



Mahikeng Local Municipality  
Annual Financial Statements  
for the year ended June 30, 2023

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## General Information

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### Legal form of entity

Local Municipality  
Municipal Finance Management Act No. 56 of 2003

### Nature of business and principal activities

Provision of municipal services in terms of Chapter 7 of the Constitution of the Republic of South Africa Act No. 108 of 1996, Municipal System Act No. 32 of 2000

### Mayoral committee

Executive Mayor	T MPHEHLO
Speaker	OGB MATHE
Chief Whip	ME MOETI
MMC Finance	MP SENOKWANE
MMC Infrastructure	GU LEGALATLADI
MMC Corporate Services	MD JABANYANE
MMC Planning and Development	DK MOLEMA
MMC Special Projects	JC DANIELS
MMC Community Services	PF NKO
MMC Local Economic Development	NG HLAZO
MMC Public Safety	BC MATHE
MMC Stakeholder Engagements	KC SECHOGO
MMC Youth, Women, Children, Older persons with disabilities, HIV/AIDS, Moral Regeneration, Social Cohesion, LGBTIQ+, and Development Communications	KI MBANA
Councillors	GE MOSIEDI CL MAHLANGU TD FEMELE LG SEHOLE MM MOGAPI DL MONALEDI K GAOGANEDIWE C MATSHIDISO KK G NKO TO MOGOIWA LR MANGE NB MABOTE AL ANNANDALE KE GAEBEE OL MAGOGODI DM PHETHA ME MSIMANGA B MBIZA OC KGONARE I MALAKAJE MJ MORUBANE KD SEKETEMA MG BILLIOT BS STORAIS M MOPAKO SK MATSHEKA PL PHANTSI KD SEGA

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## General Information

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LR MOTLHABANE  
GD MARUPING  
KA MONCHUSI  
OE MPHEHLO  
PP MOLALE  
RG MOLOSIOA  
MA SETSHEDI  
LJ MOTLALE  
C MOHELEKETE  
LMO MOKGOSI  
ME KHATHAZO  
LA KGENGWE  
AE RAKWENA  
MD RAMATAE  
TC MAIBI  
HP KGASI  
NJ MANGAYI  
TC MATSHEKA  
MC SEGOE  
SJ TAUYAGAE  
WN BOHMER  
MJ NKOMO (MONERE)  
ME DINGILE  
T SELEPE  
T MOTSHABI  
KP MOTSUMI  
LS MOGOTLHA  
SJ VAN ROOYEN  
MD PHUTHEGO

**Grading of local authority**

Category B

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## General Information

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<b>Chief Finance Officer (CFO)</b>	RA MORRIS
<b>Accounting Officer</b>	ADV D I MONGWAKETSE
<b>Registered office</b>	Cnr University Drive & Hector Peterson Road Mmabatho 2735
<b>Business address</b>	Cnr University Drive & Hector Peterson Road Mmabatho 2735
<b>Postal address</b>	Private Bag X63 Mmabatho 735
<b>Bankers</b>	Standard Bank of South Africa Business Centre, Nelson Mandela Drive, Mahikeng, 2745
<b>Auditors</b>	Auditor General of South Africa
<b>Preparer</b>	The annual financial statements were internally compiled by: Pule Letshaba

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

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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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### Abbreviations used:

PIG	Provincial Infrastructure Grant
DBSA	Development Bank of South Africa
DORA	Division of Revenue Act
GRAP	Generally Recognised Accounting Practice
EPWP	Expanded Public Works Programme
FMG	Financial Management Grant
SALGA	South African Local Government Association
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
SCM	Supply Chain Management
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
MIG	Municipal Infrastructure Grant
WIP	Work in Progress
PAYE	Pay As You Earn
EEDMS	Energy Efficiency and Demand Side Management Grant

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Officer's Responsibilities and Approval

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended.

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

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

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

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

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

The accounting officer certifies that the salaries, allowances, and benefits of councillors as disclosed in Note 28 of these financial statements are within the upper limits of the frame work envisaged in section 219 of the Consitution, read with the Remuneration of Public Office Bearers Act (Act 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act..6.

The annual financial statements set out on page 7 to 11 have been prepared on the going concern basis, and were approved by the accounting officer on 31 August 2023 and were signed on its behalf by:

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**ADV D I MONGWAKETSE**  
Accounting Officer

# **Mahikeng Local Municipality**

Annual Financial Statements for the year ended June 30, 2023

## **Accounting Officer's Report**

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The accounting officer submits her report for the year ended June 30, 2023.

The annual financial statements set out on page 7 to 11, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed on its behalf by:

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**ADV D I MONGWAKETSE**  
Accounting Officer

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Statement of Financial Position as at June 30, 2023

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Assets</b>			
<b>Non-Current Assets</b>			
Investment property	3	240,644,000	285,519,000
Property, plant and equipment	4	1,799,726,544	1,740,996,942
Intangible assets	5	2,627,987	2,187,685
		<b>2,042,998,531</b>	<b>2,028,703,627</b>
<b>Current Assets</b>			
Prepayments	10	18,354,995	3,616,267
Inventories	11	14,887,537	14,271,738
Receivables from exchange transactions	12	22,813,411	73,382,178
Receivables from non-exchange transactions	13	13,729,709	102,562,253
Cash and cash equivalents	14	117,509,209	22,133,098
Inter-governmental receivables	43	13,711,801	887,570
		<b>201,006,662</b>	<b>216,853,104</b>
<b>Total Assets</b>		<b>2,244,005,193</b>	<b>2,245,556,731</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Employee benefit obligation	9	194,380,000	280,072,000
Provisions	16	174,145,264	151,000,853
		<b>368,525,264</b>	<b>431,072,853</b>
<b>Current Liabilities</b>			
Payables from exchange transactions	6	352,123,198	401,286,083
VAT payable	7	50,253,952	34,252,936
Consumer deposits	8	13,624,954	13,414,511
Employee benefit obligation	9	55,667,000	2,591,000
Unspent conditional grants and receipts	15	30,899,657	-
		<b>502,568,761</b>	<b>451,544,530</b>
<b>Total Liabilities</b>		<b>871,094,025</b>	<b>882,617,383</b>
<b>Net Assets</b>		<b>1,372,911,168</b>	<b>1,362,939,348</b>
Accumulated surplus		1,372,911,168	1,362,939,348
<b>Total Net Assets</b>		<b>1,372,911,168</b>	<b>1,362,939,348</b>

\* See Note 47



# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	18	252,972,758	246,131,167
Rental of facilities and equipment	19	7,146,503	8,260,843
Interest received		83,611,299	55,811,301
Licences and permits		4,642,534	1,898,176
Fees earned		4,460,303	6,294,272
Other income		9,475,670	12,472,532
Donations income		3,802,495	-
Interest received - investment	23	10,836,605	4,588,450
<b>Total revenue from exchange transactions</b>		<b>376,948,167</b>	<b>335,456,741</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	24	389,752,043	332,898,910
Interest on property rates	21	62,930,845	44,804,961
<b>Transfer revenue</b>			
Government grants & subsidies	26	460,660,789	393,729,000
Fines, Penalties and Forfeits		1,378,586	815,835
<b>Total revenue from non-exchange transactions</b>		<b>914,722,263</b>	<b>772,248,706</b>
<b>Total revenue</b>	17	<b>1,291,670,430</b>	<b>1,107,705,447</b>
<b>Expenditure</b>			
Employee related costs	27	(390,111,724)	(348,035,214)
Remuneration of councillors	28	(30,301,761)	(28,741,635)
Remuneration of ward committee members		(5,714,500)	(3,143,500)
Expanded Public Works Programme Stipend		(5,103,621)	(2,794,221)
Repairs and maintenance		(20,862,745)	(53,085,074)
Lease rentals on operating lease	20	(4,188,444)	(3,073,205)
Transfers and Subsidies	25	(100,000)	-
Depreciation and amortisation	29	(63,428,122)	(78,916,061)
Finance costs	30	(228,387)	(938,169)
Debt Impairment	32	(424,499,257)	(194,950,685)
Bulk purchases	34	(78,546,699)	(69,198,699)
Contracted services	35	(96,283,026)	(103,703,181)
General Expenses	33	(119,628,488)	(105,374,118)
<b>Total expenditure</b>		<b>(1,238,996,774)</b>	<b>(991,953,762)</b>
<b>Operating surplus</b>	37	<b>52,673,656</b>	<b>115,751,685</b>
Loss on disposal of assets and liabilities		(44,911,172)	-
Fair value adjustments	38	(55,000)	37,370,040
Actuarial gains/losses	9	2,657,000	(14,302,000)
Reversal of Impairments		(1,322,873)	-
Inventories losses/write-downs		917,748	(1,791,127)
		<b>(42,714,297)</b>	<b>21,276,913</b>
<b>Surplus for the year</b>		<b>9,959,359</b>	<b>137,028,598</b>

\* See Note 47

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	1,142,591,173	1,142,591,173
Adjustments		
Prior year adjustments 47	83,319,577	83,319,577
<b>Balance at July 1, 2021 as restated*</b>	<b>1,225,910,750</b>	<b>1,225,910,750</b>
Changes in net assets		
Surplus for the year	137,028,598	137,028,598
Total changes	137,028,598	137,028,598
Opening balance as previously reported	1,353,564,861	1,353,564,861
Adjustments		
Prior year adjustments 47	9,386,948	9,386,948
<b>Restated* Balance at July 1, 2022 as restated*</b>	<b>1,362,951,809</b>	<b>1,362,951,809</b>
Changes in net assets		
Surplus for the year	9,959,359	9,959,359
Total changes	9,959,359	9,959,359
<b>Balance at June 30, 2023</b>	<b>1,372,911,168</b>	<b>1,372,911,168</b>
Note(s)		

\* See Note 47

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Cash received from customers		369,999,890	341,931,383
Grants		491,560,446	393,729,000
Interest income		157,378,749	60,399,751
Other cash item		12,461	-
		<u>1,018,951,546</u>	<u>796,060,134</u>
<b>Payments</b>			
Employee costs		(420,653,253)	(336,818,364)
Cash paid to Suppliers		(342,656,635)	(338,801,246)
Finance costs		(228,387)	(938,169)
Other payments		(36,016,261)	(31,885,134)
Other cash item		(100,000)	-
		<u>(799,654,536)</u>	<u>(708,442,913)</u>
<b>Net cash flows from operating activities</b>	36	<b><u>219,297,010</u></b>	<b><u>87,617,221</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(122,714,599)	(115,867,490)
Purchase of other intangible assets	5	(1,206,300)	(1,814,729)
<b>Net cash flows from investing activities</b>		<b><u>(123,920,899)</u></b>	<b><u>(117,682,219)</u></b>
<b>Cash flows from financing activities</b>			
Finance lease payments		-	11,250,000
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>95,376,111</b>	<b>(18,814,998)</b>
Cash and cash equivalents at the beginning of the year		22,133,098	40,948,096
<b>Cash and cash equivalents at the end of the year</b>	14	<b><u>117,509,209</u></b>	<b><u>22,133,098</u></b>

The accounting policies on pages 13 to 36 and the notes on pages 36 to 105 form an integral part of the annual financial statements.

\* See Note 47

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	275,485,000	-	<b>275,485,000</b>	252,972,758	<b>(22,512,242)</b>	54
Rental of facilities and equipment	13,187,000	-	<b>13,187,000</b>	7,146,503	<b>(6,040,497)</b>	54
Interest income - debtors	141,219,000	-	<b>141,219,000</b>	83,611,299	<b>(57,607,701)</b>	54
Licences and permits	3,625,000	-	<b>3,625,000</b>	4,642,534	<b>1,017,534</b>	54
Fees earned	-	-	-	4,460,303	<b>4,460,303</b>	54
Other income	17,860,000	-	<b>17,860,000</b>	9,475,670	<b>(8,384,330)</b>	54
Donations income	-	-	-	3,802,495	<b>3,802,495</b>	54
Interest received - investment	4,100,000	-	<b>4,100,000</b>	10,836,605	<b>6,736,605</b>	54
<b>Total revenue from exchange transactions</b>	<b>455,476,000</b>	-	<b>455,476,000</b>	<b>376,948,167</b>	<b>(78,527,833)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	409,616,000	-	<b>409,616,000</b>	389,752,043	<b>(19,863,957)</b>	54
Interest on property rates	-	-	-	62,930,845	<b>62,930,845</b>	54
<b>Transfer revenue</b>						
Government grants & subsidies	447,235,000	45,556,000	<b>492,791,000</b>	460,660,789	<b>(32,130,211)</b>	54
Fines, Penalties and Forfeits	2,269,000	-	<b>2,269,000</b>	1,378,586	<b>(890,414)</b>	54
<b>Total revenue from non-exchange transactions</b>	<b>859,120,000</b>	<b>45,556,000</b>	<b>904,676,000</b>	<b>914,722,263</b>	<b>10,046,263</b>	
<b>Total revenue</b>	<b>1,314,596,000</b>	<b>45,556,000</b>	<b>1,360,152,000</b>	<b>1,291,670,430</b>	<b>(68,481,570)</b>	
<b>Expenditure</b>						
Personnel	(417,104,000)	484,000	<b>(416,620,000)</b>	(390,111,724)	<b>26,508,276</b>	54
Remuneration of councillors	(31,527,000)	-	<b>(31,527,000)</b>	(30,301,761)	<b>1,225,239</b>	54
Remuneration of ward committee members	-	-	-	(5,714,500)	<b>(5,714,500)</b>	54
Repairs and maintenance	-	-	-	(20,862,745)	<b>(20,862,745)</b>	54
Depreciation and amortisation	(60,311,000)	-	<b>(60,311,000)</b>	(63,428,122)	<b>(3,117,122)</b>	54
Expanded Public Works Programme Stipend	-	-	-	(5,103,621)	<b>(5,103,621)</b>	54
Finance costs	(1,823,000)	-	<b>(1,823,000)</b>	(228,387)	<b>1,594,613</b>	54
Lease rentals on operating lease	-	-	-	(4,188,444)	<b>(4,188,444)</b>	54
Debt Impairment	(225,402,000)	-	<b>(225,402,000)</b>	(424,499,257)	<b>(199,097,257)</b>	54
Bulk purchases	(40,000,000)	9,000,000	<b>(31,000,000)</b>	(78,546,699)	<b>(47,546,699)</b>	54
Contracted Services	(191,504,000)	(2,613,000)	<b>(194,117,000)</b>	(96,283,026)	<b>97,833,974</b>	54
Transfers and Subsidies	(4,000,000)	-	<b>(4,000,000)</b>	(100,000)	<b>3,900,000</b>	54
General Expenses	(213,574,000)	(1,194,000)	<b>(214,768,000)</b>	(119,628,488)	<b>95,139,512</b>	54
<b>Total expenditure</b>	<b>(1,185,245,000)</b>	<b>5,677,000</b>	<b>(1,179,568,000)</b>	<b>(1,238,996,774)</b>	<b>(59,428,774)</b>	
<b>Operating surplus</b>	<b>129,351,000</b>	<b>51,233,000</b>	<b>180,584,000</b>	<b>52,673,656</b>	<b>(127,910,344)</b>	
Loss on disposal of assets and liabilities	-	-	-	(44,911,172)	<b>(44,911,172)</b>	54

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Fair value adjustments	-	-	-	(55,000)	<b>(55,000)</b>	54
Actuarial gains/losses	-	-	-	2,657,000	<b>2,657,000</b>	54
Reversal of impairment	-	-	-	(1,322,873)	<b>(1,322,873)</b>	54
Inventories losses/write-downs	-	-	-	917,748	<b>917,748</b>	54
	-	-	-	<b>(42,714,297)</b>	<b>(42,714,297)</b>	
<b>Surplus before taxation</b>	<b>129,351,000</b>	<b>51,233,000</b>	<b>180,584,000</b>	<b>9,959,359</b>	<b>(170,624,641)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>129,351,000</b>	<b>51,233,000</b>	<b>180,584,000</b>	<b>9,959,359</b>	<b>(170,624,641)</b>	

Refer to Note 54 for explanations on budget vs actuals variances.

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

Figures in Rand	Note(s)	2023	2022
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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).

The municipality's principal accounting policies, which are in all material aspects consistent with those applied in the previous year, are set out below. The details of any changes in accounting policies are explained in the note thereto. The historical cost convention has been used, except where indicated otherwise. Management has used assessments and estimates in preparing the annual financial statements which are based on the best information at the time of preparation.

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

#### 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 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed.

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

Refer to the prior period note:

#### 1.4 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:

##### **Allowance for slow moving, damaged and obsolete stock**

An allowance/ provision to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the statement of financial performance.

##### **Impairment testing**

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

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

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are discounted when the time value of money is material. Additional disclosure of these estimates of provisions are included in the provision note to the financial statement.

Management's judgement is required when recognising and measuring provisions, contingent liabilities, contingent assets and debt impairment.

The provision for staff leave is based on accrued leave at year-end. The uncertainty is when the leave will be taken or if employment is terminated.

