



Ramotshere Moiloa Local Municipality
Annual Financial Statements
for the year ended 30 June 2023

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Provision of municipal services to communities within Zeerust, Lehurutshe and Groot Marico areas.
Mayor	DM Pitso
Speaker	KR Mogotsi (Deceased 06 February 2023) OG Moseki (Acting Speaker until 01 April 2023) LP Letshufi (Appointed 01 April 2023)
Executive Council	AN Thale VO Mogale TV Kena JK Mokgatlhe TG Katametsi AN Nyamane (Resigned June 2023)
Councillors	KB Kenosi KE Pitso BG Monamodi TJ Keebine KP Tsile KP Lekwape P Mokgatlhe E Motlogelwa PR Mogorosi I Malatsi MP Odiseng TP Gaealashwe TS Tlhame MIE Moarabi DA Seakentoa MA Makgokgoa IS Suliman TJ Morebantwa OO Diale RA Kgakatsi KD Molefe RA Moiloanyane M Moumakwa E Lof PM Keebine KJ Ledikwa KR Mosiane K Venter-Jacobs
Grading of local authority	Grade 3
Accounting Officer	FT Mabokela (July 2022 to November 2022) T Seleka (December 2022 to March 2023) R Mojapelo (March 2023 to June 2023) L Mokgatlhe (Appointed 10 July 2023)

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General Information

Chief Finance Officer (CFO)

M Moloto (July 2022 to October 2022)
O Tofile (November 2022 to April 2023)
SM Lekaba (May 2023 to June 2023)
K Noge (1 August 2023)

Business address

C/o President & Coetzee Street
Zeerust
2865

Registered office

C/o President & Coetzee Street
Zeerust
2865

Bankers

First National Bank Limited
Absa Group Limited

Auditors

Auditor General of South Africa

Ramotshere Moiloa Local Municipality

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Abbreviations used:

AFSA	Arbitration Foundation Southern Africa
COID	Compensation for Occupational Injuries and Diseases
COVID-19	Corona Virus Disease -19
CPI	Consumer Price Index
DBSA	Development Bank of South Africa
FY	Financial Year
GAAP	Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
LM	Local Municipality
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MPAC	Municipal Public Accounts Committee
mSCOA	Municipal Standard Chart of Accounts
SALGA	South African Local Government Association
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
WWTP	Waste Water Treatment Plant
SARS	South African Revenue Service

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Accounting Officer's Responsibilities and Approval

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

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

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

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

The accounting officer is responsible for the preparation of these annual financial statements in terms of Section 126(1) of the Municipal Finance Management Act, (Act 56 of 2003).

The accounting officer certifies that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 27 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, 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.

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2024 and, in light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

The annual financial statements set out on pages 6 to 92, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed by:

L Mokgatlhe
Accounting Officer

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in provision of municipal services and operates principally in South Africa.

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

2. Going concern

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

The municipality will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, (Act 4 of 2020).

3. Subsequent events

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

4. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

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

Name	Nationality	Changes
L Mokgathe	South African	Appointed 10 July 2023
FT Mabokela	South African	July 2022 to November 2022
T Seleka	South African	December 2022 to March 2023
R Mojapelo	South African	March 2023 to June 2023

6. Corporate governance

General

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

Audit and risk committee

The Audit Committee has complied with the responsibilities arising from Section 166 of the Municipal Finance Management Act and Circular 65 issued by National Treasury. The Audit Committee has adopted appropriate formal terms of reference as its Audit Committee Charter, and it has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

