



Mahikeng Local Municipality
Financial statements
for the year ended 2024 06 30

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

General Information

Legal form of entity

Mahikeng 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 J MEKGWE DL MONALEDI K GAOGANEDIWE C MATSHIDISO KKG 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

General Information

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
ME DINGILE
T SELEPE
T MOTSHABI
KP MOTSUMI
LS MOGOTLHA
SJ VAN ROOYEN
MD PHUTHEGO

Grading of local authority

Category B

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

General Information

Acting Chief Finance Officer (CFO)	NR GAEPE
Accounting Officer	ADV D I MONGWAKETSE
Registered office	Cnr University Drive & Hector Peterson Road Mmabatho 2735
Business address	Cnr University Drive & Hector Peterson Road Mmabatho 2735
Postal address	Private Bag X63 Mmabatho 2735
Bankers	Standard Bank of South Africa Business Centre, Nelson Mandela Drive, Mahikeng, 2745
Auditors	Auditor General of South Africa
Preparer	The financial statements were internally compiled by: Pule Letshaba - AGA (SA)

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Index

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

	Page
Accounting Officer's Responsibilities and Approval	5
Accounting Officer's Report	6
Statement of Financial Position	7
Statement of Financial Performance	8
Statement of Changes in Net Assets	9
Cash Flow Statement	10
Statement of Comparison of Budget and Actual Amounts	11 - 14
Accounting Policies	15 - 44
Notes to the Financial Statements	45 - 112

Abbreviations used:

AGSA	Auditor-General of South Africa
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

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the 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 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 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 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 12 have been prepared on the going concern basis, and were approved by the accounting officer on 31 August 2024 and were signed on its behalf by:

ADV D I MONGWAKETSE
Accounting Officer

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Accounting Officer's Report

The accounting officer submits her report for the year ended 2024 06 30.

The financial statements set out on page 7 to 12, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024 and were signed on its behalf by:

ADV D I MONGWAKETSE
Accounting Officer

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Statement of Financial Position as at 2024 06 30

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Non-Current Assets			
Investment property	3	240,644,000	240,644,000
Property, plant and equipment	4	1,872,551,935	1,800,715,088
Intangible assets	5	2,804,990	2,933,843
		2,116,000,925	2,044,292,931
Current Assets			
Prepayments	10	8,270,972	18,354,995
Inventories	11	18,136,434	14,887,537
Receivables from exchange transactions	12	12,941,152	17,427,804
Receivables from non-exchange transactions	13	17,700,341	13,729,709
Cash and cash equivalents	14	150,390,058	117,509,209
Inter-governmental receivables	43	14,905,618	13,711,801
Insurance receivable	44	-	162,640
		222,344,575	195,783,695
Total Assets		2,338,345,500	2,240,076,626
Liabilities			
Non-Current Liabilities			
Employee benefit obligation	9	138,008,000	194,380,000
Provisions	16	216,198,891	174,145,264
		354,206,891	368,525,264
Current Liabilities			
Payables from exchange transactions	6	263,892,484	358,848,941
VAT payable	7	47,895,772	45,026,164
Consumer deposits	8	14,535,388	13,624,954
Employee benefit obligation	9	64,537,000	55,667,000
Unspent conditional grants and receipts	15	34,441,058	30,899,657
		425,301,702	504,066,716
Total Liabilities		779,508,593	872,591,980
Net Assets		1,558,836,907	1,367,484,646
Accumulated surplus		1,558,836,907	1,367,484,646
Total Net Assets		1,558,836,907	1,367,484,646

* See Note 49

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	240,338,323	221,795,470
Rental of facilities and equipment	19	9,316,799	7,146,503
Interest received		106,587,554	83,611,299
Licences and permits		4,222,015	4,642,534
Fees earned		4,373,637	4,460,303
Debt write-off	22	125,059,538	-
Other income		1,852,190	9,475,670
Interest received - investment	23	23,865,980	10,836,605
Total revenue from exchange transactions		515,616,036	341,968,384
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	416,626,857	389,752,042
Interest on property rates	21	72,828,601	62,930,845
Transfer revenue			
Government grants & subsidies	26	483,458,305	460,660,789
Fines, Penalties and Forfeits		841,832	1,378,586
Donations income		-	3,802,495
Total revenue from non-exchange transactions		973,755,595	918,524,757
Total revenue	17	1,489,371,631	1,260,493,141
Expenditure			
Employee related costs	27	(378,777,674)	(390,111,723)
Remuneration of councillors	28	(33,145,736)	(30,301,761)
Remuneration of ward committee members		(8,337,500)	(5,714,500)
Expanded Public Works Programme Stipend		(7,741,973)	(5,103,621)
Repairs and maintenance	4	(52,689,021)	(20,862,745)
Lease rentals on operating lease	20	(4,127,134)	(4,188,444)
Transfers and Subsidies	25	(100,000)	(100,000)
Depreciation and amortisation	29	(68,279,592)	(62,730,116)
Finance costs	30	(789,872)	(232,948)
Debt Impairment	32	(373,472,542)	(394,030,983)
Bulk purchases	34	(81,703,653)	(74,594,525)
Contracted services	35	(95,446,102)	(99,480,026)
General Expenses	33	(161,404,993)	(112,863,193)
Total expenditure		(1,266,015,792)	(1,200,314,585)
Operating surplus	37	223,355,839	60,178,556
Loss on disposal of assets and liabilities		(652,104)	(44,911,172)
Fair value adjustments	38	-	(55,000)
Actuarial gains/losses	9	(4,759,000)	2,657,000
Reversal of Impairments		(2,924,945)	(1,322,873)
Inventories losses/write-downs		(122,571)	917,748
Loss on non-current assets held for sale or disposal groups		(23,550,962)	-
		(32,009,582)	(42,714,297)
Surplus for the year		191,346,257	17,464,259

* See Note 49

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 2022 07 01	1,350,020,387	1,350,020,387
Changes in net assets		
Surplus for the year	17,464,259	17,464,259
Total changes	17,464,259	17,464,259
Restated* Balance at 2023 07 01	1,367,490,650	1,367,490,650
Changes in net assets		
Surplus for the year	191,346,257	191,346,257
Total changes	191,346,257	191,346,257
Balance at 2024 06 30	1,558,836,907	1,558,836,907
Note(s)		

* See Note 49

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Cash received from customers		534,485,040	594,807,583
Grants		486,999,706	491,560,446
Interest income		23,865,980	10,836,605
		<u>1,045,350,726</u>	<u>1,097,204,634</u>
Payments			
Employee costs		(435,350,620)	(334,961,253)
Cash paid to Suppliers		(366,599,375)	(445,145,948)
Finance costs		(789,872)	(228,387)
Other payments		(41,483,236)	(36,016,261)
Other cash item		(100,000)	(100,000)
		<u>(844,323,103)</u>	<u>(816,451,849)</u>
Net cash flows from operating activities	36	<u>201,027,623</u>	<u>280,752,785</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(167,460,681)	(126,130,223)
Proceeds from sale of property, plant and equipment	4	741,001	-
Proceeds from sale of investment property	3	-	(44,820,332)
Purchase of other intangible assets	5	(395,917)	(1,206,300)
Purchase of inter-governmental receivables		(1,193,817)	(12,824,231)
Purchase of intangible assets		-	(162,640)
Proceeds from sale of insurance receivable		162,640	-
Net cash flows from investing activities		<u>(168,146,774)</u>	<u>(185,143,726)</u>
Cash flows from financing activities			
Finance lease payments		-	(232,948)
Net increase/(decrease) in cash and cash equivalents		32,880,849	95,376,111
Cash and cash equivalents at the beginning of the year		117,509,209	22,133,098
Cash and cash equivalents at the end of the year	14	<u>150,390,058</u>	<u>117,509,209</u>

The accounting policies on pages 15 to 44 and the notes on pages 45 to 112 form an integral part of the financial statements.

* See Note 49

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	292,014,000	-	292,014,000	240,338,323	(51,675,677)	56
Rental of facilities and equipment	13,658,000	-	13,658,000	9,316,799	(4,341,201)	56
Interest income - debtors	84,096,000	(13,669,000)	70,427,000	106,587,554	36,160,554	56
Licences and permits	2,371,000	1,089,000	3,460,000	4,222,015	762,015	56
Fees earned	-	-	-	4,373,637	4,373,637	56
Discount received	-	-	-	125,059,538	125,059,538	56
Other income	42,320,000	(30,303,000)	12,017,000	1,852,190	(10,164,810)	56
Interest received - investment	4,202,000	9,863,000	14,065,000	23,865,980	9,800,980	56
Total revenue from exchange transactions	438,661,000	(33,020,000)	405,641,000	515,616,036	109,975,036	

Revenue from non-exchange transactions

Taxation revenue

Property rates	421,904,000	18,000,000	439,904,000	416,626,857	(23,277,143)	56
Interest on property rates	60,949,000	(30,082,000)	30,867,000	72,828,601	41,961,601	56

Transfer revenue

Government grants & subsidies	345,531,000	(3,649,000)	341,882,000	483,458,305	141,576,305	56
Fines, Penalties and Forfeits	2,337,000	-	2,337,000	841,832	(1,495,168)	56

Total revenue from non-exchange transactions	830,721,000	(15,731,000)	814,990,000	973,755,595	158,765,595	
Total revenue	1,269,382,000	(48,751,000)	1,220,631,000	1,489,371,631	268,740,631	

Expenditure

Personnel	(441,254,000)	(4,616,000)	(445,870,000)	(378,777,674)	67,092,326	56
Remuneration of councillors	(31,284,000)	(1,847,000)	(33,131,000)	(33,145,736)	(14,736)	56
Remuneration of ward committee members	-	-	-	(8,337,500)	(8,337,500)	56
Repairs and maintenance	-	-	-	(52,689,021)	(52,689,021)	56
Depreciation and amortisation	(60,311,000)	-	(60,311,000)	(68,279,592)	(7,968,592)	56
Expanded Public Works Programme Stipend	-	-	-	(7,741,973)	(7,741,973)	56
Finance costs	(1,914,000)	750,000	(1,164,000)	(789,872)	374,128	56
Lease rentals on operating lease	-	-	-	(4,127,134)	(4,127,134)	56
Debt Impairment	(232,164,307)	-	(232,164,307)	(373,472,542)	(141,308,235)	56
Bulk purchases	(30,000,000)	6,500,000	(23,500,000)	(81,703,653)	(58,203,653)	56
Contracted Services	(173,206,000)	(70,584,000)	(243,790,000)	(95,446,102)	148,343,898	56
Transfers and Subsidies	(4,200,000)	(3,000,000)	(7,200,000)	(100,000)	7,100,000	56
General Expenses	(204,762,000)	(7,015,000)	(211,777,000)	(161,404,993)	50,372,007	56
Total expenditure	(1,179,095,307)	(79,812,000)	(1,258,907,307)	(1,266,015,792)	(7,108,485)	

Operating surplus	90,286,693	(128,563,000)	(38,276,307)	223,355,839	261,632,146	
Loss on disposal of assets and liabilities	-	-	-	(652,104)	(652,104)	56

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actuarial gains/losses	-	-	-	(4,759,000)	(4,759,000)	56
Reversal of impairment	-	-	-	(2,924,945)	(2,924,945)	56
Inventories losses/write-downs	-	-	-	(122,571)	(122,571)	56
Loss on non-current assets held for sale or disposal groups	-	-	-	(23,550,962)	(23,550,962)	
	-	-	-	(32,009,582)	(32,009,582)	
Surplus before taxation	90,286,693	(128,563,000)	(38,276,307)	191,346,257	229,622,564	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	90,286,693	(128,563,000)	(38,276,307)	191,346,257	229,622,564	

Refer to Note 56 for explanations on budget vs actuals variances.

