (non taxable valuations)	125 285 700	531 051 300
Public Service infrastructure	17 540 000	30 683 300
Vacant Land	66 856 000	53 128 000
	6 665 036 896	7 318 212 686

Moses Kotane Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
25. Government grants and subsidies		
Operating grants		
Equitable share	476 800 833	542 634 102
Expanded Public Works Grant	1 699 174	1 905 032
Project Management Unit Grant	4 504 202	3 093 970
Financial Management Grant	1 849 102	1 700 000
Library grant	440 051	568 172
	485 293 362	549 901 276
Capital grants		
Municipal Infrastructure Grant	146 774 213	129 609 842
Water Services Infrastructure Grant	43 802 353	71 709 009
Provincial Infrastructure Grant	9 613 319	12 283 815
	200 189 885	213 602 666
	685 483 247	763 503 942
Municipal Infrastructure Grant		
Balance unspent at beginning of year	25 369 253	26 332 861
Current-year receipts	142 543 870	128 646 233
Conditions met - transferred to revenue	(146 774 214)	(129 609 841)
Roll over denied	(12 700 000)	-
	8 438 909	25 369 253
The grant was utilised to construct roads, streetlighting, water and sewerage infrastructure. Conditions still to be met - remain liabilities (see note 14).		
Library Grant		
Balance unspent at beginning of year	1 014 325	816 497
Current-year receipts	866 000	766 000
Conditions met - transferred to revenue	(440 051)	(568 172)
	1 440 274	1 014 325
Conditions still to be met - remain liabilities (see note 14).		
Department of water services and Refurbishment Grant		
Balance unspent at beginning of year	1 205 753	14 889 762
Current-year receipts	45 000 000	58 025 000
Conditions met - transferred to revenue	(43 802 353)	(71 709 009)
	2 403 400	1 205 753
Conditions still to be met - remain liabilities (see note 14).		
Expanded Public Works Grant		
Balance unspent at beginning of year	57 833	135 866
Current-year receipts	1 708 000	1 827 000
Conditions met - transferred to revenue	(1 699 174)	(1 905 033)
Other	(57 833)	-
	8 826	57 833
Conditions still to be met - remain liabilities (see note 14).		

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
25. Government grants and subsidies (continued)		
Financial Management Grant		
Current-year receipts	1 850 000	1 700 000
Conditions met - transferred to revenue	(1 849 102)	(1 700 000)
	898	-
Conditions still to be met - remain liabilities (see note 14).		
Provincial Infrastructure Grant (PIG)		
Current-year receipts	9 613 319	12 283 815
Conditions met - transferred to revenue	(9 613 319)	(12 283 815)
	-	-
Conditions still to be met - remain liabilities (see note 14).		
MIG (PMU) Grant		
Balance unspent at beginning of year	84 797	240 102
Current-year receipts	5 027 130	3 178 767
Conditions met - transferred to revenue	(4 504 203)	(3 093 970)
Roll over denied	-	(240 102)
	607 724	84 797
Conditions still to be met - remain liabilities (see note 14).		
Small business enterprise grant		
Balance unspent at beginning of year	-	216 336
Other	-	(216 336)
	-	-
Conditions still to be met - remain liabilities (see note 14).		

Moses Kotane Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
26. Employee related costs		
Basic	180 784 148	164 274 191
Bonus	14 547 311	11 947 104
Medical aid - company contributions	13 948 078	12 765 761
UIF	1 214 680	990 281
SDL	2 188 670	2 058 284
Leave pay provision charge	2 385 138	9 220 122
Bargaining council	73 015	67 303
Travel, motor car, accommodation, subsistence and other allowances	1 398 593	1 578 593
Overtime payments	13 467 630	10 880 781
Long-service awards	3 341 276	3 025 701
Acting allowances	801 955	502 452
Housing benefits and allowances	552 820	537 101
Standby allowances	2 832 513	2 396 359
Pension fund company contributions	31 210 028	29 876 499
Shift allowance	297 194	269 017
Covid 19 allowance	-	5 837 913
	269 043 049	256 227 462
Remuneration of Municipal Manager		
Annual Remuneration	1 248 674	1 201 840
Car Allowance	222 593	222 593
Bonus	104 056	100 153
Contributions to UIF, Medical and Pension Funds	282 180	274 951
	1 857 503	1 799 537
Remuneration for the Acting Municipal Manager		
Acting Allowance	54 000	44 712
Remuneration of the Chief Finance Officer		
Annual Remuneration	1 121 450	1 074 866
Car Allowance	216 000	216 000
Performance Bonuses	93 156	89 572
Contributions to UIF, Medical and Pension Funds	253 226	245 099
	1 683 832	1 625 537
Remuneration of HOD Community Services		
Annual Remuneration	1 189 734	1 140 408
Car Allowance	240 000	240 000
Performance Bonuses	60 000	60 000
Contributions to UIF, Medical and Pension Funds	2 249	1 932
	1 491 983	1 442 340
Remuneration of HOD Technical Services		
Annual Remuneration	1 430 544	805 238
Car Allowance	60 000	35 000
Contributions to UIF, Medical and Pension Funds	2 249	1 139
	1 492 793	841 377
Remuneration of Acting HOD: Corporate Services		

Moses Kotane Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
26. Employee related costs (continued)		
Acting Allowance	158 639	149 279
		-
Remuneration of HOD Planning and Development		
Annual Remuneration	353 261	1 017 294
Car Allowance	60 000	180 000
Performance Bonuses	60 000	60 000
Contributions to UIF, Medical and Pension Funds	62 425	185 016
	535 686	1 442 310
Remuneration for Acting HOD: Planning and Development		
Acting Allowance	189 438	-
Remuneration of HOD: Economic development		
Annual Remuneration	1 227 149	1 170 408
Car Allowance	240 000	240 000
Performance Bonuses	30 000	30 000
Contributions to UIF, Medical and Pension Funds	2 249	1 903
	1 499 398	1 442 311
Remuneration of Acting HOD: Infrastructure		
Acting Allowance	-	125 450
27. Remuneration of councillors		
Mayor	785 604	811 640
Single WHIP	484 921	431 018
Executive Committee	5 013 584	4 763 465
Speaker	565 072	303 379
Councillors	12 952 088	10 782 496
Councillors pension and medical aid contributions	3 211 585	3 076 974
Traveling allowance	2 513 661	4 995 216
Cell phone allowance	3 028 598	2 939 800
	28 555 113	28 103 988

In-kind benefits

The Mayor, Speaker, Single Whip and Mayoral Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor is entitled to stay at the mayoral residence owned by the Municipality. The Executive Mayor has use of a Council owned vehicle for official duties.

The Council has complied with the provision of Section 7(3) of the Remuneration of Public Office Bearers Act, and in line with the government gazette number 45420, dated 2 November 2021. It should be noted that there was no increase of councillor allowances therefore gazette no 43246 dated 24 April 2020 is still applicable while still awaiting concurrence.