7. Auditors

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

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	3	8,925,121	9,686,823
Receivables from exchange transactions	4	20,523,230	20,621,027
Receivables from non-exchange transactions	5	4,178,089	1,619,037
VAT receivable	14	386,239	-
Consumer debtors	6	146,265,065	107,856,227
Cash and cash equivalents	7	5,776,243	16,724,762
		186,053,987	156,507,876
Non-Current Assets			
Investment property	8	44,195,636	44,931,997
Property, plant and equipment	9	680,593,076	675,275,775
Intangible assets	10	22,681	45,362
Heritage assets	11	404,550	404,550
		725,215,943	720,657,684
Total Assets		911,269,930	877,165,560
Liabilities			
Current Liabilities			
Other financial liabilities	12	376,589	370,573
Payables from exchange transactions	13	163,450,606	142,668,018
VAT payable	14	-	4,747,563
Consumer deposits	15	2,668,302	2,515,744
Employee benefit obligation	16	3,069,000	915,000
Unspent conditional grants and receipts	17	-	13,637,152
		169,564,497	164,854,050
Non-Current Liabilities			
Other financial liabilities	12	1,550,766	1,569,417
Employee benefit obligation	16	42,771,000	52,055,000
Provisions	18	40,397,493	43,873,204
		84,719,259	97,497,621
Total Liabilities		254,283,756	262,351,671
Net Assets		656,986,174	614,813,889
Accumulated surplus		656,986,174	614,813,889
Total Net Assets		656,986,174	614,813,889

* See Note 47

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Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	77,954,546	75,333,086
Licences and permits	21	3,592,383	3,475,509
Connections and disconnections		248,901	783,446
Rental income		99,605	88,792
Sundry income		2,711,438	985,507
Sale of land		25,761	513,627
Interest received - investment	22	2,374,282	805,190
Total revenue from exchange transactions		87,006,916	81,985,157
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	54,300,812	53,654,175
Transfer revenue			
Government grants & subsidies	24	280,177,464	261,158,526
Fines, Penalties and Forfeits	25	3,019,700	1,713,001
Total revenue from non-exchange transactions		337,497,976	316,525,702
Total revenue	19	424,504,892	398,510,859
Expenditure			
Employee related costs	26	(159,758,215)	(157,736,629)
Remuneration of councillors	27	(13,949,006)	(13,884,476)
Depreciation and amortisation	28	(51,872,417)	(41,742,451)
Finance costs	29	(15,089,426)	(13,365,507)
Lease rentals on operating lease	30	(1,524,345)	(1,557,290)
Debt impairment		-	(6,891,783)
Repairs and maintenance		(16,959,706)	(14,969,619)
Bulk purchases	31	(70,240,167)	(72,171,258)
Contracted services	32	(14,352,478)	(12,526,003)
Loss on disposal of assets and liabilities		(475,220)	(5,264,842)
General expenses	33	(63,582,043)	(75,071,971)
Total expenditure		(407,803,023)	(415,181,829)
Surplus (deficit) for the year from continuing operations		16,701,869	(16,670,970)
Actuarial valuation movement		19,004,711	873,849
Surplus (deficit) for the year		35,706,580	(15,797,121)

* See Note 47

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	595,045,410	595,045,410
Adjustments		
Prior year adjustments	35,565,600	35,565,600
Balance at 01 July 2021 as restated*	630,611,010	630,611,010
Changes in net assets		
Deficit for the year	(15,797,121)	(15,797,121)
Total changes	(15,797,121)	(15,797,121)
Opening balance as previously reported	614,813,884	614,813,884
Adjustments		
Correction of errors 47	6,465,710	6,465,710
Restated* Balance at 01 July 2022 as restated*	621,279,594	621,279,594
Changes in net assets		
Surplus for the year	35,706,580	35,706,580
Total changes	35,706,580	35,706,580
Balance at 30 June 2023	656,986,174	656,986,174
Note(s)		

* See Note 47

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Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Service charges & property rates		52,761,536	113,385,539
Grants and conditional receipts		320,539,572	335,331,385
Interest income		2,374,282	805,190
		<u>375,675,390</u>	<u>449,522,114</u>
Payments			
Employee costs		(165,308,221)	(155,145,595)
Suppliers		(18,912,624)	(37,311,932)
Finance costs		(14,095,975)	(13,365,507)
		<u>(198,316,820)</u>	<u>(205,823,034)</u>
Undefined difference compared to the cash generated from operations note		2,197,499	(2,525,000)
Net cash flows from operating activities	34	179,556,069	241,174,080
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(118,813,329)	(160,999,000)
Purchase of investment property	8	736,361	212,818
Purchase of other intangible assets	10	22,681	171,109
		<u>(118,054,287)</u>	<u>(160,615,073)</u>
Net cash flows from investing activities		(118,054,287)	(160,615,073)
Cash flows from financing activities			
Repayment of other financial liabilities		(12,635)	(181,912)
Finance costs		(70,240,167)	(72,171,258)
		<u>(70,252,802)</u>	<u>(72,353,170)</u>
Net cash flows from financing activities		(70,252,802)	(72,353,170)
Net increase/(decrease) in cash and cash equivalents		(8,751,020)	8,205,837
Cash and cash equivalents at the beginning of the year		16,724,762	5,993,925
Cash and cash equivalents at the end of the year	7	7,973,742	14,199,762