#### Useful lives

The municipality's management annually determines the estimated useful lives and related depreciation charges for the infrastructure and other assets. This estimate is based on industry norms or technical advice. Management will amend the depreciation charge where there is a change in the estimated useful lives.

#### Post-retirement benefits

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

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

#### Effective interest rate

The municipality used the most relevant contractual risk rate applicable where relevant to each category of assets and liabilities to discount future cash flows. Where none exists the prime interest rate is used to discount future cash flows.

#### Allowance for doubtful debts

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

The impairment for trade receivables is calculated based on an assessment of the extent to which trade receivables have defaulted on payments already due, and an assessment of their ability to make payments based on the history of payments made for municipal services over the last twelve months. This was performed per significant trade receivables first and then for all classes of trade receivables

### 1.5 Investment property

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

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

Investment property is held at fair value.

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.

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### 1.5 Investment property (continued)

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

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

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

#### Fair value

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

The fair value of investment property reflects market conditions at the reporting date whilst provisional amounts reflect the amounts determined using a reasonable basis such as the valuation roll.

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.

The fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

### 1.6 Property, plant and equipment

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

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.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses or fair value where assets have been acquired by grant or donation. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of Property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.



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

Subsequent expenditure relating to Property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery capabilities of the assets are enhanced in excess of the originally assessed standard of performance. If the expenditure only restores the originally assessed standard of performance, it is regarded as repairs and maintenance, and is expensed.

The municipality maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain, and thus no residual values are determined other than for motor vehicles.

The gain or loss arising from the disposal or retirement of an item of Property, plant and equipment is determined as the difference between the sales proceeds and the carrying value, and is recognised in the Statement of Financial Performance.

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:

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Item	Depreciation method	Average useful life
Buildings	Straight-line	5 - 100
Community facilities	Straight-line	5 - 100
Roads Network	Straight-line	5 - 100
Furniture and fixtures	Straight-line	7
Motor vehicles	Straight-line	7
Office equipment	Straight-line	7
IT equipment	Straight-line	5
Capital Assets	Straight-line	45
Electrical Network	Straight-line	45
Other assets	Straight-line	3 -20
Stormwater network	Straight-line	5 - 80

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying value does not exceed the carrying value that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

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 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 or disposal 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.

# Mahikeng Local Municipality

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### 1.7 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

### 1.8 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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.

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:

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### 1.8 Intangible assets (continued)

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Item	Depreciation method	Average useful life
Computer software	Straight-line	10

Intangible assets are derecognised:

- 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 intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

The computer software is externally acquired and not internally generated.

### 1.9 Conditional grants

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality the amount of the revenue can be measured reliably and to the extent that there has been compliance with any restrictions associated with the grant.

Interest earned on investments is treated in accordance with grant conditions. If interest is payable to the grantor, it is recognised as a liability and if not, it is recognised as interest earned in the statement of financial performance.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

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 nonexchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

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

### 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 .

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.

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### 1.10 Leases (continued)

#### 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. Where inventories are acquired at no cost, or for nominal consideration, the cost is deemed to be the fair value as at date of acquisition. Cost is generally using the first-in-first-out principle except where stated otherwise.

Unsold properties are measured at the lower of cost and net realisable value. Cost is primarily determined by reference to the valuation roll values as at the date of initial recognition or total cost of servicing the land. Net realisable values are based on the latest valuation roll values less estimated cost to sell.

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

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

### 1.12 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

### 1.13 Impairment of cash-generating assets

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

# Mahikeng Local Municipality

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

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 tax expense.

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.

### Basis for estimates of future cash flows

In measuring value in use the municipality:

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

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

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

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

#### Discount rate

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

#### Cash-generating units

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

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

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

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

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

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

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

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

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

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

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

#### 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.

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

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

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

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

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

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

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### 1.14 Impairment of non-cash-generating assets (continued)

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

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

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

### 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.

### 1.15 Employee benefits

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

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

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

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

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

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

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



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### 1.15 Employee benefits (continued)

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

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

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

#### Post-employment benefits

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

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

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

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

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### 1.15 Employee benefits (continued)

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

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

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

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity 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 contribution in the cost of an asset.

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

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.15 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

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### 1.15 Employee benefits (continued)

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

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

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

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

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

### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

### 1.16 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.

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

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### 1.16 Provisions and contingencies (continued)

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

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.

Provisions are not recognised for future operating surplus.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45.

### Decommissioning, restoration and similar liability

#### Site Restoration

In accordance with applicable legal requirements, a provision for site restoration in respect of landfill sites is recognised when the land is contaminated. The related expense is capitalised against the cost of the landfill sites.

#### Restructuring

A provision for restructuring is recognised when the municipality has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced as publicly.

#### Long Service Award

In terms of the Collective Bargaining Agreement, employees who achieve a certain predetermined milestone of service within the municipality are entitled to leave days or cash equivalent. A provision is made at the end of each balance sheet date based on the estimated number of employees who are likely to achieve the milestones in the future. The provision is discounted using a reasonable discounting rate.

### 1.17 Commitments

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

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 disclosed in the financial statements represents 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 should be disclosed in a note to the financial statements, if both the following criteria are met:

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

### 1.18 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.

# **Mahikeng Local Municipality**

Annual Financial Statements for the year ended June 30, 2023

## **Accounting Policies**

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### **1.18 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.

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

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### 1.18 Revenue from exchange transactions (continued)

#### Rendering of services

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

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

#### Service Charges

Service charges relating to distribution of water are based on consumption. Meters are read on a regular basis consumption is recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made on a monthly basis when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is raised based on the average monthly consumption. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters are read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property receiving services. Tariffs are determined per category of property and are levied monthly based on the type of property not taking into consideration the number of refuse containers.

Service charges from sewerage and sanitation services are based on the type of service not taking into consideration the number of sewer connections on all developed property, using the tariffs approved by Council. Revenue is recognised on a monthly basis.

#### 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 earned and rentals received

Interest income is recognised in surplus or deficit as it accrues, using the effective interest method. Interest earned on unutilised conditional grants is recognised as an unspent conditional grants liability if the grant conditions indicate that interest is payable to the grantor.

Rental income from operating leases is recognised on a straight line basis over the lease term.

#### Tariff charges

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

### 1.19 Revenue from non-exchange transactions

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

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

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

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

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

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

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

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

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

#### Recognition

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

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

#### Measurement

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

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

#### Transfers

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

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

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

#### 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.



# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.20 Statutory receivables identification

#### Basis

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 purposes of the Standard of GRAP on Statutory Receivables) 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:

- (a) If the transaction is an exchange transaction, using the accounting policy on revenue from exchange transactions;
- (b) If the transaction is a non-exchange transaction, using the accounting policy on revenue from non-exchange transactions (Taxes and transfers); or
- (c) If the transaction is not within the scope of the accounting 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 municipality and the transaction amount can be measured reliably

#### Initial measurement

The Municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

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:

- (a) Interest or other charges that may have accrued on the receivable (where applicable);
- (b) Impairment losses; and
- (c) Amounts derecognise

#### 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 prime lending rates plus one percent per annual.

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

#### Other charges

Where the municipality is required or entitled to levy additional charges in terms of legislation, supporting regulations, by-laws or similar means on overdue or unpaid amounts, these charges are accounted for in terms of the municipality's accounting policy on revenue from exchange transactions or the policy on Revenue from non-exchange transactions (taxes and transfers).

#### 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:

- (a) Significant financial difficulty of the receivable, which may be evidenced by an

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.20 Statutory receivables identification (continued)

- (b) Application for debt counselling, business rescue or an equivalent.
- (c) It is probable that the receivable will enter sequestration, liquidation or other financial re-organisation.
- (d) A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- (e) 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 through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

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 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:

- (a) The rights to the cash flows from the receivable are settled, expire or are waived;
- (b) The Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) 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 Municipality:

- (a) Derecognises the receivable; and
- (b) Recognises separately any rights and obligations created or retained in the transfer.

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 municipality 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.

### 1.21 Investment income

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

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method. Dividend income is recognised in surplus or deficit on the date that the municipality's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets through profit or loss and impairment losses recognised on financial assets.

Borrowing costs are recognised in surplus or deficit using the effective interest method.

### 1.22 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.

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.23 Segment information

#### 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.

#### Measurement

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

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

### 1.24 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 expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

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

### 1.25 Fruitless and wasteful expenditure

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

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Accounting Policies

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### 1.26 Irregular expenditure

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

All the expenditure relating to irregular expenditure is recognised in the statement of financial performance in the period 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.

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

Irregular expenditure that was incurred and identified during the current financial period and for which the 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 irregular expenditure register.

Where the irregular expenditure was incurred in the prior financial periods and only condoned in the following financial period, the irregular expenditure register and the note to the financial statements must be updated with the amounts condoned.

Irregular expenditure that was incurred and identified during the current financial period and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If the 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 concerned person. If recovery is not possible, the accounting officer or accounting authority may write off the irregular expenditure as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must be updated accordingly. If the irregular expenditure has not been condoned no person is liable in law, the expenditure related thereto must remain against the relevant programme/ expenditure line 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 legislation. The 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.

### 1.27 Accumulated surplus

Accumulated surplus is a residual interest in the assets of an municipality after deducting all of its liabilities from the total municipal assets.

### 1.28 Tax

#### Value Added Tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate 15% (14%(31 March 2018) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

### 1.29 Budget information

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

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

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

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### 1.29 Budget information (continued)

The approved budget is prepared on an accrual basis and presented by economic classification..

The approved budget covers the fiscal period from 01-Jul-22 to 30-Jun-23.

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.

Comparative information is not required.

### 1.30 Related parties

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

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

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

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

### 1.31 Events after reporting date

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

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

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

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

### 1.32 Consumer deposits

Consumer deposits are charged when new water and/or electricity accounts are opened except for owner occupied proportions. The amounts vary per type of consumer and are approved by Council as part of the tariff structure.

### 1.33 Other 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 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).

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations

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

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

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

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2023 or later periods:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
<ul style="list-style-type: none"><li>GRAP 25 (as revised): Employee Benefits</li></ul>	April 1, 2009	Unlikely there will be a material impact
<ul style="list-style-type: none"><li>iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction</li></ul>	April 1, 2009	Unlikely there will be a material impact
<ul style="list-style-type: none"><li>GRAP 104 (as revised): Financial Instruments</li></ul>	April 1, 2025	Unlikely there will be a material impact

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	240,644,000	-	240,644,000	285,519,000	-	285,519,000

#### Reconciliation of investment property - 2023

Investment property	Opening balance	Other changes, movements	Fair value adjustments	Total
	285,519,000	(44,820,000)	(55,000)	240,644,000

#### Reconciliation of investment property - 2022

Investment property	Opening balance	Fair value adjustments	Total
	246,983,000	38,536,000	285,519,000
Fair value of investment properties		-	38,536,000

#### Pledged as security

The municipality has not pledged any Investment property as security as at 30 June 2023.

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 3. Investment property (continued)

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.

The Investment property is measured using the fair value model in accordance with GRAP 16.

The following valuation approaches are applied in combination depending on the category of investment property as follows:

1. Comparison sales/price method. Comparable valid sales in a specific area are used, subject property is compared to the sales and market valuations are derived. This is mostly used for residential properties.
2. Capitalization of income approach. A future income stream is capitalized to determine a value of property. This valuation method is mostly used for commercial properties.
3. Replacement cost minus depreciation valuation. Valuation method for specialized property where there is no comparable properties sales, no income stream, properties like schools, churches, etc.

There are no restrictions on the realizability of investment property or the remittance of revenue and proceeds of disposal and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements for the financial year ended 30 June 2023.



# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	242,851,977	-	242,851,977	242,851,977	-	242,851,977
Buildings	179,550,673	(125,534,595)	54,016,078	179,550,672	(122,024,538)	57,526,134
Furniture and fixtures	13,301,726	(8,032,347)	5,269,379	12,905,444	(7,191,626)	5,713,818
Motor vehicles	62,900,557	(26,165,488)	36,735,069	53,901,293	(21,146,501)	32,754,792
Machinery and equipment	7,643,408	(1,357,541)	6,285,867	6,977,195	(779,286)	6,197,909
IT equipment	13,370,348	(5,861,680)	7,508,668	10,695,050	(4,117,726)	6,577,324
Community facilities	201,571,773	(111,436,732)	90,135,041	168,067,927	(107,500,299)	60,567,628
Other property, plant and equipment	5,784,252	(2,773,139)	3,011,113	5,006,357	(2,053,245)	2,953,112
Roads Network Infrastructure	2,293,781,403	(1,275,132,050)	1,018,649,353	2,305,347,766	(1,280,645,032)	1,024,702,734
Capital assets	2,809,006	(1,741,584)	1,067,422	2,809,006	(1,679,161)	1,129,845
Work-In-Progress	149,131,586	-	149,131,586	123,677,233	-	123,677,233
Electrical Network Infrastructure	165,890,929	(58,409,037)	107,481,892	165,890,929	(54,657,151)	111,233,778
Landfill site	25,306,592	-	25,306,592	25,306,592	-	25,306,592
Wastewater network	75,385,642	(23,109,135)	52,276,507	60,916,285	(21,112,219)	39,804,066
<b>Total</b>	<b>3,439,279,872</b>	<b>(1,639,553,328)</b>	<b>1,799,726,544</b>	<b>3,363,903,726</b>	<b>(1,622,906,784)</b>	<b>1,740,996,942</b>

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Landfill site	25,306,592	-	-	-	-	-	-	25,306,592
Land	242,851,977	-	-	-	-	-	-	242,851,977
Buildings	57,526,134	-	-	-	-	(3,510,056)	-	54,016,078
Community facilities	60,567,628	-	-	33,503,846	-	(3,936,433)	-	90,135,041
Roads Network Infrastructure	1,024,702,734	-	(14,389)	35,748,538	-	(41,536,463)	(251,067)	1,018,649,353
Wastewater network	39,804,066	-	-	14,469,358	-	(1,996,917)	-	52,276,507
Electrical Network Infrastructure	111,233,778	-	-	-	-	(3,751,886)	-	107,481,892
Capital assets	1,129,845	-	-	-	-	(62,423)	-	1,067,422
Work-In-Progress	123,677,233	111,804,794	-	-	(86,350,441)	-	-	149,131,586
Furniture and fixtures	5,713,818	409,565	(8,329)	-	-	(837,986)	(7,689)	5,269,379
Motor vehicles	32,754,792	8,999,263	-	-	-	(3,954,870)	(1,064,116)	36,735,069
IT equipment	6,577,324	2,768,307	(60,740)	-	-	(1,776,223)	-	7,508,668
Other property, plant and equipment	2,953,112	778,495	(533)	-	-	(719,961)	-	3,011,113
Machinery and equipment	6,197,909	673,713	(6,849)	-	-	(578,906)	-	6,285,867
	<b>1,740,996,942</b>	<b>125,434,137</b>	<b>(90,840)</b>	<b>83,721,742</b>	<b>(86,350,441)</b>	<b>(62,662,124)</b>	<b>(1,322,872)</b>	<b>1,799,726,544</b>

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Prior Year Corrections	Transfers received	Transfers	Other changes, movements	Depreciation	Total
Landfill site	25,306,592	-	-	-	-	-	-	25,306,592
Land	242,851,977	-	-	-	-	-	-	242,851,977
Buildings	62,220,253	-	-	29,900	-	(180,545)	(4,543,474)	57,526,134
Community facilities	64,455,271	-	-	59,750	-	11,099	(3,958,492)	60,567,628
Roads Network Infrastructure	996,052,149	-	-	87,238,467	-	-	(58,587,882)	1,024,702,734
Wastewater network	22,281,457	-	-	19,058,374	-	-	(1,535,765)	39,804,066
Electrical Network Infrastructure	114,985,664	-	-	-	-	-	(3,751,886)	111,233,778
Capital assets	1,192,267	-	-	-	-	-	(62,422)	1,129,845
Work-In-Progress	131,447,544	98,008,502	1,056,268	-	(106,835,081)	-	-	123,677,233
Furniture and fixtures	5,872,319	621,925	71,846	-	-	-	(852,272)	5,713,818
Motor vehicles	29,704,661	6,296,341	-	-	-	-	(3,246,210)	32,754,792
IT equipment	3,949,046	3,744,760	17,141	-	-	-	(1,133,623)	6,577,324
Other property, plant and equipment	2,700,321	888,096	11,009	-	-	-	(646,314)	2,953,112
Machinery and equipment	1,662,137	4,808,898	10,807	-	-	-	(283,933)	6,197,909
	<b>1,704,681,658</b>	<b>114,368,522</b>	<b>1,167,071</b>	<b>106,386,491</b>	<b>(106,835,081)</b>	<b>(169,446)</b>	<b>(78,602,273)</b>	<b>1,740,996,942</b>

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

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

#### Pledged as security

No assets have been pledged as security as at 30 June 2023 year end.