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
28. Depreciation and amortisation		
Property, plant and equipment	129 461 988	136 594 965
Intangible assets	2 303 507	2 469 326
	131 765 495	139 064 291
29. Impairment of assets		
Impairments		
Property, plant and equipment	-	21 726
Non current assets held for sale	-	222 000
The impairment loss relates to cost to sell assets that were identified by the municipality in the current year as held for sale.		
	-	243 726
The main classes of assets affected by impairment losses are:		
Transport assets held for sale		
Value in use		
The value in use for the high mast lights impaired is Nil as these assets are not in use..		
Fair value less cost to sell		
The fair value less cost to sell for the high mast lights is nil because there is no active market to sell the assets.		
Value in use		
The value in use for the high mast lights impaired is Nil as these assets are not in use.		
Fair value less cost to sell		
The fair value less cost to sell for the high mast lights is nil because there is no active market to sell the assets.		
30. Finance costs		
Non-current borrowings	2 095 248	3 033 419
Provision for landfill site	1 940 272	1 208 101
	4 035 520	4 241 520
31. Debt impairment		
Consumer Debtors	314 143 636	206 036 728
Traffic Fines	1 746 240	(1 629 711)
Bad Debts	5 268 164	616 668
Sundry Debtors	(153 316)	(328 205)
	321 004 724	204 695 480
32. Bulk purchases		
Water	113 426 383	104 944 858

Moses Kotane Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
32. Bulk purchases (continued)		
Water losses		
Units purchased	15 483 347	15 509 412
Units sold	(14 543 701)	(12 909 207)
Total loss	939 646	2 600 205
Value of loss	7 178 895	19 265 861
Percentage Loss	6 %	17 %
33. Contracted services		
Outsourced Services		
Accounting fees	9 956 502	10 180 303
Vat consultants fees	7 368 543	6 606 538
Debt collection fees	8 557 808	8 720 357
Call Centre	4 911 652	7 367 478
Refuse Removal	23 814 045	22 885 593
Contractors		
Maintenance of Buildings and Facilities	624 686	3 124 400
Maintenance of motor vehicles	7 591 769	6 904 209
Maintenance of infrastructure	29 841 422	37 009 478
	92 666 427	102 798 356

Contracted services are expenditure relating to mandated services in terms of the Structures Act, a municipal by-law or the IDP where the municipality is expected to have the capacity and expertise to carry out these services, but is outsourcing these service.

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
34. General expenses		
Audit fees	3 203 996	5 484 707
Assets management fees	-	3 206 874
Cleaning	1 538 826	1 006 053
Legal fees	1 590 503	2 065 550
Consumables	15 750	-
Fines and penalties	629 050	1 421 555
Insurance	3 562 667	2 778 279
IT expenses	9 857 233	3 971 449
Horticulture	52 456	55 575
Valuation fees	131 550	984 967
Fuel and oil	11 790 522	9 055 022
Local economic development	128 339	2 180 252
Financial system support	-	3 080 279
Repairs and maintenance	3 922 682	5 084 606
Security (Guarding of municipal property)	23 037 586	21 220 882
Workmen's compensation fund	1 659 235	2 091 475
Subscriptions and membership fees	3 054 075	2 935 234
Telephone and fax	10 083 228	11 292 347
Training	107 391	80 676
Travel - local	1 024 816	564 016
Water tankering	13 181 002	6 162 009
Rural sanitation	15 388 019	30 862 634
Electricity	20 890 164	23 523 702
Uniforms	1 363 180	2 276 455
Ward committee fees	9 131 644	5 049 228
Water quality and chemicals	2 077 520	1 938 188
Other expenses	9 423 336	5 279 708
	146 844 770	153 651 722

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
35. Cash generated from operations		
Surplus	6 207 997	151 321 846
Adjustments for:		
Depreciation and amortisation	131 765 495	139 064 291
Gain on sale of assets and liabilities	14 916 203	11 490 161
Donations	(983 124)	-
inventory write off	(11 981)	455 157
Loss on foreign exchange	280 041	-
Fair value adjustments	(1 346 276)	(945 500)
Finance costs	1 940 272	-
Impairment deficit	-	243 726
Debt impairment	321 004 723	204 695 480
Movements in employee benefits	3 341 275	3 025 701
Movements in provisions	-	1 208 104
Movement in accrued leave	2 385 138	9 220 122
Movement in accrued bonus	2 115 470	169 730
VIP toilets	15 388 019	30 862 633
Changes in working capital:		
Inventories	(2 423 082)	(2 213 667)
Receivables from exchange transactions	(17 710)	-
Consumer debtors	(340 454 549)	(288 045 139)
Other receivables from non-exchange transactions	(1 587 911)	721 365
Payables from exchange transactions	(4 516 927)	(35 659 502)
VAT	35 660 067	12 088 682
Unspent conditional grants and receipts	(14 831 930)	(14 683 127)
Provisions	(1 840 995)	(250 482)
Employee benefits	(2 121 275)	(1 862 701)
	164 868 940	220 906 880

36. Non current assets held for sale

Management took a decision to dispose vacant land and a fleet of transport assets.

Motor Vehicles and accessories

Carrying Value	913 040	913 040
Accumulated impairment loss	(222 000)	(222 000)
	691 040	691 040

Carrying Values

Carrying values of the assets	691 040	691 040
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Facts and circumstances of disposal

Management took a decision to dispose the transport assets as these assets had become expensive to maintain, the mileage of the assets was very high and the physical condition of the assets had deteriorated.

37. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	178 369	178 369
Other receivables from non-exchange transactions	3 508 937	3 508 937

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
37. Financial instruments disclosure (continued)		
Consumer debtors	64 695 808	64 695 808
Cash and cash equivalents	36 880 131	36 880 131
	105 263 245	105 263 245
Financial liabilities		
	At amortised cost	Total
Other financial liabilities	(14 629 027)	(14 629 027)
Trade and other payables from exchange transactions	(102 072 505)	(102 072 505)
	(116 701 532)	(116 701 532)
2021		
Financial assets		
	At amortised cost	Total
Trade and other receivables from exchange transactions	8 107	8 107
Other receivables from non-exchange transactions	3 000 567	3 000 567
Consumer debtors	57 161 831	57 161 831
Cash and cash equivalents	61 596 731	61 596 731
	121 767 236	121 767 236

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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37. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Other financial liabilities	(22 698 893)	(22 698 893)
Trade and other payables from exchange transactions	(112 477 943)	(112 477 943)
	(135 176 836)	(135 176 836)

38. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	155 058 958	110 283 047
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Total capital commitments

Already contracted	155 058 958	110 283 047
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Total commitments

Total commitments

Authorised capital expenditure	155 058 958	110 283 047
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This committed expenditure relates to infrastructure projects and will be financed by grants from National and Provincial Treasury.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	2 100 000	2 100 000
- in second to fifth year inclusive	1 225 000	3 325 000
	3 325 000	5 425 000

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years. No contingent rent is payable.

Rental expenses relating to operating leases

Minimum lease payments	1 826 087	760 870
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Operating leases relate to property, plant and equipment with lease terms not longer than 5 years with an option to extend for a further period. The operating lease contract contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the leased period.

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
39. Contingencies		
Claims against the Municipality		
Van Heerden Construction	1 078 782	1 078 782
Mogaki Civils	470 426	470 426
Mafoko Brothers	-	319 919
Enigma chartered Accountants	5 211 874	5 211 874
MTN	-	90 484
Department of Local Government and Human Settlements	-	32 591 311
Intelligence Trading	-	3 525 398
Mr. P.N. Makganya	34 764	-
Norman Montshiwa & 33 others V MKLM	12 000 000	12 000 000
Sandra Mafisa V MKLM	2 400 000	2 400 000
SAMWU obo TKL Matlapeng V MKLM	300 000	300 000
Tsholo Moloi V MKLM	754 481	754 481
Wageng Mokgosi and 17 others (HOU's) V MKLM	10 000 000	10 000 000
Employees affected by the review of 2020 structure	5 000 000	5 000 000
	37 250 327	73 742 675

Norman Montshiwa & 33 others V MKLM

Claim for payment in respect of leave encashment, the matter is pending before Labour Court. The claim against the municipality is estimated to be above R12 million however, there are no prospects of success.