* See Note 47

Ramotshere Moiloa Local Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	101,476,000	(16,084,000)	85,392,000	77,954,546	(7,437,454)	48.1
Licences and permits	7,424,000	-	7,424,000	3,592,383	(3,831,617)	48.2
Connections and disconnections	-	-	-	248,901	248,901	48.3
Rental income	5,000	-	5,000	99,605	94,605	48.4
Sundry income	20,145,000	(14,480,000)	5,665,000	2,711,438	(2,953,562)	48.5
Sale of land	-	-	-	25,761	25,761	48.6
Interest received - investment	8,000	-	8,000	2,374,282	2,366,282	48.7
Total revenue from exchange transactions	129,058,000	(30,564,000)	98,494,000	87,006,916	(11,487,084)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	183,736,000	(110,602,000)	73,134,000	54,300,812	(18,833,188)	48.8
Transfer revenue						
Government grants & subsidies	273,011,000	13,600,000	286,611,000	280,177,464	(6,433,536)	48.9
Fines, Penalties and Forfeits	532,000	-	532,000	3,019,700	2,487,700	48.10
Total revenue from non-exchange transactions	457,279,000	(97,002,000)	360,277,000	337,497,976	(22,779,024)	
Total revenue	586,337,000	(127,566,000)	458,771,000	424,504,892	(34,266,108)	
Expenditure						
Personnel	(183,277,000)	-	(183,277,000)	(159,758,215)	23,518,785	48.11
Remuneration of councillors	(14,414,000)	-	(14,414,000)	(13,949,006)	464,994	48.12
Depreciation and amortisation	(45,121,000)	-	(45,121,000)	(51,872,417)	(6,751,417)	48.13
Finance costs	(1,456,000)	(2,544,000)	(4,000,000)	(15,089,426)	(11,089,426)	48.14
Lease rentals on operating lease	-	-	-	(1,524,345)	(1,524,345)	48.15
Debt Impairment	(38,181,000)	-	(38,181,000)	-	38,181,000	48.16
Repairs and maintenance	-	-	-	(16,959,706)	(16,959,706)	48.17
Bulk purchases	(56,078,000)	(24,934,000)	(81,012,000)	(70,240,167)	10,771,833	48.18
Contracted services	(24,998,000)	(11,302,000)	(36,300,000)	(14,352,478)	21,947,522	48.19
General expenses	(111,215,000)	18,445,000	(92,770,000)	(63,582,043)	29,187,957	48.20
Total expenditure	(474,740,000)	(20,335,000)	(495,075,000)	(407,327,803)	87,747,197	
Operating surplus	111,597,000	(147,901,000)	(36,304,000)	17,177,089	53,481,089	
Loss on disposal of assets and liabilities	-	-	-	(475,220)	(475,220)	48.21
Surplus before taxation	111,597,000	(147,901,000)	(36,304,000)	16,701,869	53,005,869	
Surplus for the year from continuing operations	111,597,000	(147,901,000)	(36,304,000)	16,701,869	53,005,869	
Actuarial valuation movement	-	-	-	19,004,711	19,004,711	48.22
Actual Amount on Comparable Basis as Presented in the Budget and Actual Statement	111,597,000	(147,901,000)	(36,304,000)	35,706,580	72,010,580	

Ramotshere Moiloa Local Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Refer to note 48 for material differences explanations between the final budget and the actual amounts.

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparations

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

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

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

These accounting policies are consistent with the previous period.

1.2 Going concern assumption

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

Management considers key financial metrics and approved medium-term budgets, MFMA Section 71 reports together with the municipality's dependency on grants from national and provincial government, to conclude that the going concern assumption used in the compiling of its annual financial statements, is appropriate. The COVID-19 disaster has not yet affected the going concern assumption, however management is continuously assessing any indicators of negative impact.