#### Capitalised expenditure (excluding borrowing costs)

#### Assets subject to finance lease (Net carrying amount)

#### Other information

#### Details of properties

#### Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	52,847,385	70,829,848	123,677,233
Additions/capital expenditure	88,789,416	23,015,377	111,804,793
Transferred to completed items	(44,165,249)	(42,185,191)	(86,350,440)
	<b>97,471,552</b>	<b>51,660,034</b>	<b>149,131,586</b>

#### Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	83,664,991	49,073,050	-	132,738,041
Additions/capital expenditure	74,871,470	21,816,548	29,990	96,718,008
Other movements	1,056,268	-	-	1,056,268
Transferred to completed items	(106,745,341)	(59,750)	(29,990)	(106,835,081)
	<b>52,847,388</b>	<b>70,829,848</b>	<b>-</b>	<b>123,677,236</b>

#### Expenditure incurred to repair and maintain property, plant and equipment

#### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Maintenance of building and facilities	1,949,244	1,535,612
Maintenance of equipment	57,665	3,404,728
Maintenance of road and stormwater	14,443,385	24,429,819
Maintenance of motor vehicles	3,580,139	11,496,217
Maintenance of community facilities	745,871	-
Maintenance of IT equipment	86,440	-
	<b>20,862,744</b>	<b>40,866,376</b>

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

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 5. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	5,976,247	(3,348,260)	2,627,987	4,769,947	(2,582,262)	2,187,685

#### Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Computer software	2,187,685	1,206,300	(765,998)	2,627,987

#### Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software	686,744	1,814,729	(313,788)	2,187,685

#### Other information

All computer software classified as intangible assets have useful lives of 10 years based on future expected usage. The amortisation for the year is included under depreciation and amortisation in the statement of financial performance. The entity does not have any internally generated intangible assets and no indications of impairment were identified during the financial year.

### 6. Payables from exchange transactions

Trade payables	249,662,336	298,416,286
Accrued leave pay	32,431,362	28,710,769
Thirteenth cheque accrual	7,237,038	6,436,539
Retentions	14,405,989	13,507,588
Unallocated deposits	16,449,190	16,445,660
Advance receipts	31,937,283	37,769,241
	<b>352,123,198</b>	<b>401,286,083</b>

### 7. VAT payable

VAT payable	50,253,952	34,252,936
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### 8. Consumer deposits

Other deposits	8,096,833	7,130,589
Water	5,528,121	6,283,922
	<b>13,624,954</b>	<b>13,414,511</b>

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 9. Employee benefit obligations

#### Defined benefit plan

##### Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2023 by S Basadien, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method

##### Pension benefits

The Mafikeng City Council Pension Fund ("the Fund") is a defined benefit pension fund that commenced on 1 March 1983. It provides, amongst other benefits, a pension that is defined as a percentage of pensionable salary at the retirement date.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2023 by S Basadien, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Method.

##### Long service awards

In-Service Members 659 690

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

##### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(36,050,000)	(31,793,000)
Present value of the defined benefit obligation-partly or wholly funded	(200,251,000)	(237,749,000)
Long service awards	(13,746,000)	(13,121,000)
	<b>(250,047,000)</b>	<b>(282,663,000)</b>
Non-current liabilities	(194,380,000)	(280,072,000)
Current liabilities	(55,667,000)	(2,591,000)
	<b>(250,047,000)</b>	<b>(282,663,000)</b>

The members of the plans are made up as follows:

##### Medical aid fund

Total active members 429 349  
Continuation members 32 26

##### Pension fund

Total active members 388 434  
Total pensioners 15 6

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>9. Employee benefit obligations (continued)</b>		
<b>Changes in the present value of the defined benefit obligation are as follows:</b>		
Opening balance	611,892,000	649,298,000
Benefits paid	(34,336,000)	(89,267,000)
Interest cost	80,010,000	30,075,000
Current service cost	11,843,000	11,232,000
Other	(1,190,000)	1,339,000
Member contributions	9,083,000	9,215,000
	<b>677,302,000</b>	<b>611,892,000</b>
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost	11,843,000	7,816,000
Benefit payments	(2,591,000)	(693,000)
Interest cost	39,714,000	(269,000)
Movement in contributions	(30,925,000)	-
	<b>18,041,000</b>	<b>6,854,000</b>
<b>Changes in the fair value of plan assets are as follows:</b>		
Opening balance	329,229,000	308,189,000
Expected return	40,297,000	30,344,000
Actuarial gains (losses)	1,467,000	(12,268,000)
Contributions by employer	78,925,000	79,602,000
Contributions by plan participants	9,083,000	9,215,000
Benefits paid	(31,745,000)	(85,853,000)
	<b>427,256,000</b>	<b>329,229,000</b>

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 9. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Salary increase rate	-	8.10 %
Discount rates used	11.40 %	11.30 %
Inflation rate	6.20 %	7.00 %
Pension increase allowance (Pensioners)	6.20 %	7.00 %
Post retirement discount rate (Pensioners)	-	4.00 %
Expected rate of return on plan assets	11.40 %	11.30 %
Medical aid inflation	-	8.50 %
Discount rate - In service members	-	8.90 %
Discount rate - Continuation members	-	8.50 %

The number of leave days payable for each milestone (number of years served) are detailed in the table below:

- After 10 years of service - 10 working days
- After 15 years of service - 20 working days
- After 20 years of service - 30 working days
- After 25 years of service - 30 working days
- After 30 years of service - 30 working days
- After 35 years of service - 30 working days
- After 40 years of service - 30 working days
- After 45 years of service - 30 working days

#### Historical analysis

	2023	2022	2021	2020	2019
Defined Benefit Obligation	250,047,000	282,663,000	341,109,000	337,593,000	297,265,000

### 10. Prepayments

#### Nature

Insurance	1,739,825	984,367
Firetruck	13,455,481	2,631,900
SALGA	3,159,688	-
	<b>18,354,994</b>	<b>3,616,267</b>

### 11. Inventories

Land	9,145,998	8,228,582
Consumable stores	5,741,539	6,043,156
	<b>14,887,537</b>	<b>14,271,738</b>

#### Inventory pledged as security

No inventory was pledged as security as at 30 June 2023.

### 12. Receivables from exchange transactions

#### Gross balances

Water	985,709,773	840,141,225
Sewerage	226,313,099	205,324,503
Refuse	220,176,237	193,013,073
Other (specify)	181,720,652	188,620,723
	<b>1,613,919,761</b>	<b>1,427,099,524</b>



# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>12. Receivables from exchange transactions (continued)</b>		
<b>Less: Allowance for impairment</b>		
Water	(974,857,930)	(794,744,584)
Sewerage	(222,947,252)	(195,312,040)
Refuse	(217,668,018)	(183,580,557)
Other (specify)	(175,633,150)	(180,080,165)
	<b>(1,591,106,350)</b>	<b>(1,353,717,346)</b>
<b>Net balance</b>		
Water	10,851,843	45,396,641
Sewerage	3,365,847	10,012,463
Refuse	2,508,219	9,432,516
Other (specify)	6,087,502	8,540,558
	<b>22,813,411</b>	<b>73,382,178</b>
<b>Water</b>		
Current (0 -30 days)	268,788	1,126,576
31 - 60 days	204,667	872,894
61 - 90 days	206,150	931,813
91 - 120 days	230,254	1,004,581
121 - 365 days	9,941,984	41,460,777
	<b>10,851,843</b>	<b>45,396,641</b>
<b>Sewerage</b>		
Current (0 -30 days)	99,151	259,522
31 - 60 days	68,648	221,815
61 - 90 days	64,945	193,648
91 - 120 days	62,977	183,904
121 - 365 days	3,070,126	9,153,574
	<b>3,365,847</b>	<b>10,012,463</b>
<b>Refuse</b>		
Current (0 -30 days)	63,495	234,802
31 - 60 days	53,017	206,359
61 - 90 days	50,187	190,085
91 - 120 days	48,110	183,234
121 - 365 days	2,293,410	8,618,036
	<b>2,508,219</b>	<b>9,432,516</b>
<b>Other</b>		
Current (0 -30 days)	37,785	157,052
31 - 60 days	35,232	9,524
61 - 90 days	32,354	27,719
91 - 120 days	22,007	16,074
121 - 365 days	5,960,124	8,330,189
	<b>6,087,502</b>	<b>8,540,558</b>

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>12. Receivables from exchange transactions (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Residential</b>		
Current (0 -30 days)	20,313,305	18,051,609
31 - 60 days	18,790,214	15,735,399
61 - 90 days	18,564,936	17,485,118
91 - 120 days	19,573,346	17,189,697
121 - 365 days	1,073,320,020	954,600,002
	<u>1,150,561,821</u>	<u>1,023,061,825</u>
Less: Allowance for impairment	(1,148,251,504)	(1,011,162,131)
	<b>2,310,317</b>	<b>11,899,694</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	8,075,596	5,398,567
31 - 60 days	4,903,237	2,567,663
61 - 90 days	4,577,280	2,759,810
91 - 120 days	4,185,092	1,947,447
121 - 365 days	178,694,315	99,351,497
	<u>200,435,520</u>	<u>112,024,984</u>
Less: Allowance for impairment	(196,691,973)	(105,158,008)
	<b>3,743,547</b>	<b>6,866,976</b>
<b>National and provincial government</b>		
Current (0 -30 days)	9,393,611	9,816,400
31 - 60 days	5,217,961	6,752,439
61 - 90 days	5,320,728	5,237,291
91 - 120 days	6,270,616	7,194,043
121 - 365 days	236,719,505	253,628,171
	<u>262,922,421</u>	<u>282,628,344</u>
Less: Allowance for impairment	(246,162,873)	(237,397,207)
	<b>16,759,548</b>	<b>45,231,137</b>
<b>Total</b>		
Current (0 -30 days)	37,782,511	33,266,575
31 - 60 days	28,911,413	25,055,500
61 - 90 days	28,462,944	25,482,219
91 - 120 days	30,029,053	26,331,187
121 - 365 days	1,488,733,840	1,316,964,043
	<u>1,613,919,761</u>	<u>1,427,099,524</u>
Less: Allowance for impairment	(1,591,106,350)	(1,353,717,346)
	<b>22,813,411</b>	<b>73,382,178</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(1,353,717,346)	(1,158,766,661)
Contributions to allowance	(237,389,004)	(194,950,685)
	<b>(1,591,106,350)</b>	<b>(1,353,717,346)</b>

Receivables from exchange transactions which are less than 1 months past due are not considered to be impaired. At 30 June 2023, R37 782 511 (2022: R 33 266 575) were past due but not impaired.

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>13. Receivables from non-exchange transactions</b>		
<b>Gross balances</b>		
Property rates	976,697,808	879,685,082
Fines	3,462,921	2,926,250
	<b>980,160,729</b>	<b>882,611,332</b>
<b>Less: Allowance for impairment</b>		
Property rates	(963,030,453)	(777,131,834)
Fines	(3,400,567)	(2,916,800)
	<b>(966,431,020)</b>	<b>(780,048,634)</b>
<b>Net balance</b>		
Property rates	13,667,355	102,553,248
Fines	62,354	9,450
	<b>13,729,709</b>	<b>102,562,698</b>
<b>Property Rates</b>		
Current (0 -30 days)	590,551	2,700,812
31 - 60 days	368,975	2,145,543
61 - 90 days	314,493	2,095,460
91 - 120 days	301,796	1,961,152
121 - 365 days	12,091,540	93,650,281
	<b>13,667,355</b>	<b>102,553,248</b>
<b>Fines</b>		
Current (0 -30 days)	4,531	306
31 - 60 days	3,800	505
61 - 90 days	5,848	98
91 - 120 days	945	63
121 - 365 days	47,230	8,478
	<b>62,354</b>	<b>9,450</b>
<b>Business &amp; Commercial</b>		
Current (0 -30 days)	9,324,549	5,448,499
31 - 60 days	5,094,771	3,104,479
61 - 90 days	3,954,729	2,660,176
91 - 120 days	3,742,050	2,211,165
121 - 365 days	141,819,393	97,853,932
Less: Allowance for impairment	(156,695,538)	(103,370,184)
	<b>7,239,954</b>	<b>7,908,067</b>
<b>Residential</b>		
Current (0 -30 days)	8,012,696	6,279,234
31 - 60 days	7,154,594	5,647,911
61 - 90 days	6,800,883	5,707,740
91 - 120 days	6,649,646	5,190,111
121 - 365 days	238,435,638	206,899,922
Less: Allowance for impairment	(265,402,098)	(224,381,276)
	<b>1,651,359</b>	<b>5,343,642</b>

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>13. Receivables from non-exchange transactions (continued)</b>		
<b>National and provincial government</b>		
Current (0 -30 days)	14,146,927	11,439,394
31 - 60 days	11,027,884	9,651,731
61 - 90 days	10,843,275	9,606,600
91 - 120 days	10,602,237	9,421,163
121 - 365 days	499,150,891	498,563,023
Less: Allowance for impairment	(540,932,817)	(449,380,375)
	<b>4,838,397</b>	<b>89,301,536</b>
<b>Total</b>		
Current (0 -30 days)	31,484,172	23,167,127
31 - 60 days	23,277,249	18,404,121
61 - 90 days	21,598,886	17,974,516
91 - 120 days	20,993,934	16,822,439
121 - 365 days	879,405,922	803,315,866
Less: Allowance for impairment	(963,030,453)	(777,131,834)
	<b>13,729,710</b>	<b>102,552,235</b>

The allowance for impairment relating to fines was derived after taking into account the recovery rate of fines for the current and past two year.

The average recovery rate for the 2023 period was estimated at 1.08%, the allowance being at 98.20%

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 13. Receivables from non-exchange transactions (continued)

#### Statutory receivables general information

#### Transaction(s) arising from statute

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand

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### 13. Receivables from non-exchange transactions (continued)

#### Statutory Receivables

Property rates and traffic fines disclosed under Receivables from non-exchanges transactions are Statutory Receivables in context of GRAP 108. 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 transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

The Municipality has recognised property rates and traffic fines as statutory receivable using the Standard of GRAP 108 on Revenue from Non-exchange Transactions (Taxes and Transfers) as required by the paragraph .06 of the GRAP 23 on Statutory Receivables the transaction is a non-exchange transaction.

Property rates related transactions arise in terms of the Municipal Property Rates Act, 6 of 2004, Municipal Finance Management Act, 56 of 2003, as well as the Property Rates Policy of the Municipality approved by Council.

Traffic fines arise from the National Road Traffic Act 93 of 1996, National Road Traffic Regulations 2000, National

Land Transport Act 5 of 2009 and Criminal Procedure Act 51 of 1971. Prosecutor performs prosecutorial functions in terms of a general delegation awarded by the National Prosecuting Authority and is subject to the control of the Magistrate's Court in the City of Mahikeng. Subsequent measurement of traffic fines is primarily through guidance provided by National Legislation.

Property rates accrue interest at a rate approved annually by the Municipal Council through the budget process. The prevailing interest rate charged by the Municipality is incorporated within the Municipal Tariff Schedule gazette.

For significant impairment losses recognised the Municipality is required by GRAP 10 paragraph 8 to disclose the main events and circumstances that led to the recognition of impairment losses. The Municipality's statutory receivables from receivables from non-exchange transactions property rates constitutes a significant proportion of the impairment loss allocation. As at 30 June 2022 more than 75% of Receivables from non-exchange transactions – Property rates were being owed for over a year which means they were on 202006+ (Over 1 Year) on the age analysis. This was identified as one of the indicators of the poor performance of the debtors' book as payment profiles of consumers deteriorated through increasing defaults.

The Municipality considered the payment profile of consumers with reference to latest payment date as one of the key indicators and assumptions used to assess and calculate whether statutory receivables were impaired during the reporting period. The following were also taken into account:

- Nature of the consumer with regards to whether accounts were active or inactive
- For residential properties whether accounts were designated indigent or not
- Categorisation of non-indigent households, businesses, and government

The Municipality held no collateral, which may include financial assets, non-financial assets and other forms of collateral such as guarantees or encumbrances over Statutory Receivables from non-exchange transactions.

The allowance for impairment relating to fines was derived after considering the recovery rate of fines for the current and past two year. The average recovery rate for the 2023 period was estimated at 12.52%, the allowance being at 87.48%.

Receivables from non-exchange transactions constituting statutory receivables that are past due at the reporting, and which have been impaired are those excluding those noted below as past due but not impaired.

Reason for the material increase on the statutory receivables (receivables from non-exchange transactions) is as a result of the application of GRAP 108 which requires the identification of individually significant debtors and assessing impairment based on the individual debtor's expected cashflow. As a result of assessing impairment based on the individual debtor's expected cashflow which mainly related to government accounts, the impairment was less than the previous period resulting in a much higher carrying amount.

#### Receivables from non-exchange transactions past due but not impaired

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 13. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions which are less than 30 days past due are not considered to be impaired. At 30 June 2023 R31 484 172 (2022: R 23 167 127) were past due but not impaired.