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	(205,116,000)	207,527,000	2,411,000	18,136,434	15,725,434	56
Receivables from non-exchange transactions	22,996,000	-	22,996,000	17,700,341	(5,295,659)	56
VAT receivable	42,191,000	-	42,191,000	(47,895,772)	(90,086,772)	56
Prepayments	-	-	-	8,270,972	8,270,972	56
Consumer debtors	4,471,000	23,212,000	27,683,000	12,941,152	(14,741,848)	56
Inter-governmental receivables	-	-	-	14,905,618	14,905,618	56
Cash and cash equivalents	319,408,000	(132,965,000)	186,443,000	150,390,058	(36,052,942)	56
	183,950,000	97,774,000	281,724,000	174,448,803	(107,275,197)	
Non-Current Assets						
Investment property	285,519,000	-	285,519,000	240,644,000	(44,875,000)	56
Property, plant and equipment	1,843,552,000	98,484,000	1,942,036,000	1,872,551,935	(69,484,065)	56
Intangible assets	2,188,000	1,950,000	4,138,000	2,804,990	(1,333,010)	56
	2,131,259,000	100,434,000	2,231,693,000	2,116,000,925	(115,692,075)	
Total Assets	2,315,209,000	198,208,000	2,513,417,000	2,290,449,728	(222,967,272)	
Liabilities						
Current Liabilities						
Payables from exchange transactions	356,352,000	(46,674,000)	309,678,000	263,892,485	(45,785,515)	56
VAT payable	48,535,000	-	48,535,000	-	(48,535,000)	56
Consumer deposits	13,415,000	-	13,415,000	14,535,388	1,120,388	56
Employee benefit obligation	2,591,000	-	2,591,000	64,537,000	61,946,000	56
Unspent conditional grants and receipts	(4,200,000)	5,000,000	800,000	34,441,058	33,641,058	56
	416,693,000	(41,674,000)	375,019,000	377,405,931	2,386,931	
Non-Current Liabilities						
Employee benefit obligation	280,072,000	(280,072,000)	-	138,008,000	138,008,000	56
Provisions	151,001,000	(151,001,000)	-	216,198,891	216,198,891	56
	431,073,000	(431,073,000)	-	354,206,891	354,206,891	
Total Liabilities	847,766,000	(472,747,000)	375,019,000	731,612,822	356,593,822	
Net Assets	1,467,443,000	670,955,000	2,138,398,000	1,558,836,906	(579,561,094)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1,467,443,000	670,955,000	2,138,398,000	1,558,836,906	(579,561,094)	56

Refer to Note 56 for explanations on budget vs actuals variances.

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods and services	408,637,000	46,460,000	455,097,000	746,065,020	290,968,020	56
Grants	411,217,000	104,297,000	515,514,000	320,242,998	(195,271,002)	56
Interest income	3,126,000	9,863,000	12,989,000	23,865,980	10,876,980	56
Other receipts	419,830,000	(12,046,000)	407,784,000	-	(407,784,000)	56
Other cash item	87,417,000	(65,426,000)	21,991,000	-	(21,991,000)	56
	1,330,227,000	83,148,000	1,413,375,000	1,090,173,998	(323,201,002)	

Payments

Employee costs	(883,201,000)	(161,889,000)	(1,045,090,000)	(885,854,216)	159,235,784	56
Finance costs	(1,914,000)	750,000	(1,164,000)	(193,808)	970,192	56
Other payments	-	-	-	(41,483,236)	(41,483,236)	56
Other cash item	(4,200,000)	-	(4,200,000)	(100,000)	4,100,000	56
	(889,315,000)	(161,139,000)	(1,050,454,000)	(927,631,260)	122,822,740	

Net cash flows from operating activities **440,912,000** **(77,991,000)** **362,921,000** **162,542,738** **(200,378,262)**

Cash flows from investing activities

Purchase of property, plant and equipment	(109,599,000)	(173,821,000)	(283,420,000)	(167,503,681)	115,916,319	56
Proceeds from sale of property, plant and equipment	-	-	-	741,000	741,000	56
Purchase of other intangible assets	-	-	-	(395,917)	(395,917)	56
Purchase of inter-governmental receivables	-	-	-	(1,193,817)	(1,193,817)	56
Proceeds from sale of insurance receivable	-	-	-	162,640	162,640	56

Net cash flows from investing activities **(109,599,000)** **(173,821,000)** **(283,420,000)** **(168,189,775)** **115,230,225**

Cash flows from financing activities

Finance lease payments	-	-	-	(789,872)	(789,872)	56
Net increase/(decrease) in cash and cash equivalents	331,313,000	(251,812,000)	79,501,000	(6,436,909)	(85,937,909)	
Cash and cash equivalents at the beginning of the year	22,133,000	-	22,133,000	117,509,209	95,376,209	56
Cash and cash equivalents at the end of the year	353,446,000	(251,812,000)	101,634,000	111,072,300	9,438,300	

Refer to Note 56 for explanations on budget vs actuals variances.

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Accounting Policies

Figures in Rand	Note(s)	2024	2023
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1. Presentation of Financial Statements

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

1.2 Going concern assumption

These 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 financial statements, management is required to make estimates and assumptions that affect the amounts represented in the 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 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

Financial Statements for the year ended 2024 06 30

Accounting Policies

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.

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Accounting Policies

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.

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Accounting Policies

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:

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.

Accounting Policies

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:

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Accounting Policies

1.8 Intangible assets (continued)

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 Financial instruments

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

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

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

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

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

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

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

Accounting Policies

1.10 Financial instruments (continued)

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

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.10 Financial instruments (continued)

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

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

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

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

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

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

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

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Accounting Policies

1.10 Financial instruments (continued)

Classification

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

Class	Category
Cash and Cash Equivalents	Financial asset measured at cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Inter-governmental receivables	Financial asset measured at cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

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

The entity recognizes financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

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

Financial instruments at cost.

Financial instruments at amortized cost.

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

Impairment and un-collectability of financial assets

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

Financial assets measured at amortized cost:

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

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

Accounting Policies

1.10 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognizes financial assets using trade date accounting.

The entity derecognizes a financial asset only when:

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

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

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

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

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

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

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

Financial liabilities

The 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.

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Accounting Policies

1.10 Financial instruments (continued)

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

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized 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). We change payables from exchange to Trade payables

Then we add the following

Unallocated deposits at cost

Consumer deposits at cost

Unspent conditional grant at cost

Presentation

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

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

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

1.11 Prepayments

Recognition:

A prepayment is recognized as an asset when:

- It is probable that the future economic benefits or service potential associated with the payment will flow to the entity.
- The cost or value of the payment can be reliably measured.

Measurement:

On initial recognition, prepayments are measured at the amount paid.

Subsequent measurement depends on the consumption of the benefit:

- As the benefit is consumed, the asset is reduced, and the related expense is recognized in the statement of financial performance.

Disclosure:

The financial statements should disclose the nature and carrying amount of prepayments.

Significant prepayments should be explained in the notes, including the timing of benefits expected to be realized.

1.12 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.

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Accounting Policies

1.12 Leases (continued)

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.

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.

1.13 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.

1.14 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Accounting Policies

1.14 Cash and cash equivalents (continued)

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.

1.15 Impairment of cash-generating assets

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

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

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

A cash-generating unit is the smallest identifiable group of assets 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.

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

Discount rate

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

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

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.

Accounting Policies

1.15 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.

1.16 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.

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Accounting Policies

1.16 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.

1.17 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.

Accounting Policies

1.17 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

Financial Statements for the year ended 2024 06 30

Accounting Policies

1.17 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.

Accounting Policies

1.17 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

Financial Statements for the year ended 2024 06 30

Accounting Policies

1.17 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 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.

1.18 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

Financial Statements for the year ended 2024 06 30

Accounting Policies

1.18 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

Contingent assets are potential assets that arise from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent assets are not recognized in the financial statements, however they are disclosed when an inflow of economic benefits or service potential is probable.

Contingent liability

Contingent liability is a possible obligation arising from past events, whose existence will only be confirmed by future events beyond the entity's control; or

A present obligation arising from past events, but:

- It is not probable that an outflow of resources will be required to settle the obligation; or
- The amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the financial statements. Instead, they are disclosed in the notes, unless the possibility of an outflow of resources is remote.

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.

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Accounting Policies

1.19 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.

1.20 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Accounting Policies

1.20 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.

1.21 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

Financial Statements for the year ended 2024 06 30

Accounting Policies

1.21 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

Financial Statements for the year ended 2024 06 30

Accounting Policies

1.22 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

Accounting Policies

1.22 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.

1.23 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.

1.24 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.

Accounting Policies

1.25 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.

1.26 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.

1.27 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

Financial Statements for the year ended 2024 06 30

Accounting Policies

1.28 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.

1.29 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.

1.30 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% until 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.

1.31 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

Financial Statements for the year ended 2024 06 30

Accounting Policies

1.31 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 2023/07/01 to 2024/06/30.

The 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.

1.32 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.

1.33 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.

1.34 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.

1.35 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).

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
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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:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 25 (as revised): Employee Benefits	2023 07 01	The impact of the is not material.

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 2024 07 01 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 104 (as revised): Financial Instruments	2025 04 01	Unlikely there will be a material impact
<ul style="list-style-type: none">GRAP 1 (amended): Presentation of Financial Statements	To be determined	Unlikely there will be a material impact

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand

3. Investment property

	2024			2023		
	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	240,644,000	-	240,644,000

Reconciliation of investment property - 2024

	Opening balance	Total
Investment property	240,644,000	240,644,000

Reconciliation of investment property - 2023

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

Pledged as security

The municipality has not pledged any Investment property as security as at 30 June 2024.

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
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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 2024.