1.3 Significant judgements and sources of estimation uncertainty

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

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

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

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality 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, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

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. The recoverable service amount of non-cash-generating assets have been determined on the higher of value-in-use calculations and fair value less cost 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 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 goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand, together with economic factors such as exchange rates, inflation rates and interest rates.

Provisions

Provisions were raised and management determined an estimate based on the information available. Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Provision for landfill sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers are utilised annually to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates linked to appropriate government bond rates were used to calculate the effect of time value of money.

Useful lives of waste and water network and other assets

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

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Distribution losses

The municipality recognises electricity distribution losses. Management calculates the distribution losses based on the energy that was not recovered after deducting internal usage.

The municipality recognises water distribution losses. Management calculates the distribution losses based on the water not recovered as a result of burst pipes, leaks and unmetered water sites.

1.4 Investment property

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

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

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

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

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

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

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

Cost model

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

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	50 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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

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

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

Ramotshere Moiloa Local Municipality

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Accounting Policies

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

Property, plant and equipment 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.

Ramotshere Moiloa Local Municipality

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Accounting Policies

1.5 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	20 - 100 years
Plant and machinery	Straight-line	3 - 10 years
Furniture and fixtures	Straight-line	3 - 10 years
Motor vehicles	Straight-line	5 - 10 years
Office equipment	Straight-line	3 - 10 years
Infrastructure	Straight-line	20 - 100 years
Community	Straight-line	20 - 100 years
Other property, plant and equipment	Straight-line	3 - 10 years
Roads and Stormwater Assets	Straight-line	20 - 100 years
Electricity assets	Straight-line	20 - 100 years
Other assets	Straight-line	3 - 10 years

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

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

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

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

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

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

Accounting Policies

1.6 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

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

1.7 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.

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

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Accounting Policies

1.7 Intangible assets (continued)

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	1-5 years

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Accounting Policies

1.8 Heritage assets

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

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

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Derecognition

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

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

Ramotshere Moiloa Local Municipality

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Accounting Policies

1.9 Financial instruments

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

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

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

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

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

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

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

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

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

A financial asset is:

- cash;
- a residual interest of another entity; or
- 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.

Ramotshere Moiloa Local Municipality

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Accounting Policies

1.9 Financial instruments (continued)

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

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

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

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

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

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

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

- equity instruments or similar forms of 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.

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
Other financial asset	Financial asset measured at fair value
Cash and cash equivalents	Financial asset measured at fair value
Receivables from exchange transactions	Financial asset measured at amortised cost

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Accounting Policies

1.9 Financial instruments (continued)

Receivables from non-exchange transaction

Financial asset measured at amortised cost

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

Class	Category
Trade and other payables from exchange transactions	Financial liability measured at fair value

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Ramotshere Moiloa Local Municipality

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Accounting Policies

1.9 Financial instruments (continued)

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

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

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

Gains and losses

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

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

Impairment and uncollectibility 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.

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

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

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

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

- Significant financial difficulty experienced by the borrower/debtor
- Delays in payments (including interest payments) or failure to pay/defaults
- For economic or legal reasons, allowing disadvantaged customers who are experiencing financial difficulties to pay as and when they can. The entity would not otherwise have considered this concession. For example, allowing disadvantaged customers to pay their account when they can due to the fact that the water it supplies to the customer is a basic human right;
- It is probable that the borrower/debtor will enter sequestration (bankruptcy) or other financial reorganisation;
- The disappearance of an active market for the financial asset because of financial difficulties
- Observable data, for example historical data, indicating that there is a decrease in the estimated future cash flows that will be received (which can be measured reliably), from a group of financial assets (financial assets with similar credit risk characteristics grouped together) since the initial recognition of those assets. The decrease may not yet be identified for the individual financial assets in the group. These can include:
 - the payment status of borrowers/debtors in the group has deteriorated (e.g. an increased number of delayed payments); or
 - national or local economic conditions that are in line with non-payments in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers/debtors, or adverse changes in market conditions that affect the borrowers/debtors in the group)
- Accounts in arrears for a period longer than the initial estimated repayment period;
- Accounts with arrears of over 90 days showing no repayments in the last financial year
- Accounts handed over for collection;
- Any negative changes in the ability of debtors and borrowers to repay the amounts due to the entity (e.g. an increased number of late payments);
- A breach in contract, such as a default in interest or capital payments.