### 14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	17	17
Bank balances	28,474,792	10,416,226
Short-term deposits	89,034,400	11,716,855
	<b>117,509,209</b>	<b>22,133,098</b>

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# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023			2022		
<b>14. Cash and cash equivalents (continued)</b>						
<b>The municipality had the following bank accounts</b>						
Account number / description	Bank statement balances			Cash book balances		
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2023	June 30, 2022	June 30, 2021
Standard Bank - Current Account - Account number 30852595	1,007,686	8,297,007	1,989,288	28,474,793	10,416,224	4,108,504
Standard Bank - Call Account - 238650863/025	1,311	1,311	1,311	1,311	1,311	1,311
Standard Bank - Call Account - 238650863/036	17,545,814	3,747,267	365,704	17,545,814	3,747,267	365,704
Standard Bank - Call Account - 238650863/037	8,701	8,701	144	8,701	8,701	144
Standard Bank - Call Account - 238650863/038	135	135	135	135	135	135
Standard Bank - Call Account - 238650863/039	11,626,664	7,216,724	11,750,785	11,626,665	7,216,724	11,750,785
Standard Bank - Call Account - 238650863/040	59,346,397	277,797	24,273,024	59,346,397	277,797	24,273,024
Nedbank - Call Account - 03/7881120835/000001	158,613	149,683	144,422	159,650	149,683	144,422
ABSA - 90-6461-7006	42,803	41,334	40,996	42,803	41,334	40,996
ABSA - 20-4915-1018	76,370	73,074	70,611	76,133	73,074	70,611
ABSA - 20-5333-3573	11,852	11,369	10,858	11,852	11,369	10,858
ABSA - 20-5333-4163	11,852	11,369	10,858	11,852	11,369	10,858
ABSA - 20-5324-6724	61,861	59,313	57,032	61,861	59,313	57,032
ABSA - 20-5622-0905	14,907	14,115	13,539	14,907	14,115	13,539
ABSA - 20-7942-8427	-	1,019	1,000	-	1,019	1,000
ABSA - 20-8001-7453	5,580	4,490	-	5,580	4,490	-
First National Bank 710390511164	120,742	99,156	99,156	120,742	99,156	99,156
<b>Total</b>	<b>90,041,288</b>	<b>20,013,864</b>	<b>38,828,863</b>	<b>117,509,196</b>	<b>22,133,081</b>	<b>40,948,079</b>

The reconciling items at year end is the difference between the amount as per the bank statements and the amount on the general ledger of R (2022: R 2 119 234).

The short term investment with VBS Mutual Bank of R83 440 312.06 had been impaired due to recoverability of the amount being put in doubt. The bank has been put under curatorship and the deposits by municipalities held by the bank were not honoured as only natural people were to receive their deposits.

During the 2021-22 financial years the curators refunded R5 948 284.51 of the amount invested to the municipality. The short-term investment as adjusted for this refund is now R77 492 027.50. The uncertainty relating to the recoverability of the balance of the deposit remains. The municipality therefore reduced the impairment and investment of the VBS bank deposit by R5 948 284.51 to R77 492 027.50.

VBS reconciliation	Amount as per bank statement - 30 June 2018	Amount recovered	Amount impaired	Total
VBS Mutual Bank	83,440,312	(5,948,285)	(77,492,027)	-



# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Construction Education and Training	291,326	-
Financial Management Grant	199,198	-
Water Indigent Support - NMDM	30,409,133	-
	<b>30,899,657</b>	<b>-</b>

### Movement during the year

Additions during the year	163,772,381	-
Income recognition during the year	(132,872,724)	-
	<b>30,899,657</b>	<b>-</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

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

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 16. Provisions

#### Reconciliation of provisions - 2023

	Opening Balance	Interest expense on provisions	Total
Environmental rehabilitation - Landfill site	151,000,853	23,144,411	174,145,264

#### Reconciliation of provisions - 2022

	Opening Balance	Interest expense on provisions	Total
Environmental rehabilitation - Landfill site	129,057,717	21,943,136	151,000,853

#### Environmental rehabilitation - Landfill Site

The provision was raised in order to determine the closure and rehabilitation costs for the waste disposal site in accordance with the Minimum Requirements (Second Edition, 1998) from the Department of Water Affairs and Forestry (DWAF).

#### The following assumptions were made to provide an estimation of the rehabilitation site:

- Minimal shaping of the existing waste body.
- The rate for the 300mm confining layer and 100mm topsoil layer is based on the assumption that all the material can be sourced free of charge on-site sources.
- The rate for the 100mm topsoil layer is based on the assumption that all the material can be sourced from on-site sources.
- It is assumed that the footprint that requires rehabilitation as described and indicated above is correct as verified by the local authority.
- It was assumed that insufficient volumes of the required quality clayey material would be available for the capping layers. As a result, it was replaced with Geosynthetic Clay Liner in the estimate.
- It was assumed that insufficient gas will be generated to warrant the installation of a gas management system and the cost thereof is not included in this estimate.
- Escalation for post-closure cost used: 5.17%, which is the average CPI June to June over the past 10 years
- Discount rates for post-closure costs based on Government Bond Yield Rates as at 30 June 2023:
  - 20 year: 12.315%
  - 25 year: 12.36%
  - 30 year: 12.31%

The remaining site life as at 30 June 2023 is 18 years.

The report was compiled by JPCE (Pty) Ltd specialists consulting engineers. The consultants have qualifications in engineering and are members of the consulting engineers of South Africa.

#### The following have an effect on the cost estimate:

The majority of rates for materials as well as construction items have increased. This is due to increases in fuel prices, the port rate, as well as shipping and importing costs of raw material used in the manufacturing of geosynthetic materials used in capping layers.

Increase in Engineering fees based on ECSA fees scales as published 2023.

Years	Escalated monitoring costs (Gas included for only 2 years after closure)	Years until	Current value'
2047	128,732	24	7,868
2048	135,388	25	7,350
2049	116,985	26	5,665
2050	123,033	27	5,316
2051	129,394	28	4,989

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>16. Provisions (continued)</b>		
2052	136,083	29
2053	143,119	30
2054	150,518	31
2055	158,300	32
2056	166,484	33
2057	175,091	34
2058	184,143	35
2059	193,663	36
2060	203,676	37
2061	214,206	38
2062	225,280	39
2063	236,927	40
2064	249,176	41
2065	262,059	42
2066	275,607	43
2067	289,856	44
2068	304,842	45
2069	320,602	46
2070	337,177	47
2071	354,609	48
2072	372,943	49
2073	392,224	50
2074	412,502	51
2075	433,828	52
2076	456,257	53
	<b>7,282,704</b>	<b>90,736</b>
<b>17. Revenue</b>		
Service charges	252,972,758	246,131,167
Rental of facilities and equipment	7,146,503	8,260,843
Interest received (trading)	83,611,299	55,811,301
Licences and permits	4,642,534	1,898,176
Fees earned	4,460,303	6,294,272
Other income	9,475,670	12,472,532
Donations income	3,802,495	-
Interest received - investment	10,836,605	4,588,450
Property rates	389,752,043	332,898,910
Interest, Dividends and Rent on Land	62,930,845	44,804,961
Government grants & subsidies	460,660,789	393,729,000
Fines, Penalties and Forfeits	1,378,586	815,835
	<b>1,291,670,430</b>	<b>1,107,705,447</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	252,972,758	246,131,167
Rental of facilities and equipment	7,146,503	8,260,843
Interest received (trading)	83,611,299	55,811,301
Licences and permits	4,642,534	1,898,176
Fees earned	4,460,303	6,294,272
Other income	9,475,670	12,472,532
Donations income	3,802,495	-
Interest received - investment	10,836,605	4,588,450
	<b>376,948,167</b>	<b>335,456,741</b>

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>17. Revenue (continued)</b>		
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	389,752,043	332,898,910
Interest, Dividends and Rent on Land	62,930,845	44,804,961
<b>Transfer revenue</b>		
Government grants & subsidies	460,660,789	393,729,000
Fines, Penalties and Forfeits	1,378,586	815,835
	<b>914,722,263</b>	<b>772,248,706</b>
<b>18. Service charges</b>		
Sale of water	166,198,877	152,703,521
Sewerage and sanitation charges	40,919,799	49,314,667
Refuse removal	45,854,082	44,112,979
	<b>252,972,758</b>	<b>246,131,167</b>
<b>19. Rental of facilities and equipment</b>		
<b>Premises</b>		
Facilities and equipment	7,146,503	8,260,843
<b>20. Lease rentals on operating lease</b>		
<b>Lease rentals on operating lease - Other</b>		
Contractual amounts	4,188,444	3,073,205
<b>21. Interest, dividends and Rent on Land</b>		
Interest - Receivables	62,930,845	44,804,961
<b>22. Other revenue</b>		
Fees earned	4,460,303	6,294,272
Other income	9,475,670	12,472,532
Donations income	3,802,495	-
	<b>17,738,468</b>	<b>18,766,804</b>
<b>23. Investment revenue</b>		
<b>Interest revenue</b>		
Interest earned (bank and investments)	10,836,605	4,588,450

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>24. Property rates</b>		
<b>Rates received</b>		
Residential	1,150,738	6,086,636
Commercial	93,460,662	77,890,590
State	210,230,551	180,606,137
Municipal	63,294,178	47,972,695
Small holdings and farms	(1,743,286)	4,043,390
Industrial properties	16,513,654	12,949,527
PBOs	6,845,546	3,349,935
	<b>389,752,043</b>	<b>332,898,910</b>

All tariffs used by the municipality have been Approved for implementation in the 2020-21 MTREF. Please note all tariffs are exclusive of value added tax as property rates are exempt from VAT.

### Valuations

Valuations on land and buildings are performed every 5 years. The applicable General Valuation came into effect on 1 July 2023 and will remain valid until 30 June 2028. It is based on market-related values. Property valuation adjustments, such as supplementary valuations, objection valuations and Valuation Appeal Board decisions are processed continuously.

Municipal rates are levied on a monthly basis in terms of the provisions of the rates policy, which makes provision for rebates and exemptions.

The valuation roll was prepared by a registered valuer and discharged their duties as municipal valuer and as such complied with Sections 43 and 44 of the Local Government: Municipal Property Rates Act, 2004. Valuer information: Hendrik Coenraad Botha

### 25. Transfer and subsidies

#### Other subsidies

Donations made to SPCA	100,000	-
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# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>26. Government grants &amp; subsidies</b>		
<b>Operating grants</b>		
Equitable share	327,788,000	302,733,000
Expanded Public Works Programme Grant (EPWP)	2,238,000	1,595,000
Energy Efficiency and Demand Side Management Grant (EEDMG)	5,000,000	-
LG SETA	300,000	-
Library Grant (LG)	1,900,000	1,622,000
Finance Management Grant (FMG)	2,900,802	3,100,000
	<b>340,126,802</b>	<b>309,050,000</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant (MIG)	120,187,000	84,679,000
NMMDM Grant	346,987	-
	<b>120,533,987</b>	<b>84,679,000</b>
	<b>460,660,789</b>	<b>393,729,000</b>
<b>Conditional Grants</b>		
Current-year receipts	163,772,381	90,996,000
Conditions met - transferred to revenue	(132,872,724)	(90,996,000)
	<b>30,899,657</b>	<b>-</b>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and for the running of the municipality's operations.		
All registered indigents receive a monthly subsidy of 6 kilolitres of water per month which is funded from the grant. Equitable share consists of R327 788 000.00 from National Treasury.		
<b>Construction Education and Training</b>		
Current-year receipts	591,326	1,595,000
Conditions met - transferred to revenue	(300,000)	(1,595,000)
	<b>291,326</b>	<b>-</b>
The grant is meant to assist the municipality in the improvement of system related transactions.		
<b>Municipal Infrastructure Grant</b>		
Current-year receipts	120,187,000	84,679,000
Conditions met - transferred to revenue	(120,187,000)	(84,679,000)
	<b>-</b>	<b>-</b>
The grant was used to fund infrastructure related projects (mainly as part of the service delivery). Capitalised projects funded by this grant are included in property, plant and equipment whilst the unspent portion of the grant is included in current liabilities.		

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>26. Government grants &amp; subsidies (continued)</b>		
<b>Expanded Public Works Program (EPWP)</b>		
Current-year receipts	2,238,066	1,595,000
Conditions met - transferred to revenue	(2,238,066)	(1,595,000)
	-	-

The grant is used to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme guidelines:

- Road maintenance and the maintenance of buildings;
- Low traffic volume roads and rural roads;
- Basic services infrastructure, including water and sewer reticulation, sanitation, pipelines (excluding bulk infrastructure);
- Other economic and social infrastructure; tourism and cultural industries; waste management; parks and beautification;
- Sustainable land-based livelihoods; social services programmes;
- Health service programmes; and community safety programmes.

### Financial Management Grant

Current-year receipts	3,100,000	3,100,000
Conditions met - transferred to revenue	(2,900,802)	(3,100,000)
	<b>199,198</b>	-

The grant is mainly used for promoting and supporting reforms in financial management by building capacity in the municipality to implement the Municipal Finance Management Act and progressive financial reporting.

### Library Grant

Current-year receipts	1,900,000	1,622,000
Conditions met - transferred to revenue	(1,900,000)	(1,622,000)
	-	-

The grant is used to transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities).

### Energy Efficiency and Demand Side Management Grant

Current-year receipts	5,000,000	-
Conditions met - transferred to revenue	(5,000,000)	-
	-	-

Conditions still to be met - remain liabilities (see note 15).

Provide explanations of conditions still to be met and other relevant information.

### NMDM - Water Laboratory Grant

Current-year receipts	30,756,120	-
Conditions met - transferred to revenue	(346,987)	-
	<b>30,409,133</b>	-

Conditions still to be met - remain liabilities (see note 15).

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>27. Employee related costs</b>		
Basic	206,325,495	187,274,723
Bonus	15,194,570	16,002,886
Medical aid - company contributions	15,521,152	13,607,717
UIF - company contributions	1,622,309	1,453,041
SDL - company contributions	2,838,050	2,663,389
Leave pay provision charge	12,395,228	9,100,079
Post retirement benefit	18,041,000	6,854,000
Overtime payments	20,423,345	21,481,052
Travel Allowance	17,825,521	18,309,651
13th Cheques	800,499	743,649
Housing benefits and allowances	1,509,891	3,186,137
Pension fund - company contributions	53,362,832	49,051,185
Other	24,251,832	18,307,705
	<b>390,111,724</b>	<b>348,035,214</b>
<b>Remuneration of municipal manager (Mr. NM Mokgwamme)</b>		
Annual Remuneration	22,677	907,082
Car Allowance	-	339,497
Contributions to UIF, Medical and Pension Funds	-	2,097
Other	317,614	361,159
	<b>340,291</b>	<b>1,609,835</b>
<b>Remuneration of chief financial officer (Mr. RA Morris)</b>		
Annual Remuneration	992,851	1,280,020
Car Allowance	66,896	69,562
Contributions to UIF, Medical and Pension Funds	2,125	2,097
Other	607,043	156,110
	<b>1,668,915</b>	<b>1,507,789</b>
<b>Remuneration of planning and development services director (Mr. T Masia)</b>		
Annual Remuneration	742,275	833,814
Car Allowance	216,580	231,937
Contributions to UIF, Medical and Pension Funds	1,948	2,699
Other	617,653	261,546
	<b>1,578,456</b>	<b>1,329,996</b>
<b>Remuneration of the chief financial officer (Acting CFO: Ms. T Modisa)</b>		
Acting allowance	55,848	57,895
<b>Remuneration of municipal manager (ADV DI Mongwaketse)</b>		
Annual Remuneration	772,764	-
Car Allowance	256,459	-
Contributions to UIF, Medical and Pension Funds	1,948	-
Other	377,573	-
	<b>1,408,744</b>	<b>-</b>



# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>27. Employee related costs (continued)</b>		
<b>Remuneration of corporate service director (Mrs. ZK Masuku)</b>		
Annual Remuneration	695,974	943,701
Car Allowance	77,597	117,084
Contributions to UIF, Medical and Pension Funds	1,771	2,097
Other	757,518	471,753
	<b>1,532,860</b>	<b>1,534,635</b>
<b>Remuneration of the public safety director (Mr. TJ Marumo)</b>		
Annual Remuneration	359,241	848,526
Car Allowance	93,021	225,668
Contributions to UIF, Medical and Pension Funds	886	2,097
Other	667,458	253,064
	<b>1,120,606</b>	<b>1,329,355</b>
<b>Remuneration of the public safety director (Acting Dir: Mr MJ Ramaoka)</b>		
Acting allowance	147,060	-
<b>Remuneration of the infrastructure service director (Mrs. M Moloi-Tsae)</b>		
Annual Remuneration	635,424	914,959
Car Allowance	181,103	257,169
Contributions to UIF, Medical and Pension Funds	1,594	-
Other	854,197	289,139
	<b>1,672,318</b>	<b>1,461,267</b>
<b>Remuneration of the community service director (Mrs. KP Nyembe)</b>		
Annual Remuneration	290,871	847,787
Car Allowance	74,275	228,723
Contributions to UIF, Medical and Pension Funds	708	-
Other	611,908	254,117
	<b>977,762</b>	<b>1,330,627</b>
<b>Remuneration of the community service director (Acting Dir: Mr NL Malefo)</b>		
Acting allowance	96,457	-
<b>Remuneration of the infrastructure service director (Acting Dir: Mr TC Mokoena)</b>		
Acting allowance	96,457	-
<b>Remuneration of the public safety director (Acting Dir: Mr HM Matshe)</b>		
Acting allowance	144,686	-
<b>Remuneration of corporate service director (Acting Dir: Mrs ME Mmoola)</b>		
Acting allowance	69,202	-
<b>Remuneration of corporate service director (Acting Dir: Mr MJ Molamu)</b>		
Acting allowance	147,060	-