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand

4. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	242,851,977	(829,365)	242,022,612	242,851,977	-	242,851,977
Buildings	180,539,818	(128,976,594)	51,563,224	179,550,672	(125,534,594)	54,016,078
Furniture and fixtures	15,254,425	(8,987,710)	6,266,715	13,301,726	(8,032,347)	5,269,379
Motor vehicles	98,569,197	(32,070,403)	66,498,794	62,667,728	(26,032,351)	36,635,377
Machiney and equipment	18,112,370	(3,231,394)	14,880,976	7,643,408	(1,357,541)	6,285,867
IT equipment	18,059,066	(9,018,883)	9,040,183	13,370,348	(5,861,681)	7,508,667
Community facilities	201,923,573	(115,757,610)	86,165,963	201,571,773	(111,436,733)	90,135,040
Other property, plant and equipment	6,310,986	(3,701,486)	2,609,500	5,784,252	(2,773,139)	3,011,113
Roads Network Infrastructure	2,430,926,678	(1,351,611,736)	1,079,314,942	2,316,709,258	(1,310,616,595)	1,006,092,663
Capital assets	2,809,006	(1,804,006)	1,005,000	2,809,006	(1,741,583)	1,067,423
Work-In-Progress	133,183,261	-	133,183,261	169,518,865	-	169,518,865
Electrical Network Infrastructure	165,890,929	(62,159,998)	103,730,931	165,890,929	(58,409,037)	107,481,892
Landfill site	25,306,592	-	25,306,592	25,306,592	-	25,306,592
Wastewater network	76,060,963	(25,097,721)	50,963,242	68,515,134	(22,980,979)	45,534,155
Total	3,615,798,841	(1,743,246,906)	1,872,551,935	3,475,491,668	(1,674,776,580)	1,800,715,088

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Landfill site	25,306,592	-	-	-	-	-	-	-	25,306,592
Land	242,851,977	-	(829,365)	-	-	-	-	-	242,022,612
Buildings	54,016,078	-	-	989,146	-	-	(3,442,000)	-	51,563,224
Community facilities	90,135,040	-	-	351,800	-	-	(4,320,877)	-	86,165,963
Roads Network Infrastructure	1,006,092,663	-	-	114,217,419	-	-	(40,995,140)	-	1,079,314,942
Wastewater network	45,534,155	-	-	7,545,829	-	-	(2,116,742)	-	50,963,242
Electrical Network Infrastructure	107,481,892	-	-	-	-	-	(3,750,961)	-	103,730,931
Capital assets	1,067,423	-	-	-	-	-	(62,423)	-	1,005,000
Work-In-Progress	169,518,865	113,287,497	-	-	(123,147,194)	(23,550,962)	-	(2,924,945)	133,183,261
Furniture and fixtures	5,269,379	1,952,699	-	-	-	-	(955,363)	-	6,266,715
Motor vehicles	36,635,377	36,579,071	(563,740)	-	-	-	(6,151,914)	-	66,498,794
IT equipment	7,508,667	4,688,718	-	-	-	-	(3,157,202)	-	9,040,183
Other property, plant and equipment	3,011,113	526,734	-	-	-	-	(928,347)	-	2,609,500
Machinery and equipment	6,285,867	10,468,962	-	-	-	-	(1,873,853)	-	14,880,976
	1,800,715,088	167,503,681	(1,393,105)	123,104,194	(123,147,194)	(23,550,962)	(67,754,822)	(2,924,945)	1,872,551,935

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the 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	-	(3,936,434)	-	90,135,040
Roads Network Infrastructure	1,024,702,734	-	(14,389)	22,927,855	-	(41,272,469)	(251,068)	1,006,092,663
Wastewater network	39,804,066	-	-	7,598,849	-	(1,868,760)	-	45,534,155
Electrical Network Infrastructure	111,233,778	-	-	-	-	(3,751,886)	-	107,481,892
Capital assets	1,129,845	-	-	-	-	(62,422)	-	1,067,423
Work-In-Progress	123,677,233	112,500,881	-	-	(66,659,249)	-	-	169,518,865
Furniture and fixtures	5,713,818	409,565	(8,329)	-	-	(837,986)	(7,689)	5,269,379
Motor vehicles	32,655,100	8,999,263	-	-	-	(3,954,870)	(1,064,116)	36,635,377
IT equipment	6,577,324	2,768,307	(60,740)	-	-	(1,776,224)	-	7,508,667
Other property, plant and equipment	2,953,112	778,495	(533)	-	-	(719,961)	-	3,011,113
Machinery and equipment	6,197,909	673,712	(6,849)	-	-	(578,905)	-	6,285,867
	1,740,897,250	126,130,223	(90,840)	64,030,550	(66,659,249)	(62,269,973)	(1,322,873)	1,800,715,088

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
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4. Property, plant and equipment (continued)

Pledged as security

No assets have been pledged as security as at 30 June 2024 year end.

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2024

	Electrical Network	Roads Network	Sanitation Network	Sports and Recreation Facilities	Included within Community	Included within Buildings	Total
Opening balance	27,736,628	65,849,658	23,550,962	50,662,338	1,372,294	346,987	169,518,867
Additions/capital expenditure	4,277,433	84,364,194	-	19,748,077	681,069	4,216,722	113,287,495
Other movements	-	(2,924,945)	-	-	-	-	(2,924,945)
Transferred to completed items	-	(121,777,507)	(23,550,962)	-	(380,540)	(989,146)	(146,698,155)
	32,014,061	25,511,400	-	70,410,415	1,672,823	3,574,563	133,183,262

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Slow moving projects:

MIG/NW/2627/R,ST/20/21 - Upgrading of road from Tloung Village to Bokone Village

Project value to date : R4 221 503

Reason : The main scope of work of 700m road was performed.
However, due to community strikes, there were defects on the project, thus increasing the snag list.
Discussions with the contractor to repair damages caused by strikes took longer than expected.
The snag list was only completed after the 2023/24 financial year end.

MIG/NW/2746/SP/19/20 - Construction of Tennis courts at Mmabatho stadium (3 years)- multiyear projects

Project value to date : R42 798 042

Reason : This is a multi-year project was initially for tennis courts only, but has been revised
in the phase 2 & 3 to the other aspects of the stadium such as the netball courts
and paving. There have also been internal administrative delays in the
appointments for the phase 2 & 3.

MIG/NW/2745/CL/21/22 - Provision of high mast lights in all 35 wards

Project value to date : R32 014 060

Reason : The contractor was delayed by 2 factors:
Locations of some of the lights in some wards had to be changed due to inability for Eskom to connect
Eskom delays for electrification of the lights. Eskom has limited technicians for
new installations for high mast lights. Thus, the municipality is fully dependent on their schedule for all new installations.

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2023

	Electrical Network	Roads Network	Sanitation Network	Sports and Recreation Facilities	Included within Community	Included within Buildings	Total
Opening balance	10,040,292	19,256,131	23,550,962	51,608,958	19,220,890	-	123,677,233
Additions/capital expenditure	17,696,336	71,067,584	-	9,491,318	13,898,657	346,987	112,500,882
Transferred to completed items	-	(24,474,057)	-	(10,437,938)	(31,747,253)	-	(66,659,248)
	27,736,628	65,849,658	23,550,962	50,662,338	1,372,294	346,987	169,518,867

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	8,968,959	1,949,244
Maintenance of equipment	27,110	57,665
Maintenance of infrastructure	37,570,265	14,443,385
Maintenance of motor vehicles	4,838,456	3,580,139
Maintenance of community facilities	1,187,052	745,871
Maintenance of IT equipment	97,179	86,440
	52,689,021	20,862,744

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

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
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5. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	6,372,164	(3,567,174)	2,804,990	5,976,247	(3,042,404)	2,933,843

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software	2,933,843	395,917	(524,770)	2,804,990

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation correction	Amortisation	Total
Computer software	2,187,685	1,206,300	305,856	(765,998)	2,933,843

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	117,388,029	256,388,079
Accrued leave pay	35,749,729	32,431,362
Thirteenth cheque accrual	7,348,698	7,237,038
Retentions	15,070,940	14,405,989
Unallocated deposits	16,450,290	16,449,190
Advance receipts	71,884,798	31,937,283
	263,892,484	358,848,941

7. VAT payable

VAT payable	47,895,772	45,026,164
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8. Consumer deposits

Other deposits	8,514,162	8,096,833
Water	6,021,226	5,528,121
	14,535,388	13,624,954

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
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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 2024 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 2024 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	663	659
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The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(30,512,000)	(36,050,000)
Present value of the defined benefit obligation-partly or wholly funded	(155,655,000)	(200,251,000)
Long service awards	(16,378,000)	(13,746,000)
	(202,545,000)	(250,047,000)
Non-current liabilities	(138,008,000)	(194,380,000)
Current liabilities	(64,537,000)	(55,667,000)
	(202,545,000)	(250,047,000)

The members of the plans are made up as follows:

Medical aid fund

Total active members	437	427
Continuation members	20	32
Long service benefit	-	-
In-service members	663	659

Pension fund

Total active members	345	388
Total pensioners	15	15

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
9. Employee benefit obligations (continued)		
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	677,302,000	611,892,000
Benefits paid	(58,467,000)	(34,336,000)
Interest cost	66,760,000	80,010,000
Current service cost	12,192,000	11,843,000
Other	(10,475,000)	(1,190,000)
Member contributions	8,839,000	9,083,000
	696,151,000	677,302,000
Net expense recognised in the statement of financial performance		
Current service cost	12,192,000	11,843,000
Benefit payments	(2,450,000)	(2,591,000)
Interest cost	16,325,000	39,714,000
Movement in contributions	(30,322,000)	(30,925,000)
	(4,255,000)	18,041,000
Changes in the fair value of plan assets are as follows:		
Opening balance	427,256,000	329,229,000
Expected return	50,435,000	40,297,000
Actuarial gains (losses)	(15,229,000)	1,467,000
Contributions by employer	78,322,000	78,925,000
Contributions by plan participants	8,839,000	9,083,000
Benefits paid	(56,017,000)	(31,745,000)
	493,606,000	427,256,000

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
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9. Employee benefit obligations (continued)

Key assumptions used

Assumptions used for at reporting date:

Pension fund assumptions		
Discount rates used	11.00 %	11.40 %
Inflation rate	5.60 %	6.20 %
Pension increase allowance (Pensioners)	5.60 %	6.20 %
Post retirement discount rate (Pensioners)	5.10 %	5.00 %
Expected rate of return on plan assets	11.00 %	11.40 %
Medical aid inflation - in-service members	8.20 %	8.50 %
Medical aid inflation - Continuation members	7.20 %	7.30 %
Discount rate - In service members	12.50 %	12.70 %
Discount rate - Continuation members	11.00 %	10.80 %
Salary inflation	7.40 %	7.70 %
Retirement age	65	65
Proportion continuing membership at retirement	40.00 %	40.00 %
Proportion of retiring members who are married	90.00 %	90.00 %

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

	2024	2023	2022	2021	2020
Defined Benefit Obligation	202,545,000	250,047,000	282,663,000	341,109,000	337,593,000

10. Prepayments

Nature

Insurance	2,306,929	1,739,825
Firetruck	2,631,899	13,455,481
SALGA	3,332,144	3,159,689
	8,270,972	18,354,995

11. Inventories

Land	9,635,316	9,145,998
Consumable stores	8,501,118	5,741,539
	18,136,434	14,887,537

Inventory pledged as security

No inventory was pledged as security as at 30 June 2024.

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
12. Receivables from exchange transactions		
Gross balances		
Water	1,109,344,100	949,855,892
Sewerage	260,744,151	226,313,099
Refuse	257,129,453	220,176,237
Other	178,224,530	181,720,652
	1,805,442,234	1,578,065,880
Less: Allowance for impairment		
Water	(1,102,585,899)	(944,389,656)
Sewerage	(257,939,716)	(222,947,252)
Refuse	(254,878,857)	(217,668,018)
Other	(177,096,610)	(175,633,150)
	(1,792,501,082)	(1,560,638,076)
Net balance		
Water	6,758,201	5,466,236
Sewerage	2,804,435	3,365,847
Refuse	2,250,596	2,508,219
Other	1,127,920	6,087,502
	12,941,152	17,427,804
Water		
Current (0 -30 days)	132,514	135,295
31 - 60 days	104,709	103,019
61 - 90 days	112,030	103,766
91 - 120 days	102,816	115,899
121 - 365 days	6,306,132	5,008,257
	6,758,201	5,466,236
Sewerage		
Current (0 -30 days)	63,379	99,151
31 - 60 days	49,235	68,648
61 - 90 days	48,778	64,945
91 - 120 days	46,250	62,977
121 - 365 days	2,596,793	3,070,126
	2,804,435	3,365,847
Refuse		
Current (0 -30 days)	44,764	63,495
31 - 60 days	40,087	53,017
61 - 90 days	40,573	50,187
91 - 120 days	38,479	48,110
121 - 365 days	2,086,693	2,293,410
	2,250,596	2,508,219
Other		
Current (0 -30 days)	8,282	37,785
31 - 60 days	1,537	35,232
61 - 90 days	2,176	32,354
91 - 120 days	1,009	22,007
121 - 365 days	1,114,916	5,960,124
	1,127,920	6,087,502