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Accounting Policies

1.9 Financial instruments (continued)

Management need not utilize all the indicators given above as guidance but only use the indicators to which management has sufficient information to make the assessment for possible or actual impairment.

Refer to notes 8 and 9 for the impact of the above application.

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Ramotshere Moiloa Local Municipality

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Accounting Policies

1.9 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

the contractual rights to the cash flows from the financial asset expire, are settled or waived; the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or the 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:

- derecognises the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

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

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

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

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

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

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

Ramotshere Moiloa Local Municipality

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Accounting Policies

1.9 Financial instruments (continued)

Financial liabilities

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

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

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

Presentation

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

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

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

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 recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

Ramotshere Moiloa Local Municipality

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Accounting Policies

1.10 Statutory receivables

Identification

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

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Accounting Policies

1.10 Statutory receivables (continued)

Impairment losses

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

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

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

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

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

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

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

Derecognition

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

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

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

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Accounting Policies

1.11 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

Ramotshere Moiloa Local Municipality

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Accounting Policies

1.12 Inventories

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

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

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

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

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

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

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

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

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.

1.13 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

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

1.14 Impairment of cash-generating assets

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

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

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

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

Ramotshere Moiloa Local Municipality

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Accounting Policies

1.14 Impairment of cash-generating assets (continued)

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

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

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

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

Useful life is either:

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

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.15 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

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Accounting Policies

1.15 Construction contracts and receivables (continued)

Designation

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

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

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

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.16 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

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Accounting Policies

1.16 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other long term employee benefits

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value.

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Accounting Policies

1.17 Provisions and contingencies

Provisions are recognised when:

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

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

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

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.

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

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Accounting Policies

1.19 Revenue from exchange transactions

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

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

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

Measurement

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

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

Sale of goods

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Ramotshere Moiloa Local Municipality

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Accounting Policies

1.20 Revenue from non-exchange transactions

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

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

Control of an asset 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.

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

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

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

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

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

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

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

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

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

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.

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Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

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

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

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

Taxes

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

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

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

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

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

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

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

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

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

Taxation revenue are not grossed up for the amount of tax expenditures.

Government grants and subsidies

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction 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.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available, which in most cases is on receipt.

Ramotshere Moiloa Local Municipality

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Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Fines

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

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

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

Gifts and donations, including goods in-kind

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

1.21 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value-added taxation.

1.22 Investment income

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

1.23 Borrowing costs

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

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

1.24 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Ramotshere Moiloa Local Municipality

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Accounting Policies

1.24 Accounting by principals and agents (continued)

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.25 Comparative figures

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

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.

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.

Detailed disclosures are made in note 62 to the annual financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003)

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.

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

Detailed disclosures are made in note 63 to the annual financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

1.28 Irregular expenditure

Irregular expenditure as defined by the Municipal Finance Management Act, (Act No. 56 of 2003) is expenditure incurred by a municipality or municipal entity that is not in accordance with or in contravention of:

- a) the MFMA, and which has not been condoned in terms of sections 170
- b) the Municipal Systems Act (Act No. 32 of 2000),
- c) the Public Office Bearers Act (Act No. 20 of 1998)
- d) the requirements of the entity's supply chain management policy of the municipality or municipal entity or in or in accordance with the municipality's by-laws giving effect to such policy and which has not been condoned in terms of such policy or by-law.

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.28 Irregular expenditure (continued)

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.

Detailed disclosures are made in note 64 to the annual financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.29 Budget information

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

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

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

The approved budget covers the fiscal period from 01/07/2022 to 30/06/2023.

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

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury. Explanatory comments to material differences are provided in note to the annual financial statements. Material differences are differences between final budget and actual with a variance of more than 10%.

1.30 Related parties

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

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

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

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

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

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

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

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

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

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.31 Events after reporting date

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

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

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

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

1.32 Expenditure

Expenditure includes bulk purchases, contracted services, general expenses and repairs and maintenance. Expenses are decreases in economic benefits or service potential during the reporting period in the form outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

Expenses are recognised in the period in which they are incurred.