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>27. Employee related costs (continued)</b>		
<b>28. Remuneration of councillors</b>		
Executive Major	982,221	917,580
Mayoral Committee Members	7,617,717	6,510,399
Speaker	800,179	745,239
Councillors	20,151,368	19,714,036
Chief Whip	750,276	854,381
	<b>30,301,761</b>	<b>28,741,635</b>
<b>In-kind benefits</b>		
<p>The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time and are provided with office space at the cost of the Council. In addition, they are paid travelling allowances for the trips outside Mahikeng. The Executive Mayor, Speaker, Chief Whip of Council are also provided with secretarial support at the cost of the Council.</p> <p>The Executive Mayor has use of a Council owned vehicle for official duties. The Mayor's driver also acts as a bodyguard.</p> <p>The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost.</p>		
<b>Additional information</b>		
<p>The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.</p>		
<b>29. Depreciation and amortisation</b>		
Property, plant and equipment	62,662,124	78,602,273
Intangible assets	765,998	313,788
	<b>63,428,122</b>	<b>78,916,061</b>
<b>30. Finance costs</b>		
Interest incurred	228,387	938,169
<b>31. Auditors' remuneration</b>		
Fees	6,111,185	6,117,404
<b>32. Debt impairment</b>		
Contributions to debt impairment provision	424,499,257	194,950,685

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022		
<b>33. General expenses</b>				
Advertising	3,840,384	2,555,041		
Assets less than the capitalisation threshold	93,794	2,036,099		
Auditors remuneration	6,111,185	6,117,404		
Bank charges	1,157,969	980,855		
Computer expenses	4,962,626	5,456,264		
Catering Services	1,585,669	1,862,232		
Electricity	26,019,305	20,165,828		
Entertainment	292,096	361,126		
Fines and penalties	36,956	-		
Housing Assistance	3,923,300	6,498,587		
Hire	2,245,863	2,917,452		
Insurance	3,431,126	1,913,443		
Indigent relief	205,000	131,550		
Inventory expenditure	21,431,584	12,851,753		
Learnerships and internships	-	373,360		
Drivers' licence cards	865,761	670,473		
Motor vehicle expenses	414,046	484,708		
Other expenses	7,405,997	2,214,172		
Interest expense on provisions	23,144,411	21,943,136		
Postage and courier	960,846	899,970		
Printing and publications	1,519,526	464,372		
Protective clothing	2,656,011	2,558,250		
Subscriptions and membership fees	1,067,452	7,279,022		
Telephone and fax	1,562,700	1,436,611		
Transport and freight	22,083	216,100		
Travel and subsistence	3,263,272	1,559,702		
Title deed search fees	60,448	56,398		
Workmen's compensation fund	1,349,078	1,370,210		
	<b>119,628,488</b>	<b>105,374,118</b>		
<b>34. Bulk purchases</b>				
Water	78,546,699	69,198,699		
<b>Water losses</b>				
	Number 2020	Number 2019		
Units purchased	-	-	7,854,164	7,417,014
Units sold	-	-	(9,160,418)	(9,711,622)
<b>Total</b>	-	-	<b>(1,306,254)</b>	<b>(2,294,608)</b>
Percentage Loss:				
Technical losses	- %	- %	(17)%	(31)%

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>35. Contracted services</b>		
<b>Outsourced Services</b>		
Animal Care	1,176,000	1,176,000
Business and Advisory	2,644,896	7,188,870
Call Centre	3,928,284	5,918,546
Meter Management	3,692,466	2,127,616
Medical Services [Medical Health Services & Support	23,970	-
Refuse Removal	1,204,254	1,532,500
Security Services	35,061,062	28,316,318
Transport Services	129,350	-
	<b>47,860,282</b>	<b>46,259,850</b>
<b>Consultants and Professional Services</b>		
Business and Advisory	1,903,536	8,068,217
Infrastructure and Planning	13,744,765	10,107,394
Other Services	8,408,846	14,806,883
Legal Cost	15,211,824	23,476,300
	<b>39,268,971</b>	<b>56,458,794</b>
<b>Contractors</b>		
Electrical	4,646,317	-
Traffic and Street Lights	4,415,949	984,537
Safeguard and Security	57,500	-
Sports and Recreation	34,007	-
	<b>9,153,773</b>	<b>984,537</b>
	<b>96,283,026</b>	<b>103,703,181</b>
<b>36. Cash generated from operations</b>		
Surplus	9,959,359	137,028,598
<b>Adjustments for:</b>		
Depreciation and amortisation	63,428,122	78,916,061
Fair value adjustments	55,000	(37,370,040)
Debt impairment	424,499,257	194,950,685
Movements in retirement benefit assets and liabilities	-	(57,624,000)
Movements in provisions	23,144,411	21,943,136
Inventory losses or write-downs	917,748	(1,791,127)
Other income prior year correction	2,436,354	(2,436,354)
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(396,077,242)	(159,173,744)
Receivables from non-exchange transactions	88,832,544	(80,777,575)
Payables from exchange transactions	-	11,071,561
VAT	2,101,457	(17,119,980)
	<b>219,297,010</b>	<b>87,617,221</b>
<b>37. Operating (deficit) surplus</b>		
Operating (deficit) surplus for the year is stated after accounting for the following:		
<b>Operating lease charges</b>		
Lease rentals on operating lease - Other		
• Contractual amounts	4,188,444	3,073,205

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>37. Operating (deficit) surplus (continued)</b>		
Loss on sale of property, plant and equipment	(90,840)	-
Loss on sale of investment property	(44,820,332)	-
Amortisation on intangible assets	765,998	313,788
Depreciation on property, plant and equipment	62,662,124	78,602,273
Employee costs	420,413,485	376,776,849
<b>38. Fair value adjustments</b>		
Investment property (Fair value model)	(55,000)	37,370,040
<b>39. Unauthorised expenditure</b>		
Opening balance as previously reported	1,484,449,894	1,296,864,646
Add: Unauthorised expenditure - current	163,992,285	187,585,248
Less: Amount authorised - prior period	(735,006,661)	-
<b>Closing balance</b>	<b>913,435,518</b>	<b>1,484,449,894</b>

Unauthorised expenditure for the current year and prior year relates to the following expenditure votes to over spending on operational expenditure votes. For detail overspending on votes the reader is referred to the Budget and Comparison Statement together with Note 44 .

### Recoverability steps taken/criminal proceedings

The following processes were planned and implemented in detail regarding unauthorised expenditure as prescribed by section 32 of the MFMA incurred during 2015-16 and previous financial years:

Submitted the unauthorised expenditure registers to Council for tabling and further decision making.

Council assigned the Municipal Public Accounts Committee (MPAC) to investigate the unauthorised expenditure in accordance with the MFMA section 32 (2) (a) (ii).

### 40. Fruitless and wasteful expenditure

Opening balance as previously reported	37,695,778	38,211,744
Add: Fruitless and wasteful expenditure identified - current	228,387	1,414,551
Less: Amount written off - prior period	(16,777,666)	-
Adjustment (Revesal of Interest charged on overdue account)	-	(1,930,517)
<b>Closing balance</b>	<b>21,146,499</b>	<b>37,695,778</b>

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand

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

#### Details of fruitless and wasteful expenditure

	<b>Disciplinary steps taken/criminal proceedings</b>		
Interest charged on overdue account	As at 30 June 2022, no MFMA section 32 processes have been instituted for fruitless and wasteful expenditure arising from 2016-17 to 2020-21.	228,387	1,414,551
Supplier disputes	contractual dispute between the municipality and the supplier Kwane Capital which led to a high court judgement against the municipality	14,063,781	-
		<b>14,292,168</b>	<b>1,414,551</b>

The following processes were planned and implemented in detail regarding fruitless and wasteful expenditure as prescribed by section 32 of the MFMA for the 2015-16 and prior financial years:

- 1) Submitted the fruitless and wasteful expenditure registers to Council for tabling and further decision making.
- 2) Council assigned the Municipal Public Accounts Committee (MPAC) to investigate the fruitless and wasteful expenditure in accordance with the MFMA section 32 (2) (b).
- 3) MPAC requested the Audit Committee for assistance resulting in the Internal Audit unit being assigned the task of investigating the incurred expenditure.
- 4) No investigation has been performed as yet by the internal audit unit.

### 41. Irregular expenditure

Opening balance as previously reported	1,639,201,127	1,399,464,748
Add: Irregular expenditure - current	209,063,530	239,736,379
<b>Closing balance</b>	<b>1,848,264,657</b>	<b>1,639,201,127</b>

### Cases under investigation

Municipal Supply Chain Management Policies or By-laws	186,240,477	222,843,332
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### 42. Other financial assets

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>42. Other financial assets (continued)</b>		
<b>At amortised cost</b>		
VBS investment	77,492,027	77,492,027
	<u>77,492,027</u>	<u>77,492,027</u>
Accumulated Impairment	(77,492,027)	(77,492,027)
	<u>-</u>	<u>-</u>
<b>VBS Reconciliation</b>		
Opening balance	77,492,027	83,440,312
Receipts	-	(5,948,285)
Accumulated Impairment	(77,492,027)	(77,492,027)
	<u>-</u>	<u>-</u>

The short term investment with VBS Mutual Bank of R83 440 312.06 had been impaired due to recoverability of the amount being put in doubt. The bank has been put under curatorship and the deposits by municipalities held by the bank were not honoured as only natural people were to receive their deposits.

During the 2021-22 financial years the curators refunded R5 948 284.51 of the amount invested to the municipality. The short-term investment as adjusted for this refund is now R77 492 027.50. The uncertainty relating to the recoverability of the balance of the deposit remains. The municipality therefore reduced the accumulated impairment and investment of the VBS bank deposit by R5 948 284.51 to R77 492 027.50.

### 43. Inter-governmental receivables

#### Inter-governmental receivables

NMMDM Debt	<u>13,711,801</u>	<u>887,570</u>
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Mahikeng Local Municipality has carried repairs and maintenance on Pump Station 2, 12, and 13. These pump stations belong to Ngaka Modiri Molema District Municipality and the agreement is that MLM will be reimbursed for any work carried out on these pump stations.

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>44. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Roads	12,988,607	40,724,036
• Recreational Facilities	27,961,668	14,787,063
• High Mast	-	25,909,832
• Community Buildings	-	12,172,115
• Bridges	-	1,082,188
	<b>40,950,275</b>	<b>94,675,234</b>
<b>Total capital commitments</b>		
Already contracted for but not provided for	40,950,275	94,675,234

MOCHE-R2KZ JV - SCM/MLM 17/07/2022:UPGRADING OF INTERCONNECTOR ROAD IN SETLOPO SA BOSIGO - R4 071 642.39

GLOBAL EXTENSIVE NETWORKING PR - #001-PHASE 3 - SCM/MLM 18/07/2022:CONSTRUCTION OF CENTRE COURT AT MMABATHO SPORTS FACILITIES - R25 982 675.31

BANTSI CONSTRUCTION AND PROJECTS - SCM/MLM 16/07/2022: UPGRADING OF ROAD FROM TLOUNG VILLAGE TO BOKONE VILLAGE TO PAVED ROAD IN WARD 15 - R1 978 992.35

SIZWE SECHABA CONSTRUCTION PROJECTS - SCM/MLM 109/04/2023: UPGRADING OF ROAD FROM MMABATHO WASTE WATER TREATMENT TO MOLETSAMONGWE VILLAGE - R8 916 964.56

This committed expenditure relates to property and will be financed by externally generated funds being the Municipal Infrastructure Grant and the Electricity Demand Management Grant as per DORA allocations.



# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 45. Contingencies

Current year cases

The below estimated fees were not included as part of the contingent amount, Best estimate of expenditure required to settle the obligation (Par 43 - 48 GRAP 19)

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>45. Contingencies (continued)</b>		
<b>Contingent Liabilities</b>		
Service provider cases	7,390,492	7,390,492
Property losses/ damage cases	1,007,449	1,007,449
Labour cases	1,732,773	1,732,773
Others	1,016,757,558	1,017,016,716
	<b>1,026,888,272</b>	<b>1,027,147,430</b>

<b>PARTIES</b>	<b>NATURE OF CLAIM</b>	<b>STATUS QUO OF THE MATTER</b>	<b>ESTIMATED LEGAL COSTS</b>
Erf 10361 (Portion of Erf 853) Mafikeng -8	Transfer of property from Mahikeng Local Municipality to department of Public Works: Tswelelopele Independent Primary School	Purchaser or Donee to pay transfer costs in order for property to be lodged at the Deed Office	50,000
Portion 1 of Erf 853 Mafikeng Ext 8	Transfer of property from Mahikeng Local Municipality to department of Public Works: Iqra Islamic School	Purchaser or Donee to pay transfer costs in order for property to be lodged at the Deed Office	50,000
Portion 51 of farm Mmabatho Town & TownInd 301 JO	Transfer of property from Mahikeng Local Municipality to Joel Ramonewa & Beautice Moletsane	Registration of property lodged and filed at the Deeds office on the 12th June 2023 and awaiting finalization of transfer of property; Transfer Costs to be payable	50,000
Erf 607 Mmabatho Unit 2	Transfer of property from Mahikeng Local Municipality to MM Thakanyane	Registration of property lodged and filed at the Deeds office on the 12th June 2023 and awaiting finalization of transfer of property; Transfer Costs to be payable	50,000
Erf 7050 Mahikeng Ext 39 Mildred Mogapi Primary School	Donation of Property from Mahikeng Local Municipality to Department of Public Works	Deed of donation signed by both parties and awaiting finalization of registration of property at the Deed Office	350,000
Erf 3364 Ext 38 Retlametswe Special School	Donation of Property from Mahikeng Local Municipality to Department of Public Works	Deed of donation signed by both parties and awaiting finalization of registration of property at the Deed Office	350,000

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand		2023	2022
<b>45. Contingencies (continued)</b>			
Erf 10345 Mahikeng- Bophelong Special School	Donation of Property from Mahikeng Local Municipality to Department of Public Works	Deed of donation signed by both parties and awaiting finalization of registration of property at the Deed Office	350,000
Erf 5226 Mahikeng Ext 38: Boikagong Child & Youth Centre	Donation of Property from Mahikeng Local Municipality to Department of Public Works	Deed of donation signed by both parties and awaiting finalization of registration of property at the Deed Office	350,000
Erf 1456 Mahikeng Ext 38- Danville Clinic	Donation of Property from Mahikeng Local Municipality to Department of Public Works	Deed of donation signed by both parties and awaiting finalization of registration of property at the Deed Office	350,000
Erf 10344 Ext 38 Mahikeng Bophelong Psychiatric Hospital	Donation of Property from Mahikeng Local Municipality to Department of Public Works	Deed of donation signed by both parties and awaiting finalization of registration of property at the Deed Office	350,000
Erf 2140 Mahikeng Ext 24	Transfer of Property from Mahikeng Local Municipality to S S Abraham & T M Roberts	Letter of authority amended to include the property	50,000
Erf 2981 Mahikeng Ext 24	Transfer of Property from Mahikeng Local Municipality to B M Smith	Registration lodged at the Deed Office on the 04th July 2023, awaiting finalization of transfer of property	50,000
Erf 4100 Mahikeng Ext 38	Transfer of Property from Mahikeng Local Municipality to Disciple Ministry Church	Awaiting costs figure from the client to process registration	50,000
Erf 3008 Mahikeng Ext 24	Transfer of Property from Mahikeng Local Municipality to W G Ludick	Purchaser unable to settle rates & taxes since she is unemployed. Client to provide with further instruction	50,000
Erf 2245 Mahikeng Ext 24	Transfer of Property from Mahikeng Local Municipality to G A Graaf	Awaiting costs figure from client	50,000