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
12. Receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Residential		
Current (0 -30 days)	23,562,439	20,313,305
31 - 60 days	20,414,624	18,790,214
61 - 90 days	22,770,205	18,564,936
91 - 120 days	21,136,945	19,573,346
121 - 365 days	1,237,718,956	1,066,880,856
	1,325,603,169	1,144,122,657
Less: Allowance for impairment	(1,324,413,450)	(1,142,100,663)
	1,189,719	2,021,994
Industrial/ commercial		
Current (0 -30 days)	6,487,485	8,075,596
31 - 60 days	4,475,351	4,903,237
61 - 90 days	4,098,608	4,577,280
91 - 120 days	3,873,130	4,185,092
121 - 365 days	189,942,719	160,291,978
	208,877,293	182,033,183
Less: Allowance for impairment	(204,028,244)	(179,239,113)
	4,849,049	2,794,070
National and provincial government		
Current (0 -30 days)	7,242,629	9,393,611
31 - 60 days	4,248,285	5,217,961
61 - 90 days	3,847,943	5,320,728
91 - 120 days	3,385,143	6,270,616
121 - 365 days	253,099,778	225,670,361
	271,823,778	251,873,277
Less: Allowance for impairment	(264,928,329)	(239,298,300)
	6,895,449	12,574,977
Total		
Current (0 -30 days)	37,292,554	37,782,511
31 - 60 days	29,138,261	28,911,413
61 - 90 days	30,716,756	28,462,944
91 - 120 days	28,395,218	30,029,053
121 - 365 days	1,680,761,453	1,452,843,195
	1,806,304,242	1,578,029,116
Less: Allowance for impairment	(1,793,363,090)	(1,560,601,312)
	12,941,152	17,427,804
Reconciliation of allowance for impairment		
Balance at beginning of the year	(1,560,638,076)	(1,353,717,346)
Contributions to allowance	(231,863,006)	(206,920,730)
	(1,792,501,082)	(1,560,638,076)

Receivables from exchange transactions which are less than 1 months past due are not considered to be impaired. At 30 June 2024, R37 292 554 (2023: R37 782 511) were past due but not impaired.

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
13. Receivables from non-exchange transactions		
Gross balances		
Property rates	1,121,534,433	976,697,808
Fines	4,206,464	3,462,921
	1,125,740,897	980,160,729
Less: Allowance for impairment		
Property rates	(1,104,043,252)	(963,030,453)
Fines	(3,997,304)	(3,400,567)
	(1,108,040,556)	(966,431,020)
Net balance		
Property rates	17,491,181	13,667,355
Fines	209,160	62,354
	17,700,341	13,729,709
Property Rates		
Current (0 -30 days)	397,638	590,551
31 - 60 days	321,095	368,975
61 - 90 days	307,800	314,493
91 - 120 days	300,732	301,796
121 - 365 days	14,288,855	12,091,540
	15,616,120	13,667,355
Fines		
Current (0 -30 days)	8,822	4,531
31 - 60 days	5,499	3,800
61 - 90 days	3,673	5,848
91 - 120 days	3,059	945
121 - 365 days	188,108	47,230
	209,161	62,354
Business & Commercial		
Current (0 -30 days)	8,325,807	9,324,549
31 - 60 days	5,236,149	5,094,771
61 - 90 days	4,967,657	3,954,729
91 - 120 days	4,757,861	3,742,050
121 - 365 days	174,702,239	141,819,393
Less: Allowance for impairment	(195,693,184)	(156,695,538)
	2,296,529	7,239,954
Residential		
Current (0 -30 days)	8,295,219	8,012,696
31 - 60 days	7,644,743	7,154,594
61 - 90 days	7,437,264	6,800,883
91 - 120 days	7,040,532	6,649,646
121 - 365 days	299,235,050	238,435,638
Less: Allowance for impairment	(328,362,913)	(265,402,098)
	1,289,895	1,651,359

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
13. Receivables from non-exchange transactions (continued)		
National and provincial government		
Current (0 -30 days)	14,114,081	14,146,927
31 - 60 days	12,117,887	11,027,884
61 - 90 days	11,622,895	10,843,275
91 - 120 days	11,453,025	10,602,237
121 - 365 days	548,790,488	499,150,891
Less: Allowance for impairment	(585,859,520)	(540,932,817)
	12,238,856	4,838,397
Total		
Current (0 -30 days)	30,735,107	31,484,172
31 - 60 days	24,998,780	23,277,249
61 - 90 days	24,027,816	21,598,886
91 - 120 days	23,251,418	20,993,934
121 - 365 days	1,022,727,776	879,405,922
Less: Allowance for impairment	(1,109,915,616)	(963,030,453)
	15,825,281	13,729,710

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 2024 period was estimated at 4.58%, the allowance being at 95.42%

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
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13. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
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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 signification proportion of the impairment loss allocation. As at 30 June 2024 more than 75% of Receivables from non-exchange transactions – Property rates were being owed for over a year which means they were on 2023/06+ (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 2024 period was estimated at 4.58%, the allowance being at 95.42%.

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

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
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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 2024: R30 735 107 (30 June 2023 R31 484 172) were past due but not impaired.

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	17	17
Bank balances	22,264,949	28,474,792
Short-term deposits	128,125,092	89,034,400
	150,390,058	117,509,209

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand 2024 2023

14. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	2024 06 30	2023 06 30	2022 06 30	2024 06 30	2023 06 30	2022 06 30
Standard Bank - Current Account - Account number 30852595	4,246,815	1,007,686	8,297,007	22,260,172	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	9,803,673	17,545,814	3,747,267	9,803,673	17,545,814	3,747,267
Standard Bank - Call Account - 238650863/037	7,614,237	8,701	8,701	7,614,237	8,701	8,701
Standard Bank - Call Account - 238650863/038	13,539,456	135	135	13,539,456	135	135
Standard Bank - Call Account - 238650863/039	1,457,489	11,626,664	7,216,724	1,457,489	11,626,665	7,216,724
Standard Bank - Call Account - 238650863/040	33,712,319	59,346,397	277,797	33,712,319	59,346,397	277,797
Nedbank - Call Account - 03/7881120835/000001	172,851	158,613	149,683	172,851	159,650	149,683
ABSA - 90-6461-7006	45,134	42,803	41,334	45,134	42,803	41,334
ABSA - 20-4915-1018	81,869	76,370	73,074	81,869	76,133	73,074
ABSA - 20-5333-3573	12,723	11,852	11,369	12,723	11,852	11,369
ABSA - 20-5333-4163	12,723	11,852	11,369	12,723	11,852	11,369
ABSA - 20-5324-6724	66,439	61,861	59,313	66,439	61,861	59,313
ABSA - 20-5622-0905	16,196	14,907	14,115	16,196	14,907	14,115
ABSA - 20-7942-8427	-	-	1,019	-	-	1,019
ABSA - 20-8001-7453	5,982	5,580	4,490	5,982	5,580	4,490
ABSA - 20-8150-7370	61,466,958	-	-	61,466,959	-	-
First National Bank 710390511164	120,742	120,742	99,156	120,742	120,742	99,156
Total	132,376,917	90,041,288	20,013,864	150,390,275	99,450,627	15,825,361

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 R16 698 002.75

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

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
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15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Construction Education and Training	787,539	291,326
Financial Management Grant	-	199,198
Energy Efficiency and Demand Side Management Grant	1,539,805	-
Water Indigent Support - NMDM	17,731,714	30,409,133
Disaster Management Grant	14,382,000	-
	34,441,058	30,899,657

Movement during the year

Balance at the beginning of the year	30,899,657	-
Additions during the year	129,358,707	163,772,381
Income recognition during the year	(125,817,306)	(132,872,724)
	34,441,058	30,899,657

The nature and extent of government grants recognised in the 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

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
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16. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions	Total
Environmental rehabilitation - Landfill site	174,145,264	42,053,627	216,198,891

Reconciliation of provisions - 2023

	Opening Balance	Additions	Total
Environmental rehabilitation - Landfill site	151,000,853	23,144,411	174,145,264

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: 5.50%, which is the average CPI June to June over the past 10 years. The historical performance of the CPI and the forecasts supporting the assumption are shown below:
Consumer Inflation: Average 4.9%, Year-end 4.5%
Producer Inflation: Average 4.9%, Year-end 5.0%
Salary and wage increases: 4.7%

- Discount rates for post-closure costs based on Government Bond Yield Rates as at 30 June 2024:

3 months - 8.150%
5 years - 8.305%
10 years - 9.319%
12 years - 10.099%
20 years - 11.496%
25 years - 11.581%
30 years - 11.481%

The report was compiled by Mamadi & Company SA specialists consulting engineers. The consultants have qualifications in engineering and are members of Engineering Council of South Africa.

The monitoring cost for 2024 are as presented on the table below;

Site	Year of closure as per report	2024 cost for water and gas monitoring	2024 cost for water monitoring	Total post-closure discounted costs
Mafikeng	2046	40,507	33,281	136,140

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
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16. Provisions (continued)

Calculations for the Post-Closure Discounted Costs are shown below;

Monitoring	Escalated monitoring costs (Gas included for only 2 years after closure)	Years until	Current value	Bond yield rates
Water and Gas Monitoring	146,418	24	10,554	11.58 %
Water and Gas Monitoring	154,471	25	9,979	11.58 %
Water Monitoring	133,893	26	7,752	11.58 %
Water Monitoring	141,257	27	7,329	11.58 %
Water Monitoring	149,026	28	6,930	11.58 %
Water Monitoring	157,222	29	6,552	11.58 %
Water Monitoring	165,869	30	6,364	11.48 %
Water Monitoring	174,992	31	6,023	11.48 %
Water Monitoring	184,617	32	5,700	11.48 %
Water Monitoring	194,771	33	5,394	11.48 %
Water Monitoring	205,483	34	5,104	11.48 %
Water Monitoring	216,785	35	4,831	11.48 %
Water Monitoring	228,708	36	4,571	11.48 %
Water Monitoring	241,287	37	4,326	11.48 %
Water Monitoring	254,558	38	4,094	11.48 %
Water Monitoring	268,558	39	3,874	11.48 %
Water Monitoring	283,329	40	3,667	11.48 %
Water Monitoring	298,912	41	3,470	11.48 %
Water Monitoring	315,352	42	3,284	11.48 %
Water Monitoring	332,697	43	3,108	11.48 %
Water Monitoring	350,995	44	2,941	11.48 %
Water Monitoring	370,300	45	2,783	11.48 %
Water Monitoring	390,666	46	2,634	11.48 %
Water Monitoring	412,153	47	2,492	11.48 %
Water Monitoring	434,821	48	2,359	11.48 %
Water Monitoring	458,736	49	2,232	11.48 %
Water Monitoring	483,967	50	2,112	11.48 %
Water Monitoring	510,585	51	1,999	11.48 %
Water Monitoring	538,667	52	1,892	11.48 %
Water Monitoring	568,294	53	1,790	11.48 %
	8,767,389	-	136,140	- %

17. Revenue

Service charges	240,338,323	221,795,470
Rental of facilities and equipment	9,316,799	7,146,503
Interest received (trading)	106,587,554	83,611,299
Licences and permits	4,222,015	4,642,534
Fees earned	4,373,637	4,460,303
Discount received	125,059,538	-
Other income	1,852,190	9,475,670
Interest received - investment	23,865,980	10,836,605
Property rates	416,626,857	389,752,042
Interest, Dividends and Rent on Land	72,828,601	62,930,845
Government grants & subsidies	483,458,305	460,660,789
Fines, Penalties and Forfeits	841,832	1,378,586
Other transfer revenue 1	-	3,802,495
	1,489,371,631	1,260,493,141