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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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 not adopted any standards and interpretations that are effective for the current financial year and that are relevant to its operations.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	No effective date	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	01 April 2023	Unlikely there will be a material impact
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	No effective date	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

3. Inventories

Consumable stores	8,925,121	9,686,823
Inventories recognised as an expense during the year	33,054	461,678

Inventory pledged as security

No inventory assets were pledged as security for liabilities.

4. Receivables from exchange transactions

Prepayments	798,723	539,533
Third party vendors	15,558,352	15,915,339
Housing debtors	4,113,570	4,113,570
Rental debtors	52,585	52,585
	20,523,230	20,621,027

Third party vendors

The municipality has a system for prepaid electricity whereby customers can purchase electricity through a third-party vendor, the money from customers is received by a third party whom in turn pay over to the municipality the amount received net of commission and transaction fees.

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
5. Receivables from non-exchange transactions		
Fines	4,128,410	1,569,358
Employee advances	3,125	3,125
Sundry debtors	46,554	46,554
	4,178,089	1,619,037
6. Consumer debtors		
Gross balances		
Rates	(93,819,733)	(65,117,695)
Electricity	450,860,510	415,685,782
Water	160,199,792	150,249,164
Sewerage	35,130,070	31,243,014
Refuse	97,484,604	86,277,923
Other services	(387,503,880)	(387,503,880)
	262,351,363	230,834,308
Less: Allowance for impairment		
Rates	(58,651,677)	(58,651,677)
Electricity	(31,884,079)	(31,884,079)
Water	(7,355,903)	(14,247,686)
Refuse and other	(18,194,639)	(18,194,639)
	(116,086,298)	(122,978,081)
Net balance		
Rates	(152,471,410)	(123,769,372)
Electricity	418,976,431	383,801,703
Water	152,843,889	136,001,478
Sewerage	35,130,070	31,243,014
Refuse	79,289,965	68,083,284
Other services	(387,503,880)	(387,503,880)
	146,265,065	107,856,227
Rates		
Current (0 -30 days)	-	7,265,774
31 - 60 days	-	3,659,737
61 - 90 days	-	3,659,611
91 - 120 days	-	3,660,707
121 - 365 days	-	336,046,554
	-	354,292,383
Electricity		
Current (0 -30 days)	-	5,494,625
31 - 60 days	-	2,746,878
61 - 90 days	-	2,635,798
91 - 120 days	-	2,630,557
121 - 365 days	-	383,167,983
	-	396,675,841

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
6. Consumer debtors (continued)		
Water		
Current (0 -30 days)	-	1,664,773
31 - 60 days	-	863,914
61 - 90 days	-	1,068,119
91 - 120 days	-	779,396
121 - 365 days	-	146,115,389
	-	150,491,591
Sewerage		
Current (0 -30 days)	-	619,001
31 - 60 days	-	309,260
61 - 90 days	-	309,052
91 - 120 days	-	311,121
121 - 365 days	-	30,796,735
	-	32,345,169
Refuse		
Current (0 -30 days)	-	1,868,022
31 - 60 days	-	932,940
61 - 90 days	-	931,566
91 - 120 days	-	932,708
121 - 365 days	-	81,037,353
	-	85,702,589
Other services		
Current (0 -30 days)	-	(13,452,324)
31 - 60 days	-	(4,885,959)
61 - 90 days	-	(45,101,700)
91 - 120 days	-	(7,583,551)
121 - 365 days	-	(709,599,146)
	-	(780,622,680)
Reconciliation of allowance for impairment		
Balance at beginning of the year	-	(122,978,081)

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	1,931,683	2,235,421
Bank balances	1,630,223	338,891
Short-term deposits	2,214,337	14,150,450
	5,776,243	16,724,762