Sandra Mafisa V MKLM

Claim of unfair dismissal, the employee seek reinstatement. The matter is pending before the Labour Court. There is no prospects of success. The employee concerned has reached retirement age. The financial exposure is estimated at R2,4 million

SAMWU obo TKL Matlapeng V MKLM

Claim for unfair Labour Practice. The matter is pending before the Labour Court. Employee does not have prospects of success, however the municipality is exposed to a financial claim in excess of R300 000.

Tsholo Moloi V MKLM

Claim for unfair dismissal. The matter is before the Labour Appeal Court. The claim could be estimated as per her salary from the period of dismissal. However there are no prospects of success

Wageng Mokgosi and 17 others (HOU's) V MKLM

Claim is of non payment of the 13th cheque and other benefits. The matter is at the final stage of the grievance resolution process. The financial exposure for the municipality if successful is extensive and may well be in excess of R10 million.

Employees affected by the review of 2020 structure

Claim emanating the review of organisational structure resulting in the split of positions. The claim is legitimate and may expose the municipality to financial claim in excess of R5 million.

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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Figures in Rand	2022	2021
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39. Contingencies (continued)

Van Heerden Construction

Van Heerden Construction is a sub-contractor of Lefika La Thaba, a contractor that was appointed by the Municipality. Van Heerden is claiming R 1 078 782. Van Heerden obtained a Court order and Writ of execution against Lefika La Thaba, Dr. Mokgothu, the owner of Lefika La Thaba as well as the Municipality.

It was established that the Municipality has an amount of R 833 000 left on the project. The amount was paid over to the trust account of Sakkie Smith Attorneys for safekeeping pending finalisation of the matter. The case is handled by Sakkie Smith Attorneys in Mogwase and is still in progress.

Mr. P.N. Makganya

Claim by Mr. Makganya for damages sustained due to alleged accident with municipal employee, Mr. Z. Mooketsi, to the amount of R 34 763.73. Sheriff with execution order at Moses Kotane municipal offices – attached assets but not removed.

Case defended on basis that last correspondence was received in 2016 and no notices were since delivered to the execution debtors, MKLM and Mooketsi. The case is handled by Sakkie Smith Attorneys in Rustenburg. In the current year the possibility of outflow of resources has been considered to be remote because there was no movement on the case for the last 3 years.

Mogaki Civils

Flowing from the Van Heerden case above, a further claim was received from Mogaki Civils for an amount of R 470 426.30. This is a legitimate claim since the Municipality entered into a cession agreement to this amount with Lefika La Thaba and Mogaki Civils. They were informed of the situation and have not taken any action. Municipality has filed all necessary papers but no correspondence in last two years. Van Heerden (Dominus Litis) needs to make the next move. The Municipality will incur costs after the exact amounts due to the following parties had been established. Still in progress. The case is handled by Sakkie Smith Attorneys in Mogwase.

Enigma Chartered Accountants

Claim by Enigma for R 5 211 872.84. The Municipality appointed Enigma to investigate and claim back VAT paid. Enigma would then be entitled to 20% commission on recovered amount. Notice of Motion received in October 2019. Proposal for settlement is under review. Case has some probability of succeeding. The case is being handled by Setshedi, Makgale and Matlapeng Attorneys in Rustenburg.

Department of Local Government and Human Settlements

In the past the municipality received funds from the Department of Local Government and Human Settlements to be utilised for the Housing Subsidy System. Of the funds received the department has concluded that there is an unspent portion of R 32 591 311 by the municipality. The municipality is challenging this claim.

MTN

MTN claims an amount of R 90 484.06 for unpaid services. They allege that there was a contract which the Municipality has breached. More information has been requested. No legal action taken yet.

Mafoko Brothers

Received letter of demand, related Tender 004/MKLM/2015/2016. The letter of demand states a claim amount, as at 12 November 2018, for R 319 919.34. Municipality defended on basis that claim is for unauthorised work done and that the consultant should be held responsible for payment. Consultant was however liquidated. Mafoko Brothers instituted legal action and obtained cost order against municipality. LM Pretorius Attorneys is defending the case.

Intelligence Trading

Claim by Intelligence Trading for R 3 525 398.31 for outstanding monies on Tender 020/MKLM/2015/2016. Letter of demand received from DupWest Inc on 19 August 2020. No legal action taken yet.

Moses Kotane Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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40. Related parties

Relationships

The services rendered to related parties are charged at approved tariffs that were advertised to the public. The amounts outstanding are unsecured and will be settled in cash .

Remuneration of management

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

40. Related parties (continued)

Remuneration of Head of Departments

2022

Name	Basic salary	Acting allowance	Travel allowance	UIF	Medical Aid	Pension	Bargaining Council	Bonus	Total
Municipal Manager (Mr MV Letsoalo)	1 248 674	-	222 593	2 125	57 277	222 654	124	104 056	1 857 503
Acting Municipal Manager (Mr SS Kotsedi)	-	23 077	-	-	-	-	-	-	23 077
Acting Municipal Manager (Mr M Mkhize)	-	7 846	-	-	-	-	-	-	7 846
Acting Municipal Manager (Mr MS Makgoba)	-	23 077	-	-	-	-	-	-	23 077
CFO (MR Mkhize)	1 121 450	-	216 000	2 125	51 696	199 281	124	93 156	1 683 832
Community Services Director (Mr SS Kotsedi)	1 189 734	-	240 000	2 125	-	-	124	-	1 431 983
Technical Services Director (Mr BS Maseloane)	1 430 544	-	60 000	2 125	-	-	124	-	1 492 793
Planning and Development (Mr MS Makgoba)	353 261	-	60 000	708	-	61 675	41	60 000	535 685
Acting Planning and Development (Mr AT Mogashoa)	-	108 300	-	-	-	-	-	-	108 300
Acting Planning and Development (Mr BS Maseloane)	-	28 381	-	-	-	-	-	-	28 381
Acting Planning and Development (Mr MV Mmope)	-	52 757	-	-	-	-	-	-	52 757
Economic Development (Ms GR Madikela)	1 227 149	-	240 000	2 125	-	-	124	30 000	1 499 398
Acting Corporate Services (Ms GR Madikela)	-	28 381	-	-	-	-	-	-	28 381
Acting Corporate services (Mr FD Radiokana	-	100 278	-	-	-	-	-	-	100 278
Corporate Services (Mr MS Moselane)	-	34 980	-	-	-	-	-	-	34 980
	6 570 812	407 077	1 038 593	11 333	108 973	483 610	661	287 212	8 908 271

Moses Kotane Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand

40. Related parties (continued)

2021

Name	Basic salary	Acting allowance	Travel allowance	UIF	Medical Aid	Pension	Bargaining Council	Total
Municipal Manager (Mr MV Letsoalo)	1 301 994	-	222 593	1 785	56 716	216 331	119	1 799 538
Acting Municipal Manager (Mr SS Kotsedi)	-	44 712	-	-	-	-	-	44 712
CFO (MR Mkhize)	1 164 438	-	216 000	1 785	193 476	49 720	119	1 625 538
Community Services Director (Mr SS Kotsedi)	1 200 408	-	240 000	1 813	-	-	119	1 442 340
Technical Services (Mr BS Maseloane)	805 238	110 473	35 000	1 069	-	-	69	951 849
Acting Director: Technical Services (Mr PPS Ntokwe)	-	14 977	-	-	-	-	-	14 977
Planning and Development (Mr MS Makgoba)	1 077 294	-	180 000	1 785	-	183 113	119	1 442 311
Economic Development (Ms GR Madikela)	1 200 408	-	240 000	1 785	-	-	119	1 442 312
Acting Director: Corporate Services (Mr MS Makgoba)	-	104 567	-	-	-	-	-	104 567
Acting Director: Corporate Services (Ms GR Madikela)	-	44 712	-	-	-	-	-	44 712
	6 749 780	319 441	1 133 593	10 022	250 192	449 164	664	8 912 856