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
17. Revenue (continued)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	240,338,323	221,795,470
Rental of facilities and equipment	9,316,799	7,146,503
Interest received (trading)	106,587,554	83,611,299
Licences and permits	4,222,015	4,642,534
Fees earned	4,373,637	4,460,303
Discount received	125,059,538	-
Other income	1,852,190	9,475,670
Interest received - investment	23,865,980	10,836,605
	515,616,036	341,968,384
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	416,626,857	389,752,042
Interest, Dividends and Rent on Land	72,828,601	62,930,845
Transfer revenue		
Government grants & subsidies	483,458,305	460,660,789
Fines, Penalties and Forfeits	841,832	1,378,586
Donations income	-	3,802,495
	973,755,595	918,524,757
18. Service charges		
Sale of water	139,511,905	135,021,589
Sewerage and sanitation charges	53,078,615	40,919,799
Refuse removal	47,747,803	45,854,082
	240,338,323	221,795,470
19. Rental of facilities and equipment		
Premises		
Facilities and equipment	9,316,799	7,146,503
20. Lease rentals on operating lease		
Lease rentals on operating lease - Other		
Contractual amounts	4,127,134	4,188,444
21. Interest, dividends and Rent on Land		
Interest - Receivables	72,828,601	62,930,845

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
22. Other revenue		
Fees earned	4,373,637	4,460,303
Debt write-off	125,059,538	-
Other income	1,852,190	9,475,670
	131,285,365	13,935,973

Debt write-off

Magallies Water on 24/06/2024 granted the municipality a write-off of R142 567 873 of the amount owed by the municipality towards Magallies. The write-off relates to the historical payable of bulk water purchases.

23. Investment revenue

Interest revenue

Interest earned (bank and investments)	23,865,980	10,836,605
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24. Property rates

Rates received

Residential, Business and Government	416,626,857	389,752,042
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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	100,000
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Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
26. Government grants & subsidies		
Operating grants		
Equitable share	357,641,000	327,788,000
Expanded Public Works Programme Grant (EPWP)	2,943,999	2,238,000
Energy Efficiency and Demand Side Management Grant (EEDMG)	2,752,195	5,000,000
LG SETA	2,517,111	300,000
Library Grant (LG)	1,775,000	1,900,000
Finance Management Grant (FMG)	3,299,197	2,900,802
	370,928,502	340,126,802
Capital grants		
Municipal Infrastructure Grant (MIG)	97,099,001	120,187,000
NMMDM Grant	12,677,418	346,987
COGTA - Bray Road Assistance	2,753,384	-
	112,529,803	120,533,987
	483,458,305	460,660,789

Equitable Share

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.

Construction Education and Training

Balance unspent at beginning of year	291,326	-
Current-year receipts	3,012,324	591,326
Conditions met - transferred to revenue	(2,516,111)	(300,000)
	787,539	291,326

The grant is meant to assist the municipality in the improvement of system related transactions.

Municipal Infrastructure Grant

Current-year receipts	97,099,000	120,187,000
Conditions met - transferred to revenue	(97,099,000)	(120,187,000)
	-	-

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

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
26. Government grants & subsidies (continued)		
Expanded Public Works Program (EPWP)		
Current-year receipts	2,944,000	2,238,065
Conditions met - transferred to revenue	(2,944,000)	(2,238,065)
	-	-

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

Balance unspent at beginning of year	199,198	-
Current-year receipts	3,100,000	3,100,000
Conditions met - transferred to revenue	(3,299,198)	(2,900,802)
	-	199,198

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	1,775,000	1,900,000
Conditions met - transferred to revenue	(1,775,000)	(1,900,000)
	-	-

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	4,292,000	5,000,000
Conditions met - transferred to revenue	(2,752,195)	(5,000,000)
	1,539,805	-

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

Balance unspent at beginning of year	30,409,133	-
Current-year receipts	-	30,756,120
Conditions met - transferred to revenue	(12,677,419)	(346,987)
	17,731,714	30,409,133

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

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
27. Employee related costs		
Basic	213,142,012	206,325,495
Bonus	18,002,302	15,194,570
Medical aid - company contributions	17,719,164	15,521,152
UIF - company contributions	1,615,686	1,622,308
SDL - company contributions	2,952,338	2,838,050
Leave pay provision charge	11,563,803	12,395,228
Post retirement benefit	(4,255,000)	18,041,000
Overtime payments	23,270,030	20,423,345
Travel Allowance	15,488,450	17,825,521
13th Cheques	111,660	800,499
Housing benefits and allowances	1,076,093	1,509,891
Pension fund - company contributions	54,409,070	53,362,832
Other	23,682,066	24,251,832
	378,777,674	390,111,723
Remuneration of municipal manager (Mr. NM Mokgwamme)		
Annual Remuneration	-	22,677
Other	-	317,614
	-	340,291
Remuneration of chief financial officer (Mr. RA Morris)		
Annual Remuneration	206,631	992,851
Car Allowance	16,724	66,896
Contributions to UIF, Medical and Pension Funds	531	2,125
Other	244,802	607,043
	468,688	1,668,915
Remuneration of planning and development services director (Mr. T Masia)		
Annual Remuneration	519,074	742,275
Car Allowance	171,517	216,580
Contributions to UIF, Medical and Pension Funds	1,594	1,948
Other	213,254	617,653
	905,439	1,578,456
Remuneration of the chief financial officer (Acting CFO: Ms. T Modisa)		
Acting allowance	-	55,848
Remuneration of municipal manager (ADV DI Mongwaketse)		
Annual Remuneration	875,362	772,764
Car Allowance	291,787	256,459
Contributions to UIF, Medical and Pension Funds	2,125	1,948
Other	362,865	377,573
	1,532,139	1,408,744

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
27. Employee related costs (continued)		
Remuneration of corporate service director (Mrs. ZK Masuku)		
Annual Remuneration	-	695,974
Car Allowance	-	77,597
Contributions to UIF, Medical and Pension Funds	-	1,771
Other	10,998	757,518
	10,998	1,532,860
Remuneration of the public safety director (Mr. TJ Marumo)		
Annual Remuneration	-	359,241
Car Allowance	-	93,021
Contributions to UIF, Medical and Pension Funds	-	886
Other	-	667,458
	-	1,120,606
Remuneration of the public safety director (Acting Dir: Mr MJ Ramaoka)		
Acting allowance	838,167	147,060
Remuneration of the infrastructure service director (Mrs. M Moloi-Tsae)		
Annual Remuneration	718,718	635,424
Car Allowance	239,537	181,103
Contributions to UIF, Medical and Pension Funds	2,125	1,594
Other	299,499	854,197
	1,259,879	1,672,318
Remuneration of the community service director (Mrs. KP Nyembe)		
Annual Remuneration	-	290,871
Car Allowance	-	74,275
Contributions to UIF, Medical and Pension Funds	-	708
Other	-	611,908
	-	977,762
Remuneration of the community service director (Acting Dir: Mr NL Malefo)		
Acting allowance	-	96,457
Remuneration of the infrastructure service director (Acting Dir: Mr TC Mokoena)		
Acting allowance	-	96,457
Remuneration of the community service director (Mrs. KO Lefenya)		
Annual remuneration	778,611	-
Car Allowance	259,537	-
Contributions to UIF, Medical and Pension Funds	2,125	-
Other	83,014	-
	1,123,287	-

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
27. Employee related costs (continued)		
Remuneration of the chief financial officer (Acting CFO: Ms. NR Gaepee)		
Acting allowance	349,236	-
Remuneration of corporate service director (Acting Dir: Mrs ME Mmoola)		
Acting allowance	-	69,202
Remuneration of corporate service director (Acting Dir: Mr MJ Molamu)		
Acting allowance	419,084	147,060
Remuneration of the chief financial officer (Acting CFO: Mr D Thulo)		
Acting allowance	279,389	-
Remuneration of the public safety director (Acting Dir: Mr HM Matshe)		
Acting allowance	-	144,686
Remuneration of corporate service director (Acting Dir: Mr SB Pelele)		
Acting allowance	419,084	-
28. Remuneration of councillors		
Executive Major	1,051,440	982,221
Mayoral Committee Members	8,241,715	7,617,717
Speaker	851,836	800,179
Councillors	22,199,116	20,151,367
Chief Whip	801,629	750,277
	33,145,736	30,301,761
In-kind benefits		
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.		
The Executive Mayor has use of a Council owned vehicle for official duties. The Mayor's driver also acts as a bodyguard.		
The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost.		
Additional information		
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.		
29. Depreciation and amortisation		
Property, plant and equipment	67,754,821	62,269,975
Intangible assets	524,771	460,141
	68,279,592	62,730,116

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
30. Finance costs		
Interest incurred	789,872	232,948
31. Auditors' remuneration		
Fees	6,114,365	6,111,185
32. Debt impairment		
Contributions to debt impairment provision	373,472,542	394,030,983
33. General expenses		
Advertising	3,233,518	3,840,384
Assets less than the capitalisation threshold	293,360	93,794
Auditors remuneration	6,114,365	6,111,185
Bank charges	584,067	1,157,969
Catering Services	3,854,520	1,645,634
Computer expenses	6,210,227	4,962,626
Drivers' licence cards	769,381	866,244
Electricity	22,298,082	19,520,648
Entertainment	46,023	292,096
Fines and penalties	-	36,956
Hire	3,547,313	2,245,863
Housing Assistance	6,830,250	3,923,300
Indigent relief	1,009,000	205,000
Insurance	6,837,914	3,431,126
Inventory expenditure	25,218,552	21,431,584
Motor vehicle expenses	549,034	414,916
Other expenses	10,192,923	7,078,041
Postage and courier	596,955	960,846
Printing and publications	1,178,605	1,519,526
Protective clothing	7,214,079	2,656,011
Provisions - Landfill site	42,053,627	23,144,411
Subscriptions and membership fees	4,334,189	1,067,452
Telephone and fax	1,662,452	1,562,700
Title deed search fees	161,963	60,448
Transport and freight	370,100	22,083
Travel and subsistence	5,364,888	3,263,272
Workmen's compensation fund	879,606	1,349,078
	161,404,993	112,863,193
34. Bulk purchases		
Water	81,703,653	74,594,525

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
34. Bulk purchases (continued)		
Water losses		
Units purchased	7,975,758	7,854,164
Units sold	(7,975,758)	(7,854,164)
Total	-	-
35. Contracted services		
Outsourced Services		
Animal Care	1,176,000	1,176,000
Business and Advisory	2,434,213	2,644,896
Call Centre	2,117,370	3,928,284
Meter Management	3,370,238	3,692,466
Medical Services [Medical Health Services & Support	55	23,970
Refuse Removal	907,370	1,204,254
Security Services	38,057,273	35,061,062
Transport Services	144,483	129,350
	48,207,002	47,860,282
Consultants and Professional Services		
Business and Advisory	5,317,198	1,903,536
Infrastructure and Planning	18,552,584	13,370,167
Other Services	5,686,650	8,990,625
Legal Cost	15,179,875	18,201,643
	44,736,307	42,465,971
Contractors		
Electrical	2,347,831	4,646,317
Traffic and Street Lights	49,800	4,415,949
Safeguard and Security	28,000	57,500
Sports and Recreation	77,162	34,007
	2,502,793	9,153,773
	95,446,102	99,480,026