The municipality invests unused funds in FNB Call Deposits and ABSA Call deposits accounts to earn interest. These funds are withdrawn as and when required.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
FNB BANK - 62200495960	150,665	49,534	26,662	150,665	49,534	26,662
FNB BANK - 62224998023	215,887	36,258	57,195	215,887	36,258	57,195
FNB BANK - 54351140693 (Secondary account)	249,945	5,903	280,632	249,945	5,903	280,632
FNB BANK - 62063144431 (Main account)	1,013,725	247,196	1,129,541	1,013,725	247,196	1,129,541
ABSA 20-5825-7453	55,970	52,779	50,621	55,970	52,779	50,621
ABSA 93 0488 7397	68,693	65,217	63,614	68,693	65,217	63,614
ABSA 93 0779 6777	323,131	306,035	298,063	323,131	306,035	298,063
FNB 62689530775	1,083,044	18,950	220,393	1,083,044	18,950	220,393
FNB 62738773151	11,531	10,795	1,488	11,531	10,795	1,488
FNB 62738772418	284,990	8,456	1,879,306	284,990	8,456	1,879,306
FNB 62738773614	386,979	13,688,220	1,519	386,979	13,688,220	1,519
Total	3,844,560	14,489,343	4,009,034	3,844,560	14,489,343	4,009,034

8. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	46,095,229	(1,899,593)	44,195,636	46,747,706	(1,815,709)	44,931,997

Reconciliation of investment property - 2023

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Investment property	44,931,997	492,943	(409,060)	(736,361)	(83,883)	44,195,636

Reconciliation of investment property - 2022

	Opening balance	Disposals	Depreciation	Total
Investment property	45,144,815	(128,935)	(83,883)	44,931,997

Pledged as security

No investment property was pledged as security by the municipality.

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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8. 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.

Amounts recognised in surplus or deficit

Rental revenue from investment property	99,605	83,072
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9. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	30,458,096	-	30,458,096	30,458,096	-	30,458,096
Buildings	75,141,668	(59,372,074)	15,769,594	75,141,668	(56,886,478)	18,255,190
Plant and machinery	5,534,702	(3,937,720)	1,596,982	3,125,154	(1,420,518)	1,704,636
Furniture and fixtures	606,442	(509,980)	96,462	545,109	(487,054)	58,055
Motor vehicles	12,896,497	(8,131,060)	4,765,437	10,176,707	(7,547,395)	2,629,312
Office equipment	3,577,530	(3,408,531)	168,999	448,360	(371,533)	76,827
IT equipment	2,638,507	(1,596,907)	1,041,600	5,903,802	(4,204,761)	1,699,041
Infrastructure	964,211,096	(422,383,864)	541,827,232	915,453,128	(381,006,099)	534,447,029
Community	139,885,251	(94,824,274)	45,060,977	139,885,251	(90,005,637)	49,879,614
Leased assets	2,823,539	(2,823,539)	-	2,823,539	(2,823,539)	-
Work in progress	36,427,160	-	36,427,160	31,697,558	-	31,697,558
Landfill sites	12,488,000	(9,190,993)	3,297,007	12,488,000	(8,291,979)	4,196,021
Other assets	3,152,384	(3,068,854)	83,530	5,336,361	(5,161,965)	174,396
Total	1,289,840,872	(609,247,796)	680,593,076	1,233,482,733	(558,206,958)	675,275,775

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Difference	Additions	Disposals	Transfers received	Transfers	Other	Depreciation	Total
Land	30,458,096	-	-	-	-	-	-	-	30,458,096
Buildings	18,255,190	-	-	-	-	-	110,694	(2,596,290)	15,769,594
Plant and machinery	1,704,636	-	188,374	-	-	-	94,885	(390,913)	1,596,982
Furniture and fixtures	58,055	-	64,952	-	-	-	5,566	(32,111)	96,462
Motor vehicles	2,629,312	-	2,727,790	-	-	-	177,498	(769,163)	4,765,437
Office equipment	76,827	-	5,120	-	-	-	336,184	(249,132)	168,999
IT equipment	1,699,041	-	27,500	(64,681)	-	-	(300,758)	(319,502)	1,041,600
Infrastructure	534,447,029	-	2,887,926	(424,252)	46,637,426	-	(110,693)	(41,610,204)	541,827,232
Community	49,879,614	-	-	-	-	-	-	(4,818,637)	45,060,977
Work in progress	31,697,558	(60,000)	48,438,080	-	-	(43,485,366)	(163,112)	-	36,427,160
Landfill sites	4,196,021	-	-	-	-	-	-	(899,014)	3,297,007
Other assets	174,396	-	-	-	-	-	(9,979)	(80,887)	83,530
	675,275,775	(60,000)	54,339,742	(488,933)	46,637,426	(43,485,366)	140,285	(51,765,853)	680,593,076