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022	
<b>45. Contingencies (continued)</b>			
Erf 2149 Mahikeng Ext 24	Transfer of Property from Mahikeng Local Municipality to Mayfer	Registration of documents lodged at the deed office, awaiting finalization of transfer	50,000
Remaining Extent of Erf 1371 Mahikeng	Transfer of Property from Mahikeng Local Municipality to UNISA	Awaiting Clearance Certificate from Client	100,000
Mahikeng Local Municipality / K Lekoma	Instruction to chair the proceedings of the disciplinary enquiry	Disciplinary hearing still on-going and pending	500,000
Tholoana Investment / MLM: 151/ 2017	Summons issued against the Municipality for unpaid invoice amounting to R1 670 832.00: Applicant case withdrawn until costs are paid to the municipality	Case withdrawn until costs awarded to the municipality are paid in full	510,000
Isilungu Business Enterprise / MLM: 229/2017	Application to enforce the municipality to supply electricity to the Applicant: Applicant case dismissed with costs	Matter set down for opposed taxation on the 28th July 2023	863,656
K V Mogala / MLM: 2042/ 2019	Summons issued against the municipality for damage suffered 2023 as the result of falling into an open drainage system: R695 000.00	Matter set down for opposed taxation on the 28th August 2023	312,449
O B Mogale / MLM: 2068/2022	Summons issued against the Municipality allegation of damage and injuries suffered as the result of being executed by electrical pole: Claim for R3 100 000.00	Application for Non-Joinder to be heard	558,912
SNPRP Security Services / MLM: 809/ 2012	Summons issued against the Municipality for claim of unpaid invoices amounting to R791 539.00	Discovery affidavits and trial date to be applied	349,443

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022	
<b>45. Contingencies (continued)</b>			
L Thinyane/ Maruwa Capital / MLM: 727/2021	Application for declaratory order to enforce the municipality to transfer Portion 54 Mmabatho Town & Townland JO 301	Pleading stages, pending matter	1,003,403
Mahikeng Local Municipality / Tebogo Radikgojane: JR1755/2022	Application to review & set aside 79 employees recruited without following proper procedure	Parties file answering affidavits and reply, awaiting trial date	900,000
Imatu Obo Dabula / MLM: NWD 122206	Applicant was dismissed from employment lodge an application for unfair dismissal and unfair labour practice: Arbitration hearing at the CCMA	Matter at the arbitration and set down for hearing on the 12th -13th June 2023, pending matter	1,000,000
Nutshell Guest House/ MLM: 121/2020	Civil claim instituted against the Municipality for unpaid invoice for accommodation	Matter successfully defended: matter to be closed	50,000
Motsisi Funerals / MLM: 173/ 2020	Civil claims instituted against the municipality for failure to pay burial expenses for person designated as pauper	Matter finalized and settled out of court: outstanding payment of legal fees	6,000
W Tamenti & Others/ MLM:	Application for review the arbitration award by the Municipality	Awaiting for applicant to apply for trial date	350,000
SAMWU obo Matsheka / MLM: JR 339/2016	Application for declaratory order : salary disparity	Matter kept in abeyance subject to finalization of job evaluation process	200,000
MLM/ Gregory Matane & Others	Application for review arbitration award at the SALGBC ruling	Awaiting court trial date	150,000
Rebecca Senamolela/ MLM: JR650/2017	Application for declaratory order : salary disparity	Matter kept in abeyance subject to finalization of job evaluation process	150,000

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022	
<b>45. Contingencies (continued)</b>			
Ntiyiso Consulting Pty Ltd / MLM: 702/2023	Claim against the municipality for unpaid invoice of R8 000.000.00 for service rendered regarding debt collection	Exception application to be heard in court	8,000,000
Peermont Hotels & casino/ MLM	Objection lodged against Peermont for relocation of casino license	Applicant application dismissed and files an application to court for review.	500,000
Mahikeng Local Municipality/ NW Provincial Government	Donation of land by MLM to the Provincial Government Erf 10338 Portion of Erf 9753 Mahikeng)	Deed of Office to proceed with registartion	47,331
Mahikeng Local Municipality/ Realticon Pty Ltd	Deed of sale and transfer of land Erf 3786 , 3787 & 3728. Notarial Lease registered on the 21st Nov 2022	Deed of Office to proceed with transfer upon payment of purchase price	50,000
Mahikeng Local Municipality/ MGDevco Pty Ltd	Deed of sale and transfer of land Erf 8706 Mahikeng Ext 39. Awaiting payment confirmation of purchase price in full to effect transfer	Deed of Office to proceed with transfer upon payment of purchase price	20,000
Mahikeng Local Municipality/ Trident Infrastructure Pty Ltd	Deed of sale and transfer of land Erf 8707 Mahikeng Ext 39. Awaiting payment confirmation of purchase price in full to effect transfer	Deed of Office to proceed with transfer upon payment of purchase price	20,000
Mahikeng Local Municipality/ NW Provincial Government	Donation of land by MLM to the Provincial Government Erf 9753 Portion of Erf 962 Mahikeng)	Awaiting Clearance certificate from the municipality to lodge transfer application at the Deed Office	47,331

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022	
<b>45. Contingencies (continued)</b>			
Mahikeng Local Municipality/ Maine Properties	Deed of sale and Deed of Office to transfer of land Erf 3725 Mahikeng Ext 38. Awaiting payment confirmation of purchase price in full to effect transfer	Deed of Office to proceed with transfer upon payment of purchase price	20,000
Mahikeng Local Municipality	Deed of sale and Deed of Office to transfer of land Erf 3044 Mahikeng Ext 19. Awaiting payment confirmation of purchase price in full to effect transfer	Deed of Office to proceed with transfer upon payment of purchase price	20,000
Mahikeng Local Municipality	Removal of obsolete title condition of Remaining Extent of Erf 6180 (portion of Erf 6033)	Title Removed and new title deed delivered to client	13,000
Miagra Property Development / Mahikeng Local Municipality	Arbitration proceeding against the municipality for breach of sale of land contract : claim of R1 006 569 363. 00	Matter heard on the 19th – 23rd June 2023, awaiting judgement by end July 2023	1,006,569,363
Mahikeng Local Municipality/ Bradford Park development	Provisions for legal service for planning, design and implementation of proposed Bradford park. Client advise legal team not to proceed with matter until matter is presented at council pending assessment of whether PPP arrangement would be more suitable. Summary of PPP prepared and submitted to client	Matter still pending issuance of further instruction	579,323

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>45. Contingencies (continued)</b>		
Mahikeng Local Municipality: Policy Development	Development of Policy not yet Charges Policy & Finalized Tariffs Calculator	306,789
Mahikeng Local Municipality / Justice Dilotsotlhe: UM 130/2020	Application to set aside and review of appointment of Municipal Manager	100,000
Mahikeng Local Municipality/ Sebege Labiuos Moralo: LCC 215/2016	Application for restitution of land claims right for Portion 55 Mmabatho Townland JO 301 against the Municipality for disposing the land under claim to Miagra Property Developers	200,000
Mahikeng Local Municipality/ Tedcor: 1161/2017	Claim for unpaid invoice regarding service rendered for domestic waste collection & management of the site: claim amount to R2 312 393.40 at the waste site	91,272
Mahikeng Local Municipality / Kea a Dira Construction: 1774/2016	Tender awarded to the Plaintiff for upgrading of Danville Stadium but failed to execute its obligations within expected timeframe. Plaintiff claim an amount of R4 327 538.89 for unpaid invoices	200,000
Mahikeng Local Municipality/ MLM Councilor's: 3950/2016	Allegation of unpaid benefits accrued to Councilors	200,000
Mahikeng Local Municipality / Kena Media	Claim amounting to R2 028 416.00 for failure to pay advertisement costs	300,000
		<b><u>1,026,888,272</u></b>



# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand		2023	2022
<b>45. Contingencies (continued)</b>			
<b>Contingent assets</b>			
<b>Contingent Assets</b>			
Indebted to the municipality		945,000	4,629,916
Other		7,609,381	676,529
		<b>8,554,381</b>	<b>5,306,445</b>
<b>PARTIES</b>	<b>NATURE OF CLAIM</b>	<b>STATUS QUO OF THE MATTER</b>	<b>ESTIMATED LEGAL COSTS</b>
Erf 3144 Mmabatho Civic Centre	Donation of Property from the NW Provincial Government to Mahikeng Local Municipality	Registration of property lodged and filed at the Deeds office on the 12th June 2023 and awaiting finalization of transfer of property; Transfer Costs to be payable	270,000
Farm 93 Benadeplass ( Slurry Mahikeng)	Expropriations of shares of land from various owners of shareholding	Expropriations has been confirmed & awaiting registration of property to be finalized, clearance certificate requested from the Municipality	500,000
Erf 1118 Mmabatho Unit 3	Re-Transfer of Property from Mike Binazir to Mahikeng Local Municipality	Application for leave to appeal was lodged with the SCA on the 27th June 2023	1,000,000
Q Tique 79 / MLM: 230/2017	Recovery of outstanding & annual escalation of lease rental	Matter to be closed, property sold to the lessee.	147,523
MLM / Letlhogonolo Mooketsi: 2136/ 2020	Claim instituted against the rate payer for outstanding payments of rates and taxes	Rate payer still untraceable	5,000
MLM/ Victor Thabeng: 502/2020	Claim instituted against the rate payer for outstanding payments of rates and taxes	Rate payer still untraceable	5,000
MLM / I Mpete:1723/2019	Claim instituted against the rate payer for outstanding payments of rates and taxes	Rate payer still untraceable	5,000
MLM/ Sajid Chaudry: 431/2022	Claim instituted against the rate payer for outstanding payments of rates and taxes	Rate payer still untraceable	350,000

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022	
<b>45. Contingencies (continued)</b>			
MLM/ Lesego busang	Claim instituted against the rate payer for outstanding payments of rates and taxes	Rate payer disputing the debts and matter to proceed with filing an application	350,000
Mahikeng Local Municipality: Expropriation of Portion 29 Farm 29 of Zeekoevlei 83 JO	expropriation of land for development purpose	Awaiting registration of expropriation.	471,776
Mahikeng Local Municipality/ Unlawful occupiers of Land: 287/2022	Interdict application against unlawful occupiers of land: Notice Board erected	Order Granted	299,475
Mahikeng Local Municipality	Legal Opinion: cancellation of sale agreement on portion 55, 56, 57 Mmabatho farmland & Townland JO 301	Opinion Obtained	100,000
Miagra Property Development / Lucas Legae & Others	Declaratory application for interdicting unlawful occupiers at Portion 55 as per the court order	Matter to be heard on the 23rd August 2023	250,000
Mahikeng Local Municipality/ Mike I Binazir: 2056/2020	Re-transfer of Erf 809, Unit 2, Mmabatho to the Municipality> Application heard on the 21st July 2020 for adjudication of defendant special plea	Matter still pending	170,606
Mahikeng Local Municipality/ 79 General Workers	Investigations into allegation of irregular appointment of general workers and possible disciplinary hearing against official implicated herein	Investigations finalized & pending finalization of disciplinary hearing	650,000
Mahikeng Local Municipality/ D Motingwe	Contravention of SPLUMA & Building Regulation: Erf 8512 Ext 39 erection of property without council approval	Letter of demand issued and awaiting compliance verification	250,000
Mahikeng Local Municipality/ T A Mfikoe	Contravention of SPLUMA & Building Regulation: Erf 261 Unit 2, Mmabatho: erection of illegal structure without council approval	Letter of demand issued and awaiting compliance verification	250,000

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand		2023	2022
<b>45. Contingencies (continued)</b>			
Mahikeng Local Municipality/ B Tlape	Contravention of SPLUMA & Building Regulation: Erf 8808 Ext 39, Mmabatho: erection of building structure without approval	Letter of demand issued and awaiting compliance verification	250,000
Mahikeng Local Municipality/ T A Mfikoe	Contravention of SPLUMA & Building Regulation: Erf 261 Unit 2, Mmabatho: erection of building structure without approval	Letter of demand issued and awaiting compliance verification	250,000
Mahikeng Local Municipality/ KE Senosi	Contravention of SPLUMA & Building Regulation: Erf 1690 Riviera Park, Mahikeng Ext 38, Mmabatho: erection of illegal structure without approval	Letter of demand issued and awaiting compliance verification	250,000
Mahikeng Local Municipality/ M P Mosakga	Contravention of SPLUMA & Building Regulation: Erf 4962 Unit 13, Mmabatho: erection of illegal structure without council approval	Letter of demand issued and awaiting compliance verification	250,000
Mahikeng Local Municipality/ M Serenyane	Contravention of SPLUMA & Building Regulation: Erf 8518 Ext 39, Mmabatho: erection of illegal structure without council approval	Letter of demand issued and awaiting compliance verification	250,000
Mahikeng Local Municipality/ M A Motshabi	Contravention of SPLUMA & Building Regulation: Erf 8575, Ext 39 Mmabatho: erection of illegal structure without council approval	Letter of demand issued and awaiting compliance verification	250,000
Mahikeng Local Municipality/ M Vilakazi	Contravention of SPLUMA & Building Regulation: Erf 8831 Ext 39, Mmabatho: erection of illegal structure without council approval	Letter of demand issued and awaiting compliance verification	250,000
Mahikeng Local Municipality/ V Jamani	Contravention of SPLUMA & Building Regulation: Erf 8517 Ext 39, Mmabatho: erection of illegal structure without council approval	Letter of demand issued and awaiting compliance verification	250,000

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022	
<b>45. Contingencies (continued)</b>			
Mahikeng Local Municipality/ K Modise	Contravention of SPLUMA & Building Regulation: Erf 8524 Ext 39, Mmabatho: erection of illegal structure without council approval	Letter of demand issued and awaiting compliance verification	250,000
Mahikeng Local Municipality/ K Ntwae	Contravention of SPLUMA & Building Regulation: Erf 8536 Ext 39, Mmabatho: erection of illegal structure without council approval	Letter of demand issued and awaiting compliance verification	250,000
Mahikeng Local Municipality/ Eva Moehi	Contravention of SPLUMA & Building Regulation: Erf 8516 Ext 39, Mmabatho: erection of illegal structure without council approval	Letter of demand issued and awaiting compliance verification	250,000
Mahikeng Local Municipality/ G Mokgadi	Contravention of SPLUMA & Building Regulation: Erf 8497 Ext 39, Mmabatho: erection of illegal structure without council approval	Letter of demand issued and awaiting compliance verification	250,000
Mahikeng Local Municipality/ G Maetso	Contravention of SPLUMA & Building Regulation: Erf 8491 Ext 39, Mmabatho: erection of illegal structure without council approval	Letter of demand issued and awaiting compliance verification	250,000
Mahikeng Local Municipality/ M N Gomono: NW/MMB/RC/413/19	Claim for unpaid rates and taxes amounting to R382 529.12	Order granted in favour of the Municipality. Warrant of Execution issued against the Defendant	230,000
			<b><u>8,554,380</u></b>

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 46. Related parties

Relationships		
Accounting Officer	ADV DI Mongwaketse	
Chief Financial Officer	Mr RA Morris	
Councillors	Refer to the general information page	
Members of key management	ADV DI Mongwaketse	
	Mr RA Morris	
	Mr TJ Marumo	
	Mrs KP Nyembe	
	Mr T Masia	
	Ms M Moloji-Tsae	
	Mrs ZK Masuku	
	Mr MJ Molamu	
	Ms KJ Lekoma	

### Related party transactions

#### Councillor M. Moeti

Reimbursement for burnt house due to community strike	221,883	-
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#### Remuneration of key management

Remuneration of key management has been disclosed in Note 27 of the Annual Financial Statements.

#### Awards to close family members of persons in service of the state

The details listed below is disclosed in terms of Regulation 45 of the Municipal Supply Chain Regulation 2005 that determines that the municipality must disclose particulars of any award of more than R2,000 to a person who is a spouse, child or parent of a person in service of the stste or has been in service of the stste in the previous twelve months.

#### Baratan Trading and Projects

The spouse of Mrs. Nathaniel Mogomotsi Lefifi (Owner), Mr. Tholo Samuel Kgotlagomang is employed by Mahikeng Local Municipality.

#### Ruloyds SA PTY LTD

Mosete Peter Tlhale (Director) was employed at Mahikeng Local Municipality in the past twelve months.