Moses Kotane Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand

40. Related parties (continued)

Management class: Councillors

2022

	Basic salary	Pension	Medical Aid	Travel Allowance	Phone Allowance	Other benefits received	Total
Name							
Mayor	785 604	114 007	1 081	-	3 682	287 212	913 374
Speaker	565 072	84 761	7 200	63 689	42 009	-	762 731
Whip	484 921	66 065	18 592	55 173	39 609	287 212	664 359
Executive Committee	5 013 584	745 364	89 280	899 488	443 782	-	7 191 499
Councillors	12 952 088	1 770 063	306 174	1 495 313	2 499 512	287 212	19 023 150
	19 801 269	2 780 260	422 327	2 513 663	3 028 594	861 636	28 555 113

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

40. Related parties (continued)

2021

	Basic salary	Pension	Medical Aid	Travel Allowance	Phone Allowance	Total
Name						
Mayor	811 640	116 589	-	-	3 600	931 829
Speaker	303 379	45 507	10 080	119 180	5 800	483 945
Whip	431 018	67 137	17 280	154 953	22 200	714 787
Executive Committee	4 763 465	676 602	108 334	1 390 029	222 000	7 382 430
Councillors	10 782 496	1 528 702	506 743	3 331 055	1 221 000	18 590 997
	17 091 998	2 434 537	642 437	4 995 217	1 474 600	28 103 988

41. Change in accounting estimate

Property, plant and equipment

The remaining useful life (RUL) is an estimation of the amount of years that the asset will be able to safely perform its intended function. During the 2021/2022 financial year physical verification of assets occurred and part of the procedures regarding physical verification is the condition assessment of assets. The condition of an asset has a direct impact on the remaining useful life of an asset. The impact of the condition assessment performed resulted in decrease in depreciation by R1 112 507.

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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42. Prior period errors and reclassifications

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

Expenditure Reclassification

In the current year we noted that repairs and maintenance was overstated due to classification error. Correction of the error resulted in decrease in repairs and maintenance by R 53 468 293, increase in contracted services by R 47 038 087 and an increase in general expenses by R 6 430 206. This error did not affect the Statement of Financial Position

Interest from bank Reclassification

A classification error interest received from the bank was identified during the year. Interest income from cash received from grants incorrectly included Interest from exchange transactions instead of being classified as interest from non exchange transactions. The error has the following effect in the Statement of Financial Performance: Understatement of Interest from non exchange by R 2 167 171 and overstatement of Interest from exchange transactions by the same amount. The error does not affect the Statement of Financial Position

Investment property

Error 1

There were corrections made to investment property land sizes based on the relevant title deeds. The land sizes for two properties were adjusted to agree to the land size per the title deed for the relevant properties. The effect of the adjustment is the decrease in investment property value by R8 817 135. 18

Error 2

During the current year it was discovered that Informal Trader Stalls were incorrectly classified as Property, Plant and Equipment instead of being classified as Investment Property because they were built with the intention of renting them out. The error resulted in understatement of the cost of Investment property by R13 349 653 and the understatement of the fair value of investment property by R6 721 243 and understatement of fair value adjustment expense of R 6 625 613.

Employee grievances

In the current year it was noted that the municipality lost a court case during the 2021 financial year. This was not accounted for in prior year financial statements and as a result payables were understated by R5 244 918 and the accumulated surplus was overstated by the same amount.

Sundry debtors reclassification

In the prior year, sundry debtors were incorrectly classified as receivables from non exchange instead of receivables from exchange transactions. The reclassification error was corrected in the current financial year

Interest income receivable

During the current financial year, it was discovered that interest receivable from standard bank was not raised and accounted for. The omission resulted in understatement of interest received from exchange transactions and accumulated surplus by R4 986. The receivables from exchange transactions was also understated by the same amount.

Property, Plant and Equipment

Error 1

During the current year it was discovered that Informal Trader Stalls were incorrectly classified as Property, Plant and Equipment instead of being classified as Investment Property because they were built with the intention of renting them out. As a result PPE was overstated with cost R13 349 653 and accumulated depreciation was overstated by R 222 797

Error 2

During physical verification it was discovered that highmast lights were erroneously omitted in the asset register resulting in understatement of cost R 11 157 076 and accumulated depreciation R 5 370 736.96, understatement of community assets cost R 397 726 and accumulated depreciation of R41 750.

Error3

During physical verification it was identified that ICT Towers were incorrectly componentized resulting in understated accumulated depreciation of R 1 826 325.

Error4

During physical verification a reclassification was made from community assets to buildings, cost R 378 466 and accumulated depreciation of R 75 693.

VAT Receivable

During the year it was identified that VAT input of R30 940 relating to May 2021 was not claimed during 2021 financial year

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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42. Prior period errors and reclassifications (continued)

resulting in overstatement of general expenses, understatement of VAT input (understatement of VAT Receivables) and understatement of Accumulated surplus by that amount.

Statement of financial position

2021 - Opening balance

	Note	As previously reported	Correction of error	Restated
Payables from exchange transactions		(259 609 057)	(5 244 917)	(264 853 974)
Investment Property		151 028 113	(8 814 339)	142 213 774
Property Plant and Equipment		2 920 294 197	7 388 186	2 927 682 383
Accumulated Surplus		(2 860 394 456)	6 671 070	(2 853 723 386)
		(48 681 203)	-	(48 681 203)

2022 - Opening Balance

	Note	As previously reported	Correction of error	Re-classification	Restated
Investment Property		151 431 312	(2 093 095)	-	149 338 217
Property, Plant and Equipment		2 942 789 268	(5 506 137)	-	2 937 283 131
Receivables from non exchange transactions		2 368 195	-	(3 120)	2 365 075
Receivables from exchange transactions		-	4 987	3 120	8 107
Vat Receivables		23 512 251	30 940	-	23 543 191
Payables from exchange transactions		(229 080 183)	(5 244 917)	-	(234 325 100)
Accumulated Surplus		(3 017 853 454)	12 808 222	-	(3 005 045 232)
		(126 832 611)	-	-	(126 832 611)

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42. Prior period errors and reclassifications (continued)

Statement of financial performance

2021

	Note	As previously reported	Correction of error	Re-classification	Restated
Interest received		50 055 259	-	(2 167 171)	47 888 088
Interest from non-exchange transactions		-	-	2 167 171	2 167 171
Depreciation and amortisation		(139 516 825)	452 534	-	(139 064 291)
Repairs and maintenance		(53 468 293)	-	53 468 293	-
Contracted services		(55 760 269)	-	(47 038 087)	(102 798 356)
General expenses		(147 252 456)	-	(6 430 206)	(153 682 662)
Loss on disposal of assets and liabilities		(4 864 548)	(6 625 613)	-	(11 490 161)
Surplus for the year		(350 807 132)	(6 173 079)	-	(356 980 211)

Prior period errors on disclosure notes

The following prior period errors adjustments occurred:

Contingent liability - Employee grievances

During the current year it was noted that employee grievances were omitted from contingencies disclosures. Hence the contingent disclosures were incomplete. The employee grievances have been included in the current year contingencies disclosures and the comparatives have been restated. The error resulted in the understatement of contingent liabilities by R30 454 481.