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other	Donated assets	Depreciation	Total
Land	30,489,582	-	(31,486)	-	-	-	-	-	30,458,096
Buildings	20,359,514	-	(4,386)	-	-	-	-	(2,099,938)	18,255,190
Plant and machinery	2,099,276	-	-	-	-	82,552	-	(477,192)	1,704,636
Furniture and fixtures	95,980	-	-	-	-	38,395	-	(76,320)	58,055
Motor vehicles	1,019,193	2,381,464	(63,996)	-	-	1,208,589	-	(1,915,938)	2,629,312
Office equipment	111,856	-	-	-	-	30,471	-	(65,500)	76,827
IT equipment	1,373,713	1,254,884	(87,462)	-	-	163,641	-	(1,005,735)	1,699,041
Infrastructure	529,941,498	-	(5,030,049)	37,882,078	-	-	-	(28,346,498)	534,447,029
Community	54,780,970	-	(3,529)	-	-	-	-	(4,897,827)	49,879,614
Work in progress	33,199,878	38,908,152	-	-	(37,882,078)	-	(2,528,394)	-	31,697,558
Landfill sites	5,095,034	-	-	-	-	-	-	(899,013)	4,196,021
Other assets	429,551	-	-	-	-	404,440	-	(659,595)	174,396
	678,996,045	42,544,500	(5,220,908)	37,882,078	(37,882,078)	1,928,088	(2,528,394)	(40,443,556)	675,275,775

Pledged as security

No property, plant and equipment were pledged as security.

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

Repairs and maintenance (16,959,706) (14,969,619)

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.

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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10. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	4,671,633	(4,648,952)	22,681	4,671,633	(4,626,271)	45,362

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	45,362	(22,681)	22,681

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, other	216,471	(171,109)	45,362

Pledged as security

No intangible assets were pledged as security.

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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11. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Other	404,550	-	404,550	404,550	-	404,550

Reconciliation of heritage assets 2023

	Opening balance	Total
Other	404,550	404,550

Reconciliation of heritage assets 2022

	Opening balance	Total
Other	404,550	404,550

Age and/or condition of heritage assets

An assessment of the heritage assets was performed during the current financial year and the assessed assets were considered to be in fair and good condition.

Pledged as security

No heritage assets were pledged as security.

12. Other financial liabilities

At amortised cost

DBSA Loan 102400/1 1,131,204 1,148,939

The loan has fixed interest rate of 5% per annum and is repayable in 40 equal instalments. The loan period is 20 years expiring in 30 September 2028.

DBSA Loan 100702/1 419,562 420,478

The loan has fixed interest of 11.73% per annum and is repayable in 40 half yearly instalments. The loan period is 20 years and redemption date is 30 June 2026.

Short term portion of DBSA Loans 376,589 370,573

1,927,355 1,939,990

Total other financial liabilities

1,927,355 1,939,990

Non-current liabilities

At amortised cost 1,550,766 1,569,417

Current liabilities

At amortised cost 376,589 370,573

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
13. Payables from exchange transactions		
Trade payables	121,793,929	96,326,083
Payments received in advanced - contract in process	-	1,967,772
Unallocated deposits	10,813,649	10,272,920
Accrued leave pay	14,269,037	13,588,706
Accrued bonus	3,552,451	3,988,967
Purchase accrual	93,424	93,424
Deposits received	167,092	168,400
Third party payables	2,435,902	7,284,354
Motor fees control	(2,421,380)	(691,346)
Retentions	11,973,649	9,586,949
Sundry payables	-	2,605
Net clearing salary	772,853	79,184
	163,450,606	142,668,018

14. VAT receivable / (payable)

VAT receivable / (payable)	367,978	(4,747,563)
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Ramotshere Moiloa Local Municipality is registered as a Category C (monthly) vendor as contemplated in section 27(3) of the VAT Act No.89 of 1991, submitting VAT returns on a monthly basis.

The municipality calculates monthly tax