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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### 46. Related parties (continued)

#### Remuneration of councillors

##### Councillors

##### 2023

Name	Councillors allowance	Other Allowances	Municipal Contributions	Total
T Mphehlo	597,142	272,613	112,466	982,221
OGB Mathe	478,113	231,979	90,087	800,179
ME Moeti	448,089	217,747	84,441	750,277
MP Senokwane	448,089	228,725	84,441	761,255
GU Legalatladi	448,089	275,295	84,441	807,825
MD Jabanyane	448,089	227,656	84,441	760,186
DK Molema	448,089	223,382	84,441	755,912
JC Daniels	448,089	224,768	84,441	757,298
PF Nko	448,089	225,804	84,441	758,334
NG Hlazo	448,089	214,161	84,441	746,691
BC Mathe	448,089	220,206	84,195	752,490
KC Sechogo	448,089	226,185	84,411	758,685
KI Mbana	448,089	226,777	84,181	759,047
T Motshabi	436,530	215,794	82,270	734,594
MD Phuthego	436,530	216,324	80,638	733,492
GE Mosiedi	189,286	112,670	34,857	336,813
CL Mahlangu	189,286	112,670	34,857	336,813
TD Femele	189,286	112,670	34,857	336,813
LG Sehole	189,286	112,670	34,857	336,813
MM Mogapi	189,286	112,670	34,857	336,813
DL Monaledi	189,286	112,670	35,451	337,407
K Gaoganediwe	189,286	112,670	34,857	336,813
C Matshidiso	189,286	115,200	34,844	339,330
KK G Nko	189,286	112,670	34,845	336,801
TO Mogoiwa	189,286	112,670	34,857	336,813
LR Mange	189,286	112,670	34,953	336,909
NB Mabote	189,286	112,670	34,857	336,813
AL Annandale	189,286	118,534	34,857	342,677
KE Gaebee	189,286	115,470	34,857	339,613
OL Magogodi	189,286	115,625	34,857	339,768
ME Msimanga	189,286	112,670	34,857	336,813
B Mbiza	189,286	122,570	34,929	346,785
OC Kgonare	189,286	112,670	34,857	336,813
I Majakaje	189,286	112,670	34,857	336,813
MJ Morubane	189,286	125,461	34,857	349,604
KD Seketema	189,286	112,670	34,857	336,813
MG Billiot	189,286	112,670	34,857	336,813
BS Storais	189,286	112,670	34,857	336,813
M Mopako	189,286	112,670	34,857	336,813
SK Matsheka	189,286	112,670	34,857	336,813
PL Phantsi	189,286	114,274	34,848	338,408
KD Sega	189,286	112,670	34,857	336,813
LR Motlhabane	189,286	112,670	34,857	336,813
GD Maruping	189,286	112,670	34,857	336,813
KA Monchusi	189,286	112,670	34,857	336,813
OE Mphehlo	189,286	115,087	34,857	339,230
PP Molale	189,286	115,325	34,856	339,467
RG Molosioa	189,286	112,670	34,857	336,813
MA Setshedi	189,286	112,670	34,857	336,813
LJ Motjale	189,286	115,261	34,857	339,404

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand			2023	2022
<b>46. Related parties (continued)</b>				
C Mohelekete	189,286	112,670	34,857	336,813
LMO Mokgosi	189,286	112,670	34,857	336,813
ME Khathazo	189,286	112,670	34,857	336,813
LA Kgengwe	189,286	118,459	34,849	342,594
AE Rakwena	189,286	112,670	34,857	336,813
MD Ramatae	189,286	114,657	34,857	338,800
TC Maibi	189,286	112,670	34,857	336,813
HP Kgasi	189,286	112,670	34,857	336,813
NJ Mangayi	189,286	112,670	34,857	336,813
TC Matsheka	189,286	112,670	34,857	336,813
MC Segoe	189,286	112,670	34,797	336,753
WN Bohmer	189,286	112,670	34,845	336,801
MJ Nkomo (Monere)	189,286	112,670	34,845	336,801
ME Dingile	189,286	115,907	34,830	340,023
T Selepe	189,286	112,670	34,845	336,801
KP Motsumi	189,286	112,670	34,800	336,756
LS Mogotlha	189,286	112,670	34,845	336,801
SJ Van Rooyen	189,286	112,670	34,857	336,813
DM Phetha	214,340	131,326	35,237	380,903
SJ Tauyagae	177,251	108,446	33,622	319,319
EO Seleke	41,275	25,253	7,598	74,126
	<b>17,342,318</b>	<b>9,741,071</b>	<b>3,218,181</b>	<b>30,301,570</b>

### 2022

Name	Councillors Allowance	Other Allowances	Municipal Contributions	Total
STM Gasealahwe	64,307	39,652	11,443	115,402
GA Masibi	64,307	39,652	11,443	115,402
PI Mokgele	64,307	39,652	11,443	115,402
SMM Tsolo-Mulasi	152,481	73,021	27,629	253,131
MD Moroe	64,307	39,652	11,443	115,402
MD Phuthego	311,959	165,302	55,680	532,941
CM Moseitlo	154,675	73,021	27,823	255,519
MG Billiot	62,114	39,652	11,443	113,209
ME Lekhobe	147,206	73,021	27,642	247,869
T Motshabi	397,051	200,251	74,024	671,326
MM Chanda	62,114	39,652	11,443	113,209
LR Mange	62,114	39,652	11,476	113,242
DE Van Rooyen	62,114	39,652	11,443	113,209
TGE Malebadi	147,206	73,021	27,750	247,977
NM Ndlovu	62,114	39,652	11,443	113,209
KL Phetha	147,206	73,021	27,673	247,900
MG Mokgosi	62,114	39,652	11,443	113,209
SK Matsheka	193,353	123,432	33,343	350,128
TG Damaniti	147,206	73,021	27,750	247,977
TL Selepe	62,114	39,652	11,443	113,209
SL Molefe	62,114	39,652	11,413	113,179
NJ Motau	62,114	39,652	11,443	113,209
OJ Motsepe	62,114	39,652	11,443	113,209
WN Bohmer	62,114	39,652	11,443	113,209
KA Phase	62,114	39,652	11,443	113,209
PP Mokolopi	62,114	39,652	11,443	113,209
MC Segwe	62,114	39,652	11,443	113,209
MJ Rabotape	62,114	39,652	11,443	113,209
SJ Van Rooyen	118,216	75,466	19,501	213,183
KI Motalane	62,114	39,652	11,443	113,209
MC Segoe	147,206	73,021	27,750	247,977

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand			2023	2022
<b>46. Related parties (continued)</b>				
DK Molema	62,114	39,652	11,443	113,209
TC Kenalemongwe	62,114	39,652	11,443	113,209
SMM Melane	62,114	39,652	11,443	113,209
M Dichabe	62,114	39,652	11,443	113,209
GK Kgaje	62,114	39,652	11,443	113,209
EO Seleke	62,114	39,652	11,443	113,209
TJ Matoane	147,206	73,021	27,473	247,700
GN Monnapula	62,114	39,652	11,443	113,209
KP Motsumi	261,104	146,794	49,255	457,153
KL Dlamini	147,206	73,021	27,750	247,977
SN Mokoena	62,114	39,652	11,443	113,209
ND Moseki	62,114	39,652	11,443	113,209
PD Seele	62,114	39,652	11,443	113,209
MJ Monere	62,114	39,652	11,443	113,209
NV Moilwa	62,114	39,652	11,443	113,209
SKB Diakanyo	230,911	92,264	3,001	326,176
GA Kgwadibane	147,206	73,021	27,537	247,764
T Nebe	157,019	76,870	29,231	263,120
GA Seatlholo	62,114	39,652	11,443	113,209
TB Makolomakwa	147,206	73,021	27,640	247,867
BS Ngobeni	62,114	39,652	11,443	113,209
GK Mathakathaka	62,114	39,652	11,443	113,209
ME Dingile	180,330	115,118	33,221	328,669
KC Seheri	62,114	39,652	11,443	113,209
MC Makolemako	62,114	39,652	11,443	113,209
TM Seatlholo	62,114	39,652	11,443	113,209
GG Shole	62,114	39,652	11,486	113,252
MP Modisenyane	62,114	39,652	11,486	113,252
PM Ebusang	62,114	39,652	11,456	113,222
LI Machapa	62,114	39,652	11,456	113,222
TW Maseng	62,114	39,652	11,576	113,342
TF Phambane	62,114	39,652	11,443	113,209
KZ Ntamehlo	62,114	39,652	11,578	113,344
ME Moreti	62,114	39,652	11,443	113,209
MH Ramakgolo	62,114	39,652	10,961	112,727
JP Lemme	62,114	39,652	11,557	113,323
LF Machake	62,114	39,652	11,491	113,257
TD Phungu	62,114	39,652	11,491	113,257
NG Hlazo	315,140	167,984	59,076	542,200
GE Mosiedi	118,216	75,466	21,778	215,460
CL Mahlangu	118,216	75,466	21,778	215,460
TD Femele	118,216	75,466	21,778	215,460
LG Sehole	118,216	75,466	21,778	215,460
MM Mogapi	118,216	75,466	21,778	215,460
DL Monaledi	118,216	75,466	20,862	214,544
K Gaoganediwe	118,216	75,466	21,778	215,460
C Matshidiso	118,216	77,461	21,778	217,455
KKG Nko	180,330	115,118	33,231	328,679
TO Mogoiwa	118,216	75,466	21,778	215,460
LR Mange	118,216	75,466	21,769	215,451
NB Mabote	118,216	75,466	21,778	215,460
AL Annandale	118,216	75,466	21,778	215,460
KE Gaebe	118,216	75,466	21,778	215,460
OL Magogodi	118,216	75,466	21,778	215,460
TD Phungu	118,216	75,466	21,778	215,460
ME Msimanga	118,216	75,466	21,778	215,460
B Mbiza	118,216	75,466	21,778	215,460
KI Mbana	263,027	128,333	47,530	438,890
OC Kgonare	118,216	75,466	21,778	215,460
I Malakaje	118,216	75,466	21,778	215,460



# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand			2023	2022
<b>46. Related parties (continued)</b>				
MJ Morubane	118,216	75,466	21,778	215,460
KD Seketema	118,216	75,466	21,778	215,460
MD Jabanyane	263,027	132,578	47,590	443,195
MG Billiot	118,216	75,466	21,778	215,460
BS Strorais	118,216	75,466	21,778	215,460
M Mopako	118,216	75,466	21,778	215,460
JC Daniels	263,027	128,333	47,590	438,950
PI Phantsi	118,216	75,466	21,778	215,460
KD Sega	118,216	75,466	21,778	215,460
LR Motlhabane	118,216	75,466	21,778	215,460
MP Senokwane	263,027	128,333	47,590	438,950
GD Maruping	118,216	75,466	21,778	215,460
KA Monchusi	118,216	75,466	21,778	215,460
OE Mphehlo	118,216	75,466	21,778	215,460
PF Nko	263,027	128,333	47,590	438,950
PP Molale	118,216	75,466	21,778	215,460
RG Molosioa	118,216	75,466	21,778	215,460
MA Setshedi	118,216	75,466	21,778	215,460
LJ Motjale	118,216	75,466	21,778	215,460
C Mohelekete	118,216	75,466	21,778	215,460
LMO Mokgosi	118,216	78,154	21,778	218,148
ME Khathazo	118,216	75,466	14,245	207,927
GU Legalatladi	263,027	136,564	47,590	447,181
LA Kgengwe	118,216	75,466	21,778	215,460
AE Rakwena	118,216	75,466	21,778	215,460
KC Sechogo	263,027	128,333	47,590	438,950
MD Ramatae	118,216	75,466	21,778	215,460
TC Maibi	118,216	75,466	21,778	215,460
HP Kgasi	118,216	75,466	21,778	215,460
DK Molema	263,152	128,333	44,190	435,675
NJ Manganyi	118,216	75,466	21,778	215,460
OGB Mathe	290,340	142,076	52,674	485,090
TC Matsheka	118,216	75,466	21,778	215,460
MC Segoe	118,216	75,466	21,778	215,460
KL Phetha	118,216	27,500	7,936	153,652
WN Bohmer	118,216	75,166	21,778	215,160
ME Moeti	273,008	138,279	49,541	460,828
MJ Monere	118,216	77,377	21,778	217,371
T Selepe	118,216	75,466	21,778	215,460
BC Mathe	263,027	128,633	47,558	439,218
T Mphehlo	379,582	151,364	54,015	584,961
LS Mogotlha	180,330	115,118	39,215	334,663
	<b>16,375,107</b>	<b>9,435,202</b>	<b>2,931,326</b>	<b>28,741,635</b>

### 47. Prior-year adjustments

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

#### Statement of financial position

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand		2023	2022	
<b>47. Prior-year adjustments (continued)</b>				
<b>2022</b>				
	Note	As previously reported	Correction of error	Restated
Property, plant and equipment		1,732,900,439	8,096,504	1,740,996,943
Inventories		15,716,534	(1,444,800)	14,271,734
Prepayments		2,631,900	984,367	3,616,267
Inter-governmental debtor		-	887,570	887,570
Trade payables		292,008,014	6,408,272	298,416,286
Retentions		14,797,923	(1,290,335)	13,507,588
Advance payments		43,717,526	(5,948,285)	37,769,241
VAT		34,282,077	(29,141)	34,252,936
Accumulated surplus		1,351,128,501	9,374,487	1,360,502,988
		<b>3,487,182,914</b>	<b>17,038,639</b>	<b>3,504,221,553</b>

### Statement of financial performance

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand			2023	2022	
<b>47. Prior-year adjustments (continued)</b>					
<b>2022</b>					
	Note	As previously reported	Correction of error	Re-classification	Restated
Contracted services - Consultants and professional services - From Professional fees		-	582,206	32,400,288	32,982,494
Contracted services - Consultants and professional services - From Legal Litigation		-	4,782,541	18,693,758	23,476,299
Contracted services - Outsourced services		34,234,864	(440,000)	12,464,986	46,259,850
Contracted services - Contractors		-	-	984,537	984,537
Repairs and maintenance		40,866,376	12,218,698	-	53,085,074
Refuse removal		1,972,500	-	(1,972,500)	-
Meter reading		2,127,616	-	(2,127,616)	-
Legal advice and litigation		19,616,634	-	(19,616,634)	-
Animal care		1,176,000	-	(1,176,000)	-
Interest Income		100,616,216	-	(44,804,961)	55,811,255
Interest income - property rates		-	-	44,804,961	44,804,961
Employee cost - basic		196,016,532	-	(8,741,809)	187,274,723
Remuneration of ward committee members		-	-	3,143,500	3,143,500
Remuneration of EPWP		-	-	2,794,221	2,794,221
Employee cost - Other		15,822,345	-	2,485,360	18,307,705
Lease rentals on operating lease		-	-	3,073,205	3,073,205
Other expenses		318,961	(6,700)	1,901,910	2,214,171
Professional fees		54,199,249	-	(54,199,249)	-
Drivers' licence cards		-	189,126	481,347	670,473
Licence and permits		481,347	-	(481,347)	-
Transport and freight		-	44,500	171,600	216,100
Travel and subsistence		2,575,758	(844,456)	(171,600)	1,559,702
UIF		1,478,179	-	(25,138)	1,453,041
SDL		2,840,878	-	(178,993)	2,661,885
Debt Impairment		194,950,703	(7,099,998)	-	187,850,705
Catering services		898,507	963,725	-	1,862,232
Hire		3,050,841	(133,389)	-	2,917,452
Other Income		15,984,525	(5,948,352)	-	10,036,173
Bonus		16,746,535	-	(743,649)	16,002,886
13th cheque accrual		-	-	743,649	743,649
Post retirement benefit		(10,446,000)	17,300,000	-	6,854,000
Pension fund contributions		49,053,282	-	(2,097)	49,051,185
Remuneration of councillors		28,414,955	175,081	151,597	28,741,633
Depreciation and ammortisation		74,894,923	4,021,139	-	78,916,062
Finance cost		907,713	30,456	-	938,169
Advertising		2,508,093	46,948	-	2,555,041
Assets less than capitalisation		2,460,236	(424,138)	-	2,036,098
Computer services		5,397,974	58,289	-	5,456,263
Electricity		15,373,373	4,792,455	-	20,165,828
Insurance		2,769,415	(855,972)	-	1,913,443
Inventory expenditure		34,534,149	(21,682,396)	-	12,851,753
Learnerships and internships		-	-	373,360	373,360
Motor vehicle expenses		483,808	900	-	484,708
Memberships and subscriptions		3,181,056	4,097,966	-	7,279,022
Workmen's compensation'		-	1,370,210	-	1,370,210
Fair value adjustments		38,784,940	(1,414,900)	-	37,370,040
Acturial gains/losses		-	14,302,000	-	14,302,000
<b>Deficit for the year</b>		<b>954,292,483</b>	<b>26,125,939</b>	<b>(9,573,314)</b>	<b>970,845,108</b>

### Errors

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 47. Prior-year adjustments (continued)

Management omitted the reporting on Segment reporting in the prior year Annual Financial Statements. The omission has been corrected by including restated Segment Reporting figures as per Note 53.

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 47. Prior-year adjustments (continued)

#### Reclassifications

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand

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

The following prior year adjustments occurred:

#### STATEMENT OF FINANCIAL PERFORMANCE

##### Contracted services

###### 1. Outsourced services

An amount of R7 188 869.56 for Valuers was incorrectly mapped to professional fees and has been remapped to contracted services: outsourced services as per MSCOA guideline. The following amounts were restated from professional fees.

An amount of R1 176 000 for Animal care was incorrectly mapped to general expenditure and has been remapped to contracted services: outsourced services as per MSCOA guideline.

An amount of R2 127 616 for Meter reading was incorrectly mapped to general expenditure and has been remapped to contracted services: outsourced services as per MSCOA guideline.

An amount of R1 972 500 for Refuse removal was incorrectly mapped to general expenditure and has been remapped to contracted services: outsourced services as per MSCOA guideline.