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
36. Cash generated from operations		
Surplus	191,346,257	17,464,259
Adjustments for:		
Depreciation and amortisation	68,279,592	62,730,116
Gain on sale of assets and liabilities	652,104	44,911,172
Gain on discontinued operations	23,550,962	-
Income from equity accounted investments	2,924,945	1,322,873
Fair value adjustments	-	55,000
Finance costs - Finance leases	789,872	232,948
Debt impairment	373,472,542	394,030,983
Movements in retirement benefit assets and liabilities	(47,502,000)	(32,616,000)
Movements in provisions	42,053,627	23,144,411
Inventory losses or write-downs	(122,571)	917,748
Changes in working capital:		
Inventories	(3,248,897)	(615,799)
Consumer debtors	(371,748,145)	(302,200,344)
Other receivables from non-exchange transactions	(3,970,632)	88,832,544
Prepayments	10,084,023	(14,738,728)
Payables from exchange transactions	(92,855,499)	(44,601,726)
VAT	2,869,608	10,773,228
Unspent conditional grants and receipts	3,541,401	30,899,657
Consumer deposits	910,434	210,443
	201,027,623	280,752,785
37. Operating surplus		
Operating surplus for the year is stated after accounting for the following:		
Operating lease charges		
Lease rentals on operating lease - Other		
• Contractual amounts	4,127,134	4,188,444
Loss on sale of property, plant and equipment	(652,104)	(90,840)
Loss on sale of investment property	-	(44,820,332)
Gain on sale of non-current assets held for sale and net assets of disposal groups	23,550,962	-
Amortisation on intangible assets	524,771	460,141
Depreciation on property, plant and equipment	67,754,821	62,269,975
Employee costs	411,923,410	420,413,484
38. Fair value adjustments		
Investment property (Fair value model)	-	(55,000)
39. Unauthorised expenditure		
Opening balance as previously reported	913,435,518	1,484,449,894
Add: Unauthorised expenditure - current	140,937,573	163,992,285
Less: Amount authorised - prior period	-	(735,006,661)
Closing balance	1,054,373,091	913,435,518

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 .

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
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39. Unauthorised expenditure (continued)

Analysed as follows: non-cash

Finance Services	93,454,057	-
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Analysed as follows: cash

Finance Services	47,483,516	163,992,285
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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	35,214,841	37,695,778
Add: Fruitless and wasteful expenditure identified - current	789,872	232,948
Add: Fruitless and wasteful expenditure identified - prior period	-	14,063,781
Less: Amount written off - prior period	-	(16,777,666)
Closing balance	36,004,713	35,214,841

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings
Interest charged on overdue account	As at 30 June 2023, no MFMA section 32 processes have been instituted for fruitless and wasteful expenditure arising from 2016-17 to 2021-22.
Supplier disputes	contractual dispute between the municipality and the supplier Kwane Capital which led to a judgement against the municipality

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	1,848,264,657	1,639,201,127
Add: Irregular expenditure - current	309,433,889	209,063,530
Add: Irregular expenditure - prior period	1,745,185	-
Closing balance	2,159,443,731	1,848,264,657

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
41. Irregular expenditure (continued)		
Cases under investigation		
Included in the irregular expenditure of 2023/24 Financial year is an amount of R3 666 945 that is still under determination.		
Municipal Supply Chain Management Policies or By-laws	186,240,477	186,240,477
42. Other financial assets		
At amortised cost		
VBS investment	77,492,027	77,492,027
	77,492,027	77,492,027
Accumulated Impairment	(77,492,027)	(77,492,027)
	-	-
VBS Reconciliation		
Opening balance	77,492,027	77,492,027
Accumulated Impairment	(77,492,027)	(77,492,027)
	-	-

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

NMMDM Debt	14,905,618	13,711,801
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Mahikeng Local Municipality has carried repairs and maintenance on Pump Station 4, 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.

In addition to the above, Mahikeng Local Municipality has an agreement with Ngaka Modiri Molema District Municipality for the repair and maintenance of Bray Road. MLM carried out the work on behalf of NMMDM and will be reimbursed for the work by NMMDM.

44. Insurance receivable

Insurance claim that was received in the 2023/24 financial year. The car was written-off in the year 2020.

45. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At amortised cost	At cost	Total
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Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
45. Financial instruments disclosure (continued)		
Receivables from exchange transactions	18,136,434	-
Receivables from non-exchange transactions	12,941,152	-
Cash and cash equivalents	-	150,390,058
Intergovernmental receivable	-	14,905,618
	31,077,586	165,295,676
		196,373,262

Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	117,388,029	117,388,029
Consumer deposits	14,535,388	14,535,388
	131,923,417	131,923,417

2023

Financial assets

	At amortised cost	At cost	Total
Receivables from exchange transactions	17,427,804	-	17,427,804
Receivables from non-exchange transactions	13,729,709	-	13,729,709
Cash and cash equivalents	-	117,509,209	117,509,209
Inter-governmental receivables	-	13,711,801	13,711,801
	31,157,513	131,221,010	162,378,523

Financial liabilities

	At cost	Total
Payables from exchange transactions	256,388,079	256,388,079
Consumer deposits	13,624,954	13,624,954
	270,013,033	270,013,033

46. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Roads	5,166,191	58,143,920
• Recreational Facilities	2,368,219	25,078,508
• Community Buildings	3,114,778	-
	10,649,188	83,222,428

Total capital commitments

Already contracted for but not provided for	10,649,188	83,222,428
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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

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
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47. 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

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
47. Contingencies (continued)		
Contingent Liabilities		
Service provider cases	500,000,000	7,390,492
Property losses/ damage cases	13,521,277	1,007,449
Labour cases	-	1,732,773
Others	1,016,757,558	1,016,757,558
	1,530,278,835	1,026,888,272

PARTIES	NATURE OF CLAIM	STATUS QUO OF THE MATTER	MANAGEMENT COSTS ESTIMATION & FINANCIAL EXPOSURE
Dineo Tshepiso Rufus/ MLM : JR 1190/23	Application for condition in respect of unfair labour practice	Respondent have reasonable prospect of success in defending the matter.	345,001
Dikellong Engineering & Projects/ MLM:2258/2023	Claims for professional services rendered on behalf of the municipality : R9 990 782.22	Municipality served with declaration & client proposed for round table discussion to resolved the matter	9,990,783
MLM/ ERF10361: Mahikeng Tswelolelelopele Independent Primary School	Conveyancing: Transfer of immovable property to Department of Public Works	Addendum to the Deed of Sale Signed	65,000
MLM/ ERF4100: Discipleship Ministry: Extension 38	Conveyancing: Transfer of immovable property to Discipleship Ministry	Purchaser still makes payment for rates & taxes in order for transfer to be finalized.	65,000
Portion 1 of ERF 853 Iqra Islamic Church	Conveyancing: Transfer of immovable property to Iqra Islamic Church	Client to provide clearance certificates	65,000
MM Thakanyane: ERF 605 Unit 2	Conveyancing: Transfer of immovable property to Iqra MM Thakanyane	Transfer still pending transferring documents to conveyancers	65,000
ERF 10344: Bophelong Psychiatric Hospital	Donation of property to NW Provincial Government	Transfer still pending transferring documents to conveyancers	65,000
ERF 5226 Ext 38: Boikagong Child & Youth Centre	Donation of property to NW Provincial Government	Transfer still pending transferring documents to conveyancers	65,000
ERF 7050 Ext 39: Milred Mogapi Primary School	Donation of property to NW Provincial Government	Transfer still pending transferring documents to conveyancers	65,000

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand		2024	2023
47. Contingencies (continued)			
ERF 1456 Ext 17: Danville Clinic	Donation of property to NW Provincial Government	Transfer still pending transferring documents to conveyancers	65,000
ERF 10345 Bophelong Special School	Donation of property to NW Provincial Government	Transfer still pending transferring documents to conveyancers	65,000
ERF 3364 Ext 38: Retlametswe Special School	Donation of property to NW Provincial Government	Transfer still pending transferring documents to conveyancers	65,000
ERF 1020 (Portion of 1317) Unisa	Donation of property to NW Provincial Government	Transfer still pending transferring documents to conveyancers	65,000
MLM/ Dilotsotlhe Justice: UM130/2020	Urgent application regrading judgement granted in favour of the applicant to set aside the appointment of the municipal manager	Matter remain moot	250,568
MLM/ Sebebo L Maralo & others: LCC 215/2016	Application for restitution of dispossessed land: Portion 55	Notice of withdrawal by attorneys of records	156,002
MLM/ Mcebo Gomono: NW/MMB/RC 413/19	Claim for claimants of outstanding rates & taxes: R382 529.12	Awaiting enforcement of warrant of execution	150,768
MLM/ Tedcor: 1161/2017	Domestic waste collection services claiming amount of R2 312 393.40 for unpaid professional services	Trial date set for 19 August 2024	2,312,393
MLM/ Kea Dira Construction: 1774:2016	Upgrading of Danville stadium, applicant failed to complete the project and claim an amount of 2 673 999.00 for unpaid professional fees.	Notice of withdrawal from client attorney	2,673,999

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand		2024	2023
47. Contingencies (continued)			
Kena Media	Kena Media alleged to have owed municipality an amount of R2 028 416.00 for unpaid advertisement material or bill boards	Summons to be issued	2,028,416
Hundred percent black stone supply vs Mahikeng Local Municipality	Hundred percent Municipality is suing the Municipality for 500 million for allegedly breach of contract.	The Municipality raised several special pleas against the Plaintiff's particulars of claim	500,000,000
KP Nnatu vs Mahikeng Local Municipality	Ms Nnatu is claiming personal damages against Municipality for damages allegedly sustained by her when she fell onto an open manhole.	The Municipality filed Plea. The Plaintiff is to comply with court order	500,000
K V Mongala vs Mahikeng Local Municipality	Claim for damages of R695 000.00	Matter on trial on the 3 & 4 February 2025	695,000
OB Mogale vs Mahikeng Local Municipality	Claim for damages for 3 100 002.00	Matter is setdown for pre-trial	3,100,002
L Thinane N.O & Another vs Mahikeng Local Municipality	Application for declaratory orders	Awaiting reserved judgement to be handed down	1
SNPRP security services vs Mahikeng Local Municipality	Claim for allegedly outstanding invoices	Trial date 26 November 2024	791,539
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	1,006,569,363
			1,530,278,835

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand		2024	2023
47. Contingencies (continued)			
Contingent assets			
Contingent Assets			
Indebted to the municipality		945,000	945,000
Other		7,609,381	7,609,381
		8,554,381	8,554,381
PARTIES	NATURE OF CLAIM	STATUS QUO OF THE MATTER	ESTIMATED LEGAL COSTS FOR FEES & DISBURSEMENT
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 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	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 ratepayer for outstanding payments of rates and taxes	Rate payer still untraceable	5,000
MLM/ Victor Thabeng: 502/2020	Claim instituted against the ratepayer for outstanding payments of rates and taxes	Rate payer still untraceable	5,000
MLM / I Mpete: 1723/2019	Claim instituted against the ratepayer for outstanding payments of rates and taxes	Rate payer still untraceable	5,000

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand		2024	2023
47. Contingencies (continued)			
MLM/ Sajid Chaudry: 431/2022	Claim instituted against the ratepayer for outstanding payments of rates and taxes	Rate payer still untraceable	350,000
MLM/ Lesego busang	Claim instituted against the ratepayer 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 Zeekoewlei 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, awaiting judgement 23rd August 2023	250,000
Mahikeng Local Municipality/ Mike I Binazir: 2056/2020	Re-transfer of Erf 809, Unit 2, Mmabatho to the Municipality	Matter still pending	170,606
Mahikeng Local Municipality/ 79 General Workers	Application heard on the 21st July 2020 for adjudication of defendant special plea 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

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand		2024	2023
47. Contingencies (continued)			
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 8512 Ext 39 erection of property without council approval	Letter of demand issued and awaiting compliance verification	250,000
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

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand		2024	2023
47. Contingencies (continued)			
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/ 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

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand		2024	2023
47. Contingencies (continued)			
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
			8,554,380

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
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48. Related parties

Relationships

Accounting Officer

Acting Chief Financial Officer

Councillors

Members of key management

ADV DI Mongwaketse

Ms. NR Gaepe

Refer to the general information page

ADV DI Mongwaketse

Mr RA Morris

Ms. NR GAEEPE

Mr TJ Marumo

Mrs KP Nyembe

Mr T Masia

Ms M Moloi-Tsae

Mrs ZK Masuku

Mr MJ Molamu

Ms KJ Lekoma

Related party transactions

Councilor M. Moeti

Reimbursement for burnt house due to community strike

- 221,883

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.