Financial Instruments

During the year under review, it was noted that statutory and other receivables were included and disclosed as financial instruments despite the fact that they do not meet the definition of a financial asset. The error resulted in the overstatement of financial assets by R 73 835 924

Irregular expenditure

Opening balance	1 360 046 938	-
Adjustments made	30 321 273	-
Restated opening balance	1 390 368 211	-

Adjustment made to opening balance of irregular expenditure is due to omissions made on the irregular expenditure register of R 30 321 273

Unauthorised Expenditure

Opening balance	232 530 644	-
Adjustments made	1 925 560	-
Restated opening balance	234 456 204	-

Fruitless and wasteful expenditure

Opening balance	114 765 868	-
Adjustments made	14 826 205	-
Restated opening balance	129 592 073	-

Adjustment made to opening balance of fruitless and wasteful expenditure is due to errors and omissions made on the fruitless and wasteful register in the prior year. Correction of these errors resulted in increase in fruitless and wasteful expenditure by R 14 826 205.

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43. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liabilities are managed by ensuring that all contractual payments met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

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

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

At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Loans and borrowings	8 063 281	5 826 331	3 019 841	-	16 909 453
Trade and other payables	102 072 505	-	-	-	102 072 505
	110 135 786	5 826 331	3 019 841	-	118 981 958
At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Loans and borrowings	8 063 281	10 564 146	4 031 761	-	22 659 188
Trade and other payables	112 477 943	-	-	-	112 477 943
	120 541 224	10 564 146	4 031 761	-	135 137 131

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43. Risk management (continued)

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	2022	2021
Receivable from non exchange	3 508 937	3 000 567
Consumer Debtors	64 695 808	57 161 831
Receivables from exchange	178 369	8 107

Market risk

Interest rate risk

Interest rate risk is defined as that fair value of future cashflows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

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

Price risk

The effect of any price risk in the foreseeable future is regarded as minimal given the fact that amounts receivable from the municipality's customers are levied in terms of the relevant statutes. It is not anticipated that given the nature of the municipality's business that changes in market prices will have a material impact on the trading results of the municipality.

There has been no change, since the previous financial year, to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

44. Going concern

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

The municipality is experiencing cashflow challenges as a result of low debtors collection rate which has an impact on the municipality's ability to pay creditors timeously. This will not result in any material uncertainty for the municipality to continue as going concern since it also relies on grants from national government in order to fund its operations. The municipality is a service delivery vehicle of government and there has not been any indication from National Government to discontinue the operation of the municipality and the medium term revenue and expenditure framework has made allocations to the municipality. The most significant of these is that the accounting officer will continue to procure funding for the ongoing operations of the municipality.

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45. Unauthorised expenditure		
Opening balance as previously reported	232 530 644	511 956 738
Correction of prior period error	1 925 560	-
Opening balance as restated	234 456 204	511 956 738
Add: Expenditure identified - current	197 642 625	133 238 930
Less: Approved/condoned/authorised by council	-	(412 665 024)
Closing balance	432 098 829	232 530 644

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	117 179 550	71 803 283
Cash	80 463 075	63 361 207
	197 642 625	135 164 490

Analysed as follows: non-cash

Depreciation and amortisation	1 419 097	13 664 489
Long term leave provision	3 341 276	-
Loss on disposal of property, plant and equipment	10 252 979	5 744 029
Provision of impairment	101 670 182	52 394 765
Interest on Provision	496 016	-
	117 179 550	71 803 283

Analysed as follows: cash

Bulk purchases	43 298 984	31 213 074
Sanitation VIP Toilets	15 383 019	27 921 296
Provision for medical aid	33 931	-
Transport	205 940	-
Business Management Fees	5 799 064	2 148 095
Legal fees	345 969	-
Insurance	2 062 667	-
Lease of office Equipment	426 087	-
IDP	1 465 849	-
Fuel and Oil	5 790 522	-
Security Services	1 633 003	-
Audit Fees	203 996	806 116
Refuse removal	3 814 045	1 272 626
	80 463 076	63 361 207

Unauthorised expenditure: Budget overspending – per municipal department:

Municipal council	3 040 663	-
Municipal manager	5 045 052	2 954 211
Budget and Treasury	29 393 107	-
Corporate services	496 016	1 648 069
Community services	16 317 810	5 987 598
Technical and Infrastructure	143 349 977	124 574 612
	197 642 625	135 164 490

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46. Fruitless and wasteful expenditure		
Opening balance as previously reported	114 765 868	13 155 131
Correction of prior period error	14 826 205	98 788 737
Opening balance as restated	129 592 073	111 943 868
Add: Expenditure identified - current	1 524 508	2 822 000
Closing balance	131 116 581	114 765 868

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Figures in Rand	2022	2021
46. Fruitless and wasteful expenditure (continued)		
Expenditure identified in the current year include those listed below:		
IT Expenditure	114 938 123	98 788 737
Interest on overdue accounts	11 476 500	12 524 338
Community hall construction expenditure	385 825	385 825
Fines	20 000	20 000
Reversal of recoverable amount	1 218 685	1 218 685
Penalties	3 077 448	1 828 283
	131 116 581	114 765 868

IT expenditure relates to expenditure that is currently under investigation to determine if value derived match the expenditure incurred. At the conclusion of the investigation, if the contract is established as fruitless and wasteful expenditure, were the value derived does not match up with the payments made, a receivable will be created for the recovery of the loss from the person/s responsible.

The municipality incurred interest as a result of late payments on Magalies Water, Telkom and Eskom accounts. Construction expenditure relates to expenditure incurred on the construction of a Hall in an area reserved for mining expansion during 2014/15 financial year.

Fruitless and wasteful expenditure was reported to Council and referred to MPAC for further investigation.

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47. Irregular expenditure		
Opening balance as previously reported	1 360 046 937	1 128 611 143
Correction of prior period errors	30 321 273	107 284 028
Opening balance as restated	1 390 368 210	1 235 895 171
Add: Irregular Expenditure - current *	82 667 761	124 151 766
Closing balance *	1 473 035 971	1 360 046 937

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47. Irregular expenditure (continued)

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

Competitive bidding not invited	45 563 724	69 929 884
Three written quotations not invited	23 300	113 260
Tax clearances not obtained	-	12 038
Regulation 32 Appointments	-	9 192 104
SCM processes not followed	8 290 996	16 412 621
Deviations	19 948 933	27 858 101
Non-disclosure of interest	8 840 808	633 758
	82 667 761	124 151 766

* It should be noted that the amounts disclosed for the current year are inclusive of VAT and the comparative amounts are exclusive of VAT. This is due to the National treasury circular 68 updated 2021 which requires the disclosure of irregular expenditure to be inclusive of VAT prospectively.

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48. Deviation from supply chain management regulations

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

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

Description

Deviation as per section 36(1)(i) of the SCM regulations (Emergencies in urgent procurements)	1 477 200	2 489 190
Deviation as per section 36(1)(ii) of the SCM regulations (Sole supplier)	2 455 412	432 735
Deviation as per section 36(1)(v) of the SCM regulations (Exceptional case where it is impractical to follow the official procurement process)	15 835 384	42 106 883
	19 767 996	45 028 808

Supplier

Supplier	Reason	Amount
Mabasa Suppliers Pty Ltd	Emergencies and urgent procurements	1 477 200
Government Printing Works	Sole supplier	123 072
Microsoft Ireland Operations	Sole supplier	2 240 238
Sakkie Smith Attorneys	Any exceptional case where it is impractical or impossible to follow the official procurement process	18 925
Exila Travel Centre	Emergencies and urgent procurements	716 616
Quick Acts	Any exceptional case where it is impractical or impossible to follow the official procurement process	105 000
Total Computer Services	Any exceptional case where it is impractical or impossible to follow the official procurement process	152 165
Math Engineering	Any exceptional case where it is impractical or impossible to follow the official procurement process	84 562
Tlou Intergrated Tech CC	Any exceptional case where it is impractical or impossible to follow the official procurement process	563 956
MWB Consulting Engineers	Any exceptional case where it is impractical or impossible to follow the official procurement process	3 305 287
Adapt IT Pty Ltd	Sole Supplier	86 855
Road Lodge Rustenburg	Any exceptional case where it is impractical or impossible to follow the official procurement process	46 060
Katlego Baphiring Trading JV Lethabo projects	Any exceptional case where it is impractical or impossible to follow the official procurement process	4 564 359
Mokoka and Partners Attorneys	Any exceptional case where it is impractical or impossible to follow the official procurement process	509 025
Early Worx T/A FPSA	Sole Supplier	5 246
Panelbeating Unlimited	Any exceptional case where it is impractical or impossible to follow the official procurement process	5 000
Booda Consulting Pty Ltd	Any exceptional case where it is impractical or impossible to follow the official procurement process	5 764 430
		19 767 996