###### 2. Contractors

Contractors: Traffic and Street Lights - R984 536.61

###### 3. Consultants and Professional Services

The following amounts were restated from professional fees:

Consultants and Professional Services: Business and Advisory: Accounting and Auditing: R8 068 217.20

Contracted Services: Consultants and Professional Services: Business and Advisory: Audit Committee - R186 720.28

Consultants and Professional Services: Business and Advisory: Business and Financial Management - R14 053 360.07

Consultants and Professional Services: Infrastructure and Planning: Town Planner - R10 091 990.52

An amount of R18 603 386.29 was remapped from general expenditure: Legal litigation to contracted services.

An amount of R90 372.50 was incorrectly mapped to professional fees. The amount has been remapped to contracted services legal.

##### Repairs and maintenance

An amount of R8 560 066 was incorrectly classified to professional fees. The amount has been reclassified to repairs and maintenance.

##### Refuse removal

Refuse removal expenditure of R1 972 500 was incorrectly mapped to general expenditure, the amount has been remapped to contracted services: Outsourced services inline with MSCOA data strings.

##### Meter management

Meter management expenditure of R2 127 616 was incorrectly mapped to general expenditure, the amount has been remapped to contracted services: outsourced services inline with MSCOA data strings.

##### Legal advice and litigation

An amount of R18 603 386.29 paid for contracted legal lawyers was incorrectly mapped to Legal advice and litigation. The amount has been reclassified to contracted services: consultants and professional services to be inline with MSCOA reporting strings.

Legal litigation was overstated by an amount of R1 013 247.71 on Caseware, system TB has been used for accuracy.

##### Animal care

Animal care expenditure of R1 176 000 was incorrectly mapped to general expenditure, the amount has been remapped to contracted services: outsourced services inline with MSCOA data strings.

##### Interest Income

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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

Interest of R44 804 961 was charged on property rates and disclosed under revenue from exchange transactions. This interest amount has been remapped to revenue from non-exchange to match the nature of property rates.

#### Interest income - property rates

Interest of R44 804 961 was charged on property rates and disclosed under revenue from exchange transactions. This interest amount has been remapped to revenue from non-exchange to match the nature of property rates.

#### Employee cost - Basic

Ward committee members remuneration of R3 143 500 was disclosed to employee cost basic and this has been reclassified to the face of the statement of financial performance.

Learnerships and internships payment of R2 794 221 was disclosed to employee cost basic and this has been reclassified to general expenses as a sub line item.

Standby allowance payment of R2 503 200 was mapped to employee cost basic and this has been reclassified to other costs under employee cost.

#### Employee cost - Other

Standby allowance payment of R2 503 200 was mapped to employee cost basic and this has been reclassified to other costs under employee cost.

#### Remuneration of ward committee members

Ward committee members remuneration of R3 143 500 was disclosed to employee cost basic and this has been reclassified to the face of the statement of financial performance.

#### Remuneration of EPWP

Remuneration of EPWP payment of R2 794 221 was disclosed to employee cost basic and this has been reclassified to general expenses as a sub line item.

#### Lease rentals on operating lease

Leased printers payment of R3 073 205.13 was incorrectly mapped to professional fees and this has been corrected.

#### Other expenses

An amount of R1 980 paid for car washes was incorrectly mapped as professional fees, the amount has been remapped to other expenses.

Training for employees expenditure to the amount of R52 130 was incorrectly classified as professional fees, the amount has been remapped to other expenses.

Transport for community members expenditure to the amount R29 700 was incorrectly mapped as professional fees, the amount has been remapped to other expenses.

Employee studies and study reimbursements expenditure to the amount R616 421 was incorrectly mapped as professional fees, the amount has been remapped to other expenses.

Employee injured on duty expenditure to the amount R16 926 was incorrectly mapped as professional fees, the amount has been remapped to other expenses.

Conferencing and seminar expenditure to the amount R472 238 was incorrectly mapped as professional fees, the amount has been remapped to other expenses.

Burial and funeral claims expenditure to the amount R400 000 was incorrectly mapped as professional fees, the amount has been remapped to other expenses.

Reimbursement expenditure to the amount of R317.60 was incorrectly mapped as professional fees, the amount has been remapped to other expenses.

#### Professional fees

An amount R984 536.61 for Contractors:Traffic and Street Lights was incorrectly mapped to professional fees, the amount has been remapped.

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand

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

An amount of R8 560 066 was incorrectly classified to professional fees. The amount has been reclassified to repairs and maintenance.

An amount of R1 980 paid for car washes was incorrectly mapped as professional fees, the amount has been remapped to other expenses.

Gardening tools and materials to the amount of R188 344 was incorrectly mapped as professional fees, amount has been transferred to Transfers and subsidies.

Training for employees expenditure to the amount of R52 130 was incorrectly mapped as professional fees, the amount has been remapped to other expenses.

Transport for community members expenditure to the amount R29 700 was incorrectly mapped as professional fees, the amount has been remapped to other expenses.

Employee studies and study reimbursements expenditure to the amount R616 421 was incorrectly mapped as professional fees, the amount has been remapped to other expenses.

Employee injured on duty expenditure to the amount R16 926 was incorrectly mapped as professional fees, the amount has been remapped to other expenses.

Conferencing and seminar expenditure to the amount R472 238 was incorrectly mapped as professional fees, the amount has been remapped to other expenses.

Burial and funeral claims expenditure to the amount R400 000 was incorrectly mapped as professional fees, the amount has been remapped to other expenses.

Reimbursement expenditure to the amount of R317.60 was incorrectly mapped as professional fees, the amount has been remapped to other expenses.

An amount of R7 188 869.56 for Valuers was incorrectly mapped to professional fees and has been remapped to contracted services: outsourced services as per MSCOA guideline. The following amounts were restated from professional fees.

The following amounts were remapped from professional fees to contracted services:

Consultants and Professional Services:Business and Advisory:Accounting and Auditing: R8 068 217.20

Contracted Services:Consultants and Professional Services:Business and Advisory:Audit Committee - R186 720.28

Consultants and Professional Services:Business and Advisory:Business and Financial Management - R14 053 360.07

Consultants and Professional Services:Infrastructure and Planning:Town Planner - R10 091 990.52

### Drivers' licence cards

Driver's licence cards expenditure to the amount R481 347 was incorrectly named as licence and permits, the line item has been changed to Driver's licence cards.

### Travel and subsistence

Transport and freight expenditure to the amount of R171 600 was incorrectly mapped as travel and subsistence, the amount has been remapped to transport and freight.

An amount of R710 700 was incorrectly classified as travel and subsistence. The amount has been reclassified to catering services.

### Transport and freight

Transport and freight expenditure to the amount of R171 600 was incorrectly mapped as travel and subsistence, the amount has been remapped to transport and freight.

An amount of R14 800 was incorrectly classified as travel and subsistence. The amount has been reclassified to transport and freight.

### UIF



# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand

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

UIF expenditure restated due to amount being remapped to Remuneration of EPWP expenditure.

#### SDL

SDL expenditure restated due to amount being remapped to Remuneration of EPWP expenditure.

#### Debt impairment

Debt impairment was overstated by an amount of R7 099 980.57 as per the prior year listing. The misstatement also affected the impairment balance as per the statement of financial position.

#### Catering Services

An amount of R710 700 was incorrectly classified as travel and subsistence. The amount has been reclassified to catering services.

An amount of R253 025 was incorrectly classified as hire. The amount has been reclassified to catering services.

#### Hire

Amount of R109 630 incorrectly classified as travel and subsistence.

An amount of R253 025 was incorrectly classified as hire. The amount has been reclassified to catering services.

Amount of R9 326 incorrectly classified as travel and subsistence.

### 48. Comparative figures

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

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated.

The nature and reason of reclassification is disclosed. Where material prior period errors have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

See note 43 for reasons of reclassifications and the effect thereof in the comparative figures.

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand

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### 49. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

#### Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The municipality's Finance department provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department of Finance monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

#### Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

Credit Risk;  
Liquidity Risk; and  
Market Risk

#### 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.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timely 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.

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

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

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Figures in Rand

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### 49. Risk management (continued)

#### Credit risk

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand

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2022

### 49. Risk management (continued)

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

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

#### Trade receivables

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 management.

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

#### Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of

AA- and higher at an International accredited credit rating agency. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with its investment policy. Consequently, the municipality is not exposure to any significant credit risk.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

#### Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an on-going basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water services rendered to them.

Trade Receivables consist of a large number of customers. Periodic credit evaluation is performed on the financial condition of accounts receivable. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. At this stage the municipality only partially implement its credit control policy as there is no hand over of debtors.

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand

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### 49. Risk management (continued)

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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

	2023	2022
Financial instrument	-	78,054,461
Receivables from exchange transactions	11,813,411	70,945,819
Receivables from non-exchange transactions	13,729,709	102,562,253

### Market risk

#### Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest charges.

Financial Assets and Liabilities that are sensitive to interest risk are cash and cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rate.

Potential concentration of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well established financial institutions of high credit standing. No investment with a tenure exceeding twelve months are made.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with ABSA Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made. Receivables comprise a widespread customer base. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "demand for payment", "restriction of services", and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy at this stage the municipality only partially implement its credit control policy as there is no hand over of debtors.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>49. Risk management (continued)</b>		
<b>Price risk</b>		
The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.		
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.		
<b>50. Going concern</b>		
We draw attention to the fact that at June 30, 2023, the municipality had an accumulated surplus of R 1,372,911,168 and that the municipality's total assets exceed its liabilities by R 1,372,911,168.		
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.		
<b>51. Events after the reporting date</b>		
Disclose for each material category of non-adjusting events after the reporting date:		
<ul style="list-style-type: none"><li>nature of the event.</li><li>estimation of its financial effect or a statement that such an estimation cannot be made.</li></ul>		
<b>52. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Skills Development Levy</b>		
Current year subscription / fee	3,053,500	2,848,820
Amount paid - current year	(3,053,500)	(2,848,820)
	-	-
<b>Water losses</b>		
Opening balance as previously reported	(2,294,608)	-
Add: Losses identified - current period	7,845,164	7,417,014
Add: Losses identified - prior period	(9,160,418)	(9,711,622)
	<b>(3,609,862)</b>	<b>(2,294,608)</b>
<b>Audit fees</b>		
Opening balance	11,743	3,939,681
Current year subscription / fee	6,121,397	7,070,536
Amount paid - current year	(6,133,140)	(10,998,474)
	-	<b>11,743</b>
<b>PAYE and UIF</b>		
Current year subscription / fee	57,697,628	56,097,359
Amount paid - current year	(57,697,628)	(56,097,359)
	-	-

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

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

#### Pension and Medical Aid Deductions

Current year subscription / fee	100,780,640	90,402,741
Amount paid - current year	(100,780,640)	(90,402,741)
	<u>-</u>	<u>-</u>

#### VAT

VAT receivable	(50,253,952)	(34,252,936)
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VAT 201 is submitted monthly on a cash basis.

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 30, 2023:

June 30, 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Daniels JC	8,749	316,716	325,465
Councillor Kgasi HP	5,127	66,342	71,469
Councillor Motshabi T	4,730	65,905	70,635
Councillor Storrais BS	1,481	22,462	23,943
Councillor Van Rooyen SJ	4,443	60,253	64,696
	<b>24,530</b>	<b>531,678</b>	<b>556,208</b>

  

June 30, 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Van Rooye SJ	3,279	51,811	55,090
Councillor Diakanyo KB	(1,998)	(3,349)	(5,347)
Councillor Seheri KC	212	139	351
Councillor Motshabi T	4,064	47,679	51,743
Councillor Motau NJ	4,294	-	4,294
	<b>9,851</b>	<b>96,280</b>	<b>106,131</b>

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

#### 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.

#### Procurement transactions

Emergency procurement	-	3,094,187
Impractical or impossible to follow official process	10,704,256	10,611,868
	<b>10,704,256</b>	<b>13,706,055</b>

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>52. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>SALGA subscription</b>		
Current year subscription/fee	4,212,918	3,163,440
Amount paid - current year	(4,212,918)	(3,163,440)
	-	-

### 53. Segment information

#### General information

#### Identification of segments

The municipality is organised and reports to management on the basis of two major functional areas: primary, and secondary services. Management uses these same segments for determining strategic objectives. The municipality has 16 segments that were aggregated to nine segments for reporting purposes.

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

#### Aggregated segments

Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments were sufficiently similar to warrant aggregation.

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

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

Reportable segment	Goods and/or services
Finance and Administration	Secondary services
Waste and Waste Water management	Primary services
Housing, Planning and Development	Secondary services
Public Safety and Road Transport	Primary services
Water Management	Primary services
Health, Community and Social Services	Primary services
Energy Sources	Primary services
Environmental protection, Sports and Recreation	Secondary services
Executive and council, Internal Audit and Other	Secondary services

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

#### Segment surplus or deficit



# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 53. Segment information (continued)

2023

	Revenue from non-exchange transactions	Revenue from exchange transactions	Interest revenue	Total Segment revenue	Salaries and wages	Depreciation and amortisation	Other expenses	Total Segment expenditure	Total segment (deficit) surplus
<b>Revenue</b>									
Finance and Administration	720,740,844	2,225,880	157,382,628	880,349,352	71,557,644	12,144,001	601,825,483	685,527,128	194,822,224
Public Safety and Road Transport	1,378,086	6,355,982	-	7,734,068	1,019,559	41,536,464	4,564,324	47,120,347	(39,386,279)
Environmental protection, Sports and Recreation	-	-	-	-	332,804	-	89,000	421,804	(421,804)
Executive and council, Internal Audit and Other	-	1,591,856	-	1,591,856	266,060,830	-	43,672,997	309,733,827	(308,141,971)
Housing, Planning and Development	122,425,000	18,098,384	-	140,523,384	18,862,083	-	38,295,094	57,157,177	83,366,207
Waste and Waste Water management	-	89,080,663	-	89,080,663	3,703,919	1,996,916	13,214,849	18,915,684	70,164,979
Water Management	-	166,263,652	-	166,263,652	-	-	82,330,928	82,330,928	83,932,724
Health, Community and Social Services	2,246,987	1,316,826	-	3,563,813	28,574,886	3,936,434	8,594,673	41,105,993	(37,542,180)
Energy Sources	5,000,000	-	-	5,000,000	-	3,814,308	35,583,873	39,398,181	(34,398,181)
<b>Total</b>	<b>851,790,917</b>	<b>284,933,243</b>	<b>157,382,628</b>	<b>1,294,106,788</b>	<b>390,111,725</b>	<b>63,428,123</b>	<b>828,171,221</b>	<b>1,281,711,069</b>	<b>12,395,719</b>
<b>Entity's revenue</b>				<b>1,294,106,788</b>					
<b>Entity's Surplus (deficit) for the period</b>									<b>12,395,719</b>

# Mahikeng Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 53. Segment information (continued)

2022

	Revenue from non-exchange transactions	Revenue from exchange transactions	Interest revenue	Total Segment revenue	Salaries and wages	Depreciation and amortisation	Other expenses	Total Segment expenditure	Total segment (deficit) surplus
<b>Revenue</b>									
Finance and Administration	638,731,910	2,616,772	105,204,712	746,553,394	62,859,622	10,373,300	310,676,214	383,909,136	362,644,258
Public Safety and Road Transport	729,517	2,027,983	-	2,757,500	1,112,525	58,587,882	3,485,214	63,185,621	(60,428,121)
Environmental protection, Sports and Recreation	-	-	-	-	1,852,322	-	-	1,852,322	(1,852,322)
Executive and council, Internal Audit and Other	-	1,989,247	-	1,989,247	239,552,565	-	37,753,276	277,305,841	(275,316,594)
Housing, Planning and Development	86,274,000	19,246,418	-	105,520,418	16,705,804	-	74,615,962	91,321,766	14,198,652
Waste and Waste Water management	-	93,441,167	-	93,441,167	2,485,360	1,535,764	10,072,816	14,093,940	79,347,227
Water Management	-	152,723,049	-	152,723,049	-	-	73,362,413	73,362,413	79,360,636
Health, Community and Social Services	1,622,000	662,310	-	2,284,310	23,467,014	4,604,807	9,928,513	38,000,334	(35,716,024)
Energy Sources	-	-	-	-	-	3,814,308	23,831,160	27,645,468	(27,645,468)
<b>Total</b>	<b>727,357,427</b>	<b>272,706,946</b>	<b>105,204,712</b>	<b>1,105,269,085</b>	<b>348,035,212</b>	<b>78,916,061</b>	<b>543,725,568</b>	<b>970,676,841</b>	<b>134,592,244</b>
<b>Entity's revenue</b>				<b>1,105,269,085</b>					
<b>Entity's Surplus (deficit) for the period</b>									<b>134,592,244</b>

GRAP 18 requires that assets and liabilities also be disclosed for purpose of segment reporting if it is practical to do so. It is impractical at the moment to disclose assets and liabilities as a segment due to assets and liabilities not being constantly monitored by management as with revenue and expenditure.

### 54. Budget differences

#### Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 10%. There were no other material differences between the final budget and the actual amounts.