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand 2024 2023

48. Related parties (continued)

Remuneration of councilors

Councillors

2024

Name	Councillors allowance	Other Allowances	Municipal Contributions	Total
T Mpehlo	631,537	300,870	119,034	1,051,441
OGB Mathe	505,223	251,335	95,279	851,837
ME Moeti	473,451	238,875	89,304	801,630
MP Senokwane	473,451	271,486	89,144	834,081
GU Legalatladi	473,451	245,547	89,304	808,302
MD Jabanyane	473,451	238,875	89,304	801,630
DK Molema	473,451	264,672	89,304	827,427
JC Daniels	473,451	275,846	89,304	838,601
PF Nko	473,451	254,459	89,304	817,214
NG Hlazo	473,451	267,290	89,293	830,034
BC Mathe	473,451	263,388	89,033	825,872
KC Sechogo	473,451	267,475	89,181	830,107
KI Mbana	473,451	265,695	89,304	828,450
T Motshabi	459,753	253,318	86,567	799,638
MD Phuthego	459,753	239,149	86,728	785,630
GE Mosiedi	199,856	131,583	36,897	368,336
CL Mahlangu	199,856	131,583	36,897	368,336
TD Femele	199,856	131,583	36,897	368,336
LG Sehole	199,856	131,583	36,897	368,336
DL Monaledi	199,856	131,583	35,269	366,708
K Gaoganediwe	199,856	131,583	36,897	368,336
C Matshidiso	199,856	131,583	36,807	368,246
KK G Nko	199,856	131,583	36,897	368,336
TO Mogoiwa	103,457	70,278	19,117	192,852
LR Mange	199,856	131,583	36,903	368,342
NB Mabote	199,856	131,583	36,897	368,336
AL Annandale	199,856	131,583	36,897	368,336
KE Gaebee	199,856	131,583	36,897	368,336
OL Magogodi	199,856	131,583	36,897	368,336
ME Msimanga	199,856	131,583	36,897	368,336
B Mbiza	199,856	131,583	36,891	368,330
OC Kgonare	199,856	131,583	36,823	368,262
I Malakaje	199,856	131,583	36,897	368,336
MJ Morubane	199,856	134,827	36,895	371,578
KD Seketema	199,856	134,505	36,895	371,256
MG Billiot	103,457	70,278	19,117	192,852
BS Storais	199,856	131,583	36,897	368,336
M Mopako	199,856	131,583	36,897	368,336
SK Matsheka	199,856	131,583	36,897	368,336
PL Phantsi	199,856	133,798	36,891	370,545
KD Sega	199,856	131,583	36,897	368,336
LR Motlhabane	199,856	134,997	36,893	371,746
GD Maruping	199,856	131,583	36,897	368,336
KA Monchusi	199,856	135,226	36,893	371,975
OE Mpehlo	199,856	133,921	36,890	370,667
PP Molale	199,856	131,583	36,890	368,329
RG Molosioa	199,856	131,583	36,897	368,336
MA Setshedi	199,856	131,583	36,897	368,336
LJ Motjale	199,856	133,461	36,893	370,210
C Mohelekete	199,856	131,583	36,897	368,336

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand			2024	2023
48. Related parties (continued)				
LMO Mokgosi	199,856	131,583	36,897	368,336
ME Khathazo	199,856	131,583	36,897	368,336
LA Kgengwe	199,856	136,408	36,886	373,150
AE Rakwena	199,856	131,583	36,814	368,253
MD Ramatae	199,856	131,583	36,897	368,336
TC Maibi	199,856	131,583	36,897	368,336
HP Kgasi	199,856	131,583	36,897	368,336
NJ Mangayi	199,856	131,583	36,897	368,336
TC Matsheka	199,856	131,583	36,897	368,336
MC Segoe	199,856	131,583	36,897	368,336
WN Bohmer	199,856	131,583	36,897	368,336
MJ Nkomo (Monere)	199,856	131,583	36,897	368,336
ME Dingile	199,856	137,263	36,884	374,003
T Selepe	199,856	131,583	36,897	368,336
KP Motsumi	199,856	131,583	36,897	368,336
LS Mogotlha	103,457	70,278	19,117	192,852
SJ Van Rooyen	199,856	131,583	36,897	368,336
DM Phetha	199,856	131,583	36,897	368,336
SJ Tauyagae	103,135	69,867	19,056	192,058
EO Seleke	194,308	124,530	35,803	354,641
J Mekgwe	187,615	119,315	34,580	341,510
KK Kgwadi	96,399	61,305	17,758	175,462
PM Saul	96,399	61,305	17,758	175,462
MD Moroe	96,399	61,305	17,957	175,661
NW Maphaze	96,399	61,305	17,758	175,462
	18,438,052	11,277,355	3,430,323	33,145,730

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 Phuthogo	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 Monaedi	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

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand			2024	2023
48. Related parties (continued)				
AL Annandale	189,286	118,534	34,857	342,677
KE Gabee	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
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
	17,342,318	9,741,071	3,218,181	30,301,570

49. 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

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023		
49. Prior-year adjustments (continued)				
2023				
	Note	As previously reported	Correction of error	Restated
Trade payables		249,662,336	6,725,743	256,388,079
Property, Plant & Equipment		1,799,726,543	988,545	1,800,715,088
Intangible Assets		2,627,987	305,856	2,933,843
VAT		50,253,952	(5,227,788)	45,026,164
Accumulated surplus		1,372,911,168	(5,426,522)	1,367,484,646
Receivables from exchange transactions		22,813,412	(5,385,607)	17,427,805
Insurance receivable		-	162,640	162,640
		3,497,995,398	(7,857,133)	3,490,138,265

Statement of financial performance

2023

	Note	As previously reported	Correction of error	Restated
Revenue from exchange transactions - Donations income		3,802,495	(3,802,495)	-
Revenue from non-exchange transactions - Donations income		-	3,802,495	3,802,495
General expenditure - Catering services		(1,585,669)	(59,965)	(1,645,634)
General expenditure - Electricity		(26,019,305)	6,498,657	(19,520,648)
General expenditure - Other expenditure		(7,405,997)	327,956	(7,078,041)
General expenditure - Drivers licence cards		(865,761)	(483)	(866,244)
General expenditure - Motor vehicle expenses		(414,046)	(870)	(414,916)
Contracted services - Other services		(8,408,846)	(581,779)	(8,990,625)
Contracted services - Legal costs		(15,211,824)	(2,989,819)	(18,201,643)
Contracted services - Infrastructure and Planning		(1,374,465)	374,598	(999,867)
Bulk Purchases		(78,546,699)	3,952,173	(74,594,526)
Service Charges		252,972,757	(31,177,288)	221,795,469
Depreciation and Ammortisation		(63,428,122)	698,006	(62,730,116)
Debt impairment		(424,499,257)	30,468,274	(394,030,983)
Finance costs		(228,387)	(4,561)	(232,948)
Surplus for the year		(371,213,126)	7,504,899	(363,708,227)

Errors

The following prior period errors adjustments occurred:

Revenue from exchange transactions: Donations income

- Donations income: R3 802 495: As per GRAP 23: Donations is a non-exchange transaction as the municipality did not exchange anything for the receipt of goods or services. Donations income has thus been moved from Revenue from exchange transactions - Donations income to Revenue from non-exchange transactions - Donations income

- Donations income: R3 802 495: As per GRAP 23: Donations is a non-exchange transaction as the municipality did not exchange anything for the receipt of goods or services. Donations income has thus been moved from Revenue from exchange transactions - Donations income to Revenue from non-exchange transactions - Donations income

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

49. Prior-year adjustments (continued)

General Expenditure

- Catering Services was understated by R59 965 in the 2023 financial period.
- Electricity for 2023 financial period was overstated by R6 498 657, and understated in the 2022 financial period by the same amount.
- Other expenditure was overstated by R327 956 in the 2023 financial period.
- Drivers licence cards was understated by R483 in the 2023 financial period.
- Motor vehicles was understated by R870 in the 2023 financial period.

Contracted Services

- Other services for 2024 was overstated by R581 779 and understated in the 2023 financial period by the same amount.
- Legal costs for 2024 was overstated by R2 989 819 and understated in the 2023 financial period by the same amount.

Trade payables

Trade payables was restated due to expenditure recognised in the incorrect period.

Fruitless and wasteful expenditure

Opening balance	21,146,499	-
Adjustments made	14,068,342	-
Restated opening balance	35,214,841	-

Adjustment made to opening balance of fruitless and wasteful expenditure is due to Eskom interest charges identified in 2023/24 financial year.

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

49. Prior-year adjustments (continued)

Property, Plant & Equipment

PPE was restated due to the reclassification of expenditure from contracted services which was previously misclassified, and assets lost to write-offs. This had a knock-on effect on depreciation and accumulated depreciation.

Intangible assets

Intangible assets was restated due to the incorrect calculation of amortisation in the 2022/23 financial year. This had a knock-on effect on amortisation and accumulated amortisation.

Depreciation and Ammortisation

PPE was restated due to the reclassification of expenditure from contracted services which was previously misclassified, and assets lost to write-offs. This had a knock-on effect on depreciation and accumulated depreciation.

Intangible assets was restated due to the incorrect calculation of amortisation in the 2022/23 financial year. This had a knock-on effect on amortisation and accumulated amortisation.

Debt impairment

Service charges was restated after meter readings were done and there was realisation of overestimation in the prior year. This affected debt impairment also.

Insurance receivable

Insurance receivable relates to a claim made in 2020 and was only settled in the 2023/24 financial year.

Accumulated surplus

Cumulative movement due to restatements in General expenditure and Contracted services.

VAT

VAT was restated due to expenditure recognised in the incorrect period and revenue restatements.

Bulk Purchases

Bulk purchases was restated due to Magalies Water re-adjusting the consumption for May and June 2023.

Receivables from exchange transactions - Service charges & Revenue from exchange transactions - Service charges

Service charges was restated after meter readings were done and there was realisation of overestimation in the prior year. This affected debt impairment also.

Finance costs

Finance costs was restated due to Eskom invoices received in the 2023/24 financial year.

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
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50. 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 47 for reasons of reclassifications and the effect thereof in the comparative figures.

51. 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

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

51. Risk management (continued)

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 timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

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

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

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	263,892,484	-	-	-
Unspent conditional grants	34,441,058	-	-	-
	298,333,542	-	-	-

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

51. Risk management (continued)

Credit risk

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

51. 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

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

51. 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.