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49. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government-SALGA		
Current year subscription / fee	3 054 075	2 921 924
Amount paid - current year	(3 054 075)	(2 921 924)
	<u>-</u>	<u>-</u>
Audit fees		
Opening balance	1 175 130	-
Current year subscription / fee	3 203 995	5 484 707
Amount paid - current year	(4 379 125)	(4 309 577)
	<u>-</u>	<u>1 175 130</u>
PAYE and UIF		
Current year subscription / fee	47 726 696	38 211 835
Amount paid - current year	(47 726 696)	(38 211 835)
	<u>-</u>	<u>-</u>
Pension and Medical Aid Deductions		
Current year subscription / fee	45 158 106	42 642 261
Amount paid - current year	(45 158 106)	(42 642 261)
	<u>-</u>	<u>-</u>

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

Councillors' arrear consumer accounts

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

30 June 2022	Outstanding more than 90 days	Total
Councillor Radiokana DH	18 265	18 265
Councillor Aphiri E	10 994	10 994
Councillor Manganye RJ	28 778	28 778
Councillor Motsoenyane MZ	12 207	12 207
Councillor Semakane BJ	27 562	27 562
Councillor Motshabi CN	20 693	20 693
Councillor Lentswe E	9 021	9 021
Councillor Sekoboane S	6 376	6 376
Councillor Mataboge EN	43 593	43 593
Councillor Modisakeng ET	110 849	110 849
Councillor Magoleng MH	27 527	27 527
Councillor Minte GD	69 574	69 574
Councillor Mosako TG	38 396	38 396
Councillor Letsoalo A	6 376	6 376
Councillor Nkotswe M	20 836	20 836
Councillor Motsoasele M	42 350	42 350
Councillor Thoboke P	107 205	107 205
	600 602	600 602
30 June 2021	Outstanding more than 90 days	Total
Councillor A Letswamotse	985	985
Councillor A Nguthula	11 590	11 590
Councillor C Motshabi	14 958	14 958
Councillor D Chaka	14 554	14 554
Councillor D Radiokana	14 967	14 967
Councillor G Kgarimetsa	31 719	31 719
Councillor G Madisa	2 743	2 743
Councillor J E G Ditshwene	98 195	98 195
Councillor JM Segale	14 996	14 996
Councillor K Kapari	3 771	3 771
Councillor L Kapari	52 967	52 967
Councillor N Nkotswe	17 689	17 689
Councillor MS Mabitsela	27 317	27 317
Councillor P Thobokwe	39 123	39 123
Councillor R Motlhaga	53 520	53 520
Councillor RJ Manganye	23 582	23 582
Councillor S Rasepae	3 689	3 689
	426 365	426 365

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

Purchase from persons in service of the state

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

Supplier name	Related person	Organ of state	Capacity at Municipality	Relationship	2022	2021
Mo Kasi Creations and Media Pty Ltd	Mr MS Magoro	Moses Kotane Local Municipality	Supplier	State Employee	2 864 550	536 942
Salani Group	Ms SD Rasepae		Supplier	State Employee	576 258	-
Kamogelo Investments	Mr M Ramagaga		Supplier	State Employee	1 386 417	-
Mmolawa Investments	Mr D Mmolawa		Supplier	State Employee	9 775 688	-
Oarabile Projects Pty Ltd	M. I Ramasodi	National Trade and Industry	Supplier	State Employee	-	28 986
Genplay Broadcast Media	Kefilwe Motlaba	Transnet Group	Supplier	State Employee	-	79 925
Gijima Holdings	Ashwin Hirjee Trimjee	The KwaZulu Natal Royal Household Trust	Supplier	State Employee	-	20 850
					14 602 913	666 703

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50. Segment information

General information

Identification of segments

The segments were organised based on the type and nature of service delivered by the Municipality. These services are delivered in various municipal departments, which for reporting purposes are allocated to a standardised functional area (guided by mSCOA regulations). Budgets are prepared for each functional area and the budget versus actual amounts are reported on a monthly basis. Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Reporting on segment assets and liabilities

The Municipality has assessed that assets and liabilities associated with each segment is not used by management for decision making purposes, and neither is it being reported on. Assets and liabilities are utilised by management to assess key financial indicators for the Municipality as a whole. Accordingly, the assets and liabilities per segment are not required to be disclosed.

Types of goods and/or services by segment

The Municipality has several departments/functional areas and accordingly the segments were aggregated for reporting purposes as set out below:

Reportable segment

Unallocated

Finance & Administration

Economic & Environmental Services

Roads

Community &
Public Safety

Energy Sources

Goods and/or services

Provision of overall governance to other segments of the municipality.

Provision of financial and administrative services to other segments of the municipality.

Provision of economic development activities in the municipality.

Construction and maintenance of roads owned by the municipality.

Construction and maintenance of community facilities owned and ensuring safety and security to the communities by the municipality.

Construction of street lights and highmast lights.

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50. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2022 - Opening Balance

	Unallocated	Finance & Administration	Economic & Environmental Services	Roads	Community & Public Safety	Energy Sources	Water management	Waste water management	Waste management	Total
Revenue										
Service charges	-	-	-	-	-	-	199 358 561	5 259 293	11 375 646	215 993 500
Interest earned on outstanding debtors-(trading)	-	60 539 708	-	-	-	-	-	-	-	60 539 708
Rental Income	-	234 046	-	-	-	-	-	-	-	234 046
Other Income	-	1 465 512	71 912	-	2 478 251	-	25 463	-	-	4 041 138
Property Rates	-	130 570 390	-	-	-	-	-	-	-	130 570 390
Interest earned on outstanding debtors-(taxation revenue)	-	30 060 195	-	-	-	-	-	-	-	30 060 195
Government grants and subsidies	5 699 174	257 968 086	4 504 202	56 641 527	16 494 544	18 676 140	223 628 441	29 432 143	73 422 116	686 466 373
Fines	-	-	-	-	1 308 200	-	-	-	-	1 308 200
Total segment revenue	5 699 174	480 837 937	4 576 114	56 641 527	20 280 995	18 676 140	423 012 465	34 691 436	84 797 762	1 129 213 550
Entity's revenue										1 129 213 550

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	Unallocated	Finance & Administrative	Economic & Environmental Services	Roads	Community & Public Safety	Energy Sources	Water management	Waste water management	Waste management	Total
50. Segment information (continued)										
Expenditure										
Employee costs	(34 514 398)	(93 692 111)	(22 747 411)	(9 510 565)	(35 395 918)	(4 815 589)	(49 538 872)	(15 787 817)	(3 040 370)	(269 043 051)
Remuneration of councillors	(28 555 114)	-	-	-	-	-	-	-	-	(28 555 114)
Depreciation and amortisation	(329 762)	(4 481 623)	-	(38 585 621)	(26 694 556)	(3 388 136)	(54 394 417)	(2 750 114)	(1 141 266)	(131 765 495)
Finance costs	-	-	-	(293 480)	(2 930 880)	(240 128)	(571 032)	-	-	(4 035 520)
Lease rentals	(1 826 087)	-	-	-	-	-	-	-	-	(1 826 087)
Debt impairment	-	(105 234 783)	-	-	(1 746 240)	-	(194 275 600)	(3 417 867)	(16 330 234)	(321 004 724)
Bulk purchases	-	-	-	-	-	-	(113 426 383)	-	-	(113 426 383)
Contracted services	-	(38 386 275)	-	-	(624 686)	-	(20 009 464)	-	(33 646 003)	(92 666 428)
General expenses	(20 080 911)	(28 943 842)	(163 919)	(891 366)	(36 136 352)	(1 894 595)	(42 553 685)	(16 088 971)	(91 130)	(146 844 771)
Loss on disposal of assets	-	(596 145)	-	(5 448 232)	1 973 380	-	(9 155 648)	(613 549)	(9 775)	(13 849 969)
Inventories losses/write - downs	-	11 891	-	-	-	-	-	-	-	11 891
Total segment expenditure	(85 306 272)	(271 322 888)	(22 911 330)	(54 729 264)	(101 555 252)	(10 338 448)	(483 925 101)	(38 658 318)	(54 258 778)	(1 123 005 651)
Total segmental surplus/(deficit)	(79 607 098)	209 515 049	(18 335 216)	1 912 263	(81 274 25)	8 337 692	(60 912 636)	(3 966 882)	30 538 98	6 207 899

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50. Segment information (continued)

2021

	Unallocated	Finance and administration	Community and Public safety	Economic and Environment al services	Roads	Energy sources	Water Management	Waste Water Management	Waste Management	Total
Revenue										
Service charges	-	-	-	-	-	-	160 492 822	2 920 634	10 822 842	174 236 298
Interest received on outstanding debtors	-	47 893 075	-	-	-	-	-	-	-	47 893 075
Commissions received	-	90 997	-	-	-	-	-	-	-	90 997
Rental income	-	73 926	-	-	-	-	-	-	-	73 926
Other income	-	997 924	30 194	113 665	-	-	79 226	-	-	1 221 009
Property rates	-	144 972 077	-	-	-	-	-	-	-	144 972 077
Interest earned on outstanding debtors- (taxation revenue)	-	23 853 363	-	-	-	-	-	-	-	23 853 363
Government grants and subsidies	5 905 032	328 462 845	11 543 233	3 093 970	69 155 065	10 394 543	209 869 637	56 220 714	68 858 903	763 503 942
Fines, Penalties and Forfeits	-	-	1 209 250	-	-	-	-	-	-	1 209 250
Total segment revenue	5 905 032	546 344 207	12 782 677	3 207 635	69 155 065	10 394 543	370 441 685	59 141 348	79 681 745	1 157 053 937
Entity's revenue										1 157 053 937

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	Unallocated	Finance and adminstration	Community and Public safety	Economic and Envronment al services	Roads	Energy sources	Water Management	Waste Water Management	Waste Management	Total
50. Segment information (continued)										
Expenditure										
Employee related cost	(27 461 298)	(101 393 217)	(32 492 213)	(23 087 670)	(8 465 038)	(4 158 037)	(43 085 668)	(13 451 966)	(2 632 355)	(256 227 462)
Remuneration of councillors	(28 103 988)	-	-	-	-	-	-	-	-	(28 103 988)
Depreciation and amortisation	(361 966)	(3 793 694)	(29 921 902)	-	(46 451 211)	(3 316 238)	(51 650 867)	(2 771 290)	(797 123)	(139 064 291)
Finance cost	-	(2 709 730)	-	-	(380 794)	(355 614)	(795 382)	-	-	(4 241 520)
Lease rentals on operating lease	-	(760 870)	-	-	-	-	-	-	-	(760 870)
Debt Impairment	-	(33 893 259)	1 629 711	-	-	-	(155 311 565)	(2 094 224)	(15 026 143)	(204 695 480)
Bulk purchases	-	-	-	-	-	-	(104 944 858)	-	-	(104 944 858)
Contracted services	-	(37 853 603)	(5 049 722)	-	(862 541)	-	(23 239 872)	(1 710 733)	(34 081 885)	(102 798 356)
General Expenses	(12 518 449)	(39 152 220)	(31 629 676)	(2 511 254)	(1 343 888)	(24 522 985)	(11 043 226)	(30 862 634)	(67 390)	(153 651 722)
Loss/Gains on disposal of assets and liabilities	-	1 758 592	(6 625 613)	-	(2 749 180)	-	(3 873 960)	-	-	(11 490 161)
Fair value adjustment	-	945 500	-	-	-	-	-	-	-	945 500
Invetory losses	-	(455 157)	-	-	-	-	-	-	-	(455 157)
Impairment of assets	-	(21 726)	(222 000)	-	-	-	-	-	-	(243 726)
Total segment expenditure	(68 445 701)	(217 329 384)	(104 311 415)	(25 598 924)	(60 252 652)	(32 352 874)	(393 945 398)	(50 890 847)	(52 604 896)	(1 005 732 091)
Total segmental surplus/(deficit)	(62 540 669)	329 014 823	(91 528 738)	(22 391 289)	8 902 413	(21 958 331)	(23 503 713)	8 250 501	27 076 849	151 321 846

Reporting on segment assets and liabilities

The Municipality has assessed that assets and liabilities associated with each segment is not used by management for decision making purposes, and neither is it being reported on. Assets and liabilities are utilised by management to assess key financial indicators for the Municipality as a whole. Accordingly, the assets and liabilities per segment are not required to be disclosed.

Information about geographical areas

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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50. Segment information (continued)

The Municipality covers an area of approximately 5220km² and is mostly rural in nature, comprising of 107 villages and 2 formal towns of Mogwase and Madikwe. The necessary information per geographical area is not available and the cost to develop it will be to excessive. All geographical information are indicated under Mogwase.

2022

	External revenues from exchange transactions	External revenues from non exchange transactions	Total expenditure	Non-current assets*
Mogwase	280 808 394	848 405 157	(1 123 005 554)	3 119 643 302

2021

	External revenues from exchange transactions	External revenues from non exchange transactions	Total expenditure	Non-current assets*
Mogwase	223 515 305	933 538 632	(1 005 732 091)	3 102 265 309

51. Budget differences

Material differences between budget and actual amounts

- 51.1 The variance is mainly due to the over provision for free basic services on the budget resulted in the reducing on the sale of water, Only registered indigents qualifies for the 6 kiloliters of water.
- 51.2 The variance is mainly due to the over provision for free basic services as well as the increase in the billing state owned properties. The implementation of a new valuation roll as from July 2021 aslso contributed to the provision for property rates on the budget
- 51.3 The variance is due to the provision for long service awards amounts to R 3 341 276 which is calculated by an Actuaris at year end no provision on the budget was provided for the provision. The calculation for accumulated for employees accrued leave contributes an amount of R2 385 138 to the difference. Provision on the budget was not made for this increase as employees should take leave. The payment of overtime also contributed to the difference between the budget and the actual expenditure. The payment of overtime should be controlled
- 51.4 The decrease in the provision for depreciation of municipal assets is due to the non completion of projects which will only be depreciated once completed.
- 51.5 The provision for debt impairment is due to the non payment of services rendered to the community. The implementation of the lockdown were employees were retrenched or lost there jobs and are now at home and cannot afford to the pay for services rendered. The increase in the unemployment rate also contributed to the non payment for services as more and more consumers are now qualifies as indigents
- 51.6 The variance in bulk purchase for water is due to the insufficient provision on the budget as well as the increase in water consumption as more consumers are now at home.
- 51.7 The reason for the variance of 100% is due to the loss on disposal of assets which was not budgeted for.
- 51.8 The reason for the variance is mainly due to the re classification of expenditure between contracted services and general expenditure. The overspending on the provision for consultants for the compilation of the financial statements , unbundling of assets, recovering of outstanding debt and VAT recovery also contributed to the variance.
- 51.9 The reason for the variance is mainly due to the re classification of expenditure between contracted services and general expenditure. The transfer of the construction of VIP toilets from capital expenditure to general expenditue contributes an amount of R15 3888 019 to the variance. Telephone, software and fuel expenses and insifficient budget also contributes to the variance between the budget and the actual expenditure.