Inter-governmental receivables

Inter-governmental receivables are amounts owed to the Municipality by Ngaka Modiri Molema District Municipality for repairs and maintenance done on their infrastructure which there is an agreement that this monies can be invoiced to them. The receivable is carried at cost and is not impaired.

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

	2024	2023
Receivables from exchange transactions	18,136,434	17,427,804
Cash and Cash Equivalents	150,390,058	117,509,209
Inter-governmental receivables	14,905,618	13,711,801

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

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

51. Risk management (continued)

Price risk

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

52. Going concern

We draw attention to the fact that at 2024 06 30, the municipality had an accumulated surplus of R 1,558,836,907 and that the municipality's total assets exceed its liabilities by R 1,558,836,907.

The 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.

53. Events after the reporting date

The Accounting Officer is not aware of any significant events that have occurred at the reporting date that needs to be disclosed in the Annual Financial Statements.

54. Additional disclosure in terms of Municipal Finance Management Act

Skills Development Levy

Current year subscription / fee	3,206,418	3,053,500
Amount paid - current year	(3,206,418)	(3,053,500)
	-	-

Audit fees

Opening balance	-	11,743
Current year subscription / fee	6,232,177	6,121,397
Amount paid - current year	(6,232,177)	(6,133,140)
	-	-

PAYE and UIF

Current year subscription / fee	60,476,338	57,697,628
Amount paid - current year	(60,476,338)	(57,697,628)
	-	-

Pension and Medical Aid Company Contributions

Current year subscription / fee	75,382,008	71,944,509
Amount paid - current year	(75,382,008)	(71,944,509)
	-	-

VAT

VAT receivable	(47,895,772)	(45,026,164)
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VAT 201 is submitted monthly on a cash basis.

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
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54. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 2024 06 30:

2024 06 30	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Daniels JC	9,924	352,292	362,216
Councillor Kgasi HP	5,616	86,788	92,404
Councillor Motshabi T	5,111	85,324	90,435
Councillor Storais BS	1,216	27,858	29,074
Councillor Van Rooyen SJ	7,789	73,698	81,487
	29,656	625,960	655,616

2023 06 30	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 Storais BS	1,481	22,462	23,943
Councillor Van Rooyen SJ	4,443	60,253	64,696
	24,530	531,678	556,208

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	1,421,342	-
Sole provider	1,085,219	-
Impractical or impossible to follow official process	22,600,809	10,704,256
Other	18,077,127	-
No reason provided	2,234,986	-
	45,419,483	10,704,256

SALGA subscription

Opening balance	(3,159,689)	-
Current year subscription/fee	4,270,403	1,053,229
Amount paid - current year	(4,442,859)	(4,212,918)
	(3,332,145)	(3,159,689)

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
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55. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three 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 (9) 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

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand

55. Segment information (continued)

2024

	Revenue from non- exchange transactions	Revenue from exchange transactions	Interest revenue	Total Segment revenue	Salaries and wages	Depreciation and ammortisation	Debt Impairment	Other expenses	Total Segment expenditure	Other Movements	Total segment (deficit) surplus
Revenue											
Finance and Administration	703,682,988	220,383,226	179,420,808	1,103,487,022	214,710,518	5,555,827	373,472,542	120,576,670	714,315,557	32,009,582	357,161,883
Public Safety and Road Transport	92,223,896	-	-	92,223,896	5,241,519	46,537,654	-	22,553,676	74,332,849	-	17,891,047
Executive and council, Internal Audit and Other	-	9,346,289	-	9,346,289	20,872,474	4,405,709	-	32,588,199	57,866,382	-	(48,520,093)
Housing, Planning and Development	19,201,288	130,231,078	-	149,432,366	63,409,944	-	-	81,595,141	145,005,085	-	4,427,281
Waste and Waste Water management	65,479,784	1,052,579	-	66,532,363	111,660	2,116,742	-	359,138	2,587,540	-	63,944,823
Water Management	12,677,418	47,747,803	-	60,425,221	-	5,280,361	-	131,791,379	137,071,740	-	(76,646,519)
Health, Community and Social Services	6,633,222	1,286,599	-	7,919,821	74,431,557	4,383,300	-	50,651,484	129,466,341	-	(121,546,520)
Energy Sources	-	-	4,654	4,654	-	-	-	5,370,299	5,370,299	-	(5,365,645)
Total	899,898,596	410,047,574	179,425,462	1,489,371,632	378,777,672	68,279,593	373,472,542	445,485,986	1,266,015,793	32,009,582	191,346,257
Entity's revenue	1,489,371,632										
Entity's Surplus (deficit) for the period	191,346,257										

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand

55. Segment information (continued)

2023

	Revenue from non- exchange transactions	Revenue from exchange transactions	Interest revenue	Total Segment revenue	Salaries and wages	Depreciation and amortisation	Debt impairment	Other expenses	Total Segment expenditure	Other movement	Total segment (deficit) surplus
Revenue											
Finance and Administration	732,442,232	68,267,456	146,542,144	947,251,832	235,276,867	2,816,021	394,030,983	80,236,345	712,360,216	(3,574,748)	238,466,364
Public Safety and Road Transport	4,424,424	1,552,495	-	5,976,919	4,656,991	41,272,470	-	62,327,293	63,381,421	44,875,332	(102,279,834)
Executive and council, Internal Audit and Other	3,571,860	14,508,664	-	18,080,524	19,706,580	1,557,196	-	23,405,162	44,668,938	-	(26,588,414)
Housing, Planning and Development	-	130,127,446	-	130,127,446	62,268,907	-	-	67,529,963	129,798,870	-	328,576
Waste and Waste Water management	109,974,315	1,916,905	-	111,891,220	800,499	5,378,816	-	1,832,130	8,011,445	-	103,879,775
Water Management	-	45,854,082	-	45,854,082	-	7,706,756	-	100,975,269	108,682,025	-	(62,827,943)
Health, Community and Social Services	-	1,311,117	-	1,311,117	72,427,906	3,998,856	-	48,630,258	125,057,020	-	(123,745,903)
Energy Sources	-	-	-	-	77,597	-	-	9,690,765	9,768,362	-	(9,768,362)
Total	850,412,831	263,538,165	146,542,144	1,260,493,140	395,215,347	62,730,115	394,030,983	394,627,185	1,201,728,297	41,300,584	17,464,259
Entity's revenue						1,260,493,140					
Entity's Surplus (deficit) for the period											17,464,259

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
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56. Budget differences

Material differences between budget and actual amounts

Service charges

- Over projection of revenue based on the actual from prior year that was eventually reduced due to estimates used.

Rental of facilities and equipment

- Rental of facilities and equipment better than projections at mid-year. The budget was reduced at mid-year informed by recorded transactions as at mid-year.

Interest income - debtors

- This is due to an increase in long outstanding debtors that were expected to reduce due to targeted collection rate which did not materialize.

Licenses and permits

- More licenses and permits issued than anticipated.

Fees earned

- The amount was not budgeted for separately but was included in the other income budget.

Discount received

- The amount was not budgeted for as there was no expectation that Magalies Water will grant The Municipality a discount on bulk purchases.

Other income

- Over projection of other income based on trend of prior years' amounts.

Interest received - investment

- More investments made than anticipated.

Property rates

- The property values did not increase as much as anticipated on the new valuation that came into effect on 1 July 2023.

Interest on property rates

- This is due to an increase in long outstanding debtors that were expected to reduce due to targeted collection rate which did not materialize.

Government grants & subsidies

- More grants received as anticipated that allowed more spending of grants money and thereby increasing grant revenue way above the budgeted amount.

Fines, Penalties and Forfeits

- Less Fines issued as anticipated.

Employee related Costs

- Vacant but Funded Posts

Remuneration of councilors

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
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56. Budget differences (continued)

- No Material variance noted.

Repairs and maintenance

- The amount was not budgeted for separately but was included in the General Expenditure budget.

Depreciation and amortization

- This is due to new addition of assets in the form of donated assets or indirect grant capitalization which will include their depreciation.

Expanded Public Works Programme Stipend

- The amount was not budgeted for separately but was included in the employee related cost budget.

Finance costs

- Municipality aid more suppliers on time than anticipated.

Lease rentals on operating lease

- The amount was not budgeted for separately but was included in the General Expenditure budget.

Debt Impairment

- The budgeted debt impairment was based on the targeted collection rate which did not materialize.

Bulk purchases

- More water was supplied to consumers and billed to the municipality than anticipated.

Contracted Services

- The municipality did not outsource many services to service providers than anticipated.

Transfers and Subsidies

- Less organizations were subsidized than expected.

General Expenses

- The municipality uses external service providers for its maintenance. The variance of general expenditure should take in to account the actual of repairs as maintenance and lease rentals as the budget includes these amounts.

Changes from the approved budget to the final budget

Interest income - debtors

A collection target rate from long outstanding was anticipated to be 70%, hence the reduction on the adjustment.

Licenses and permits

More license and permits were issued during the financial period hence an increased on the adjustment

Other income

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
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56. Budget differences (continued)

The decrease on the adjustment was due to a decline sale of goods and other services during the financial period.

Interest received - investment

More monies were invested hence an increase in interest income on investment was anticipated during the financial period.

Property rates

An increase in property values was anticipated during the financial period hence an increase in property rates

Interest on property rates

A collection target rate from long outstanding was anticipated to be 70%, hence the reduction on the adjustment.

Government grants & subsidies

A decrease in the government grants was anticipated

Personnel

Hiring employees to fill the funded and vacant posts was expected during the financial period hence an increase

Remuneration of councilors

Remuneration of councilors had to be increased due to upper limits of councilors

Finance costs

A decrease in finance costs was anticipated as service providers and suppliers were paid on time in order to avoid being charged interest.

Inventories

It was anticipated that more repairs would be done in the current financial period hence less inventory on hand was budgeted for.

Adjustment – Inventory was not appropriately budgeted for hence an adjustment was made.

Receivables from non-exchange transactions

The decrease was due to the increase in impairment for debtors for the current financial period.

No adjustment

VAT receivable

VAT Payable was incorrectly budgeted for as VAT Receivable.

Prepayments

Prepayment was not budgeted for, however the actual due to insurance and SALGA payments

No Adjustment was made

Mahikeng Local Municipality

Financial Statements for the year ended 2024 06 30

Notes to the Financial Statements

Figures in Rand	2024	2023
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56. Budget differences (continued)

Consumer debtors

The decrease was due to the increase in impairment for debtors for the current financial period.

The adjustment made was due non payment of the debtors during the financial period furthermore the amount as per the budget was incorrectly included as a negative.

Inter-governmental receivables

Inter-governmental receivables were not budgeted for; however, this was due to the agreement made with NMMDM to carryout maintenance on water infrastructure.

No adjustment was made

Cash and cash equivalents

Collection of 70% from long outstanding debtors was anticipated

Due to the difficulty encountered in collection of revenue from long outstanding debts the adjustment to reduce was made.

Investment property

We had anticipated an increase in the value of investment property.

No adjustment was made

Property, plant and equipment

An increase in MIG allocation resulted in the budget adjustment as the municipality anticipated on improving and building new infrastructure

Payables from exchange

The variance was due to the payable write off on long outstanding payable by Magalies.

Adjustment – a certain amount was expected to be paid to the long outstanding debt of Magalies.

VAT payable

VAT Payable was incorrectly budgeted for as VAT Receivable.

Employee benefit obligation

No adjustment

Unspent conditional grants and receipts

A full spending on grants was anticipated, however there was underspending on the Ngaka Modiri Molema District Municipality water laboratory grant.

Adjustment – Unspent conditional grants was not appropriately budgeted for hence an adjustment was made.