Moses Kotane Local Municipality

Appendix A

June 2022

Schedule of external loans as at 30 June 2022

Loan Number	Redeemable	Balance at Wednesday, 30 June 2021	Accrued Interest	Redeemed written off during the period	Balance at Thursday, 30 June 2022	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Loans							
Civic centre extention 3	10202511024	10,97%	1 891 833	-	1 891 833	-	-
	01						
			1 891 833	-	1 891 833	-	-
Development bank of South Africa							
Roads & Stormwater	100840/1	11,44%	2 781 599	-	820 876	1 960 723	-
Street lighting - Sun City	100840/1	11,44%	2 241 449	-	671 626	1 569 823	-
Water	10248/1	8,80%	7 136 150	-	2 672 146	4 464 004	-
			12 159 198	-	4 164 648	7 994 550	-
INCA							
Civic Centre Extention 1	6457	11,4%	927 393	-	927 393	-	-
Civic Centre Extention 2	9078	11,48%	5 727 295	-	634 511	5 092 784	-
INCA Paypoints (Community Halls)	18721	13,85%	1 189 738	28 204	372 935	845 007	-
			7 844 426	28 204	1 934 839	5 937 791	-
Bonds							
Mayoral house	8065717250	7%	803 447	-	106 760	696 687	-
			803 447	-	106 760	696 687	-
Total external loans			22 698 904	28 204	8 098 080	14 629 028	-

Analysis of property, plant and equipment as at 30 June 2022
Cost **ACCUMULATED DEPRECIATION**

	Opening Balance	Prior period error	Transfer/Adjustments	Additions	Disposal/Recognition	Closing Balance	Opening Balance	Prior Year Error	Transfers/Adjustment	Depreciation/Amortisations	Impairment	Disposal/Recognition	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land														
Vacant land and Servitudes	17 684 093	(392 840)	-	-	(1 042)	17 290 211	-	-	-	-	-	-	-	17 290 211
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	17 684 093	(392 840)	-	-	(1 042)	17 290 211	-	-	-	-	-	-	-	17 290 211
Buildings														
Assets under construction	753 272	-	-	-	-	753 272	-	-	-	-	-	-	-	753 272
Operational Facilities	201 118 659	4 436 966	-	-	(376 549)	205 179 076	(95 753 460)	(825 147)	313 881	(6 092 749)	-	222 227	(102 135 248)	103 043 828
Housing	10 877 623	-	-	-	-	10 877 623	(6 168 667)	-	-	(262 201)	-	-	(6 430 868)	4 446 755
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	212 749 554	4 436 966	-	-	(376 549)	216 809 971	(101 922 127)	(825 147)	313 881	(6 354 950)	-	222 227	(108 566 116)	108 243 855
Community Assets														
Assets under construction	8 573 011	-	(16 331 147)	21 697 743	-	13 939 607	-	-	-	-	-	-	-	13 939 607
Community Facilities	438 170 808	(11 696 072)	7 793 776	-	(1 770 753)	432 497 759	(220 945 748)	(47 850)	339 570	(11 574 718)	-	1 442 801	(230 785 945)	201 711 814
Libraries	36 908 681	4 497 978	-	-	-	41 406 659	(14 264 445)	(772 280)	317 468	(1 271 352)	-	-	(15 990 609)	25 416 050
Sports and Recreation facilities	49 651 902	-	8 573 011	-	(1 548 344)	56 676 569	(32 296 105)	-	-	(1 733 671)	-	1 408 058	(32 621 718)	24 054 851
Social Facilities	2 975 877	-	-	-	(17 282)	2 958 595	(1 679 095)	-	-	(70 667)	-	12 556	(1 737 206)	1 221 389
	536 280 279	(7 198 094)	35 640	21 697 743	(3 336 379)	547 479 189	(269 185 393)	(820 130)	657 038	(14 650 408)	-	2 863 415	(281 135 478)	266 343 711

Moses Kotane Local Municipality
Moses Kotane Local Municipality
Appendix B
June 2022

Analysis of property, plant and equipment as at 30 June 2022
Cost **ACCUMULATED DEPRECIATION**

	Opening Balance	Prior period error	Transfer/Adjustments	Additions	Disposal/Derecognition	Closing Balance	Opening Balance	Prior Year Error	Transfers/Adjustment	Depreciation/Amortisations	Impairment	Disposal/Derecognition	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Total property plant and equipment	5 791 580 821	(2 143 143)	(3 650 307)	180 264 474	(49 836 023)	5 916 215 822	(2 848 791 584)	(3 362 992)	1 112 496	(130 574 487)	9 426	18 266 943	(2 963 340 198)	2 952 875 624
Heritage Assets														
Memorial Statue	14 000	-	-	-	-	14 000	-	-	-	-	-	-	-	14 000
	14 000	-	-	-	-	14 000	-	-	-	-	-	-	-	14 000
Intangible assets														
Assets under construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software	31 288 807	-	-	2 234 324	(1 948 033)	31 575 098	(17 825 532)	-	-	(2 303 507)	-	1 948 033	(18 181 006)	13 394 092
	31 288 807	-	-	2 234 324	(1 948 033)	31 575 098	(17 825 532)	-	-	(2 303 507)	-	1 948 033	(18 181 006)	13 394 092
Investment properties														
Land	151 431 313	(2 093 095)	1 346 276	-	-	150 684 494	-	-	-	-	-	-	-	150 684 494
	151 431 313	(2 093 095)	1 346 276	-	-	150 684 494	-	-	-	-	-	-	-	150 684 494

Moses Kotane Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2022

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld		Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jul	Oct	Jan	Apr		Jul	Oct	Jan	Apr		Jan				
FMG	MKLM	1 850	-	-	-	1 850	(336)	(311)	(324)	(878)	(1 849)	26 216)	(26 216)	Slow spending	Yes	n/a
Water Infr Grant	MKLM	25 000	-	20 000	-	45 000	(3 783)	(8 925)	(9 014)	(22 081)	(43 803)	-	-		Yes	n/a
EPWP	MKLM	457	768	530	-	1 708	(341)	(703)	(348)	(307)	(1 699)	-	-		Yes	n/a
Library	MKLM	-	866	-	-	866	(72)	(98)	(102)	(169)	(441)	-	-			n/a
Equitable Share	MKLM	198 690	146 140	119 213	-	476 801	(198 680)	(146 140)	(119 213)	-	(476 801)	-	-			n/a
MIG	MKLM	51 634	64 634	31 303	-	147 571	(7 279)	(44 007)	(30 926)	(64 561)	(146 773)	-	-	Yes	n/a	
Disaster Grant	MKLM	-	-	-	-	-	-	-	-	-	-	-	-		n/a	
Provincial Ingrastructure Grant	MKLM	3 059	838	5 716	-	9 613	(3 059)	(838)	(5 716)	-	(9 613)	-	-		n/a	
		-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-			
		280 690	213 246	176 762	-	683 409	(213 550)	(201 022)	(165 643)	(87 996)	(680 979)	26 216)	(26 216)			

The financial figures above have been rounded to the nearest one thousand Rand (R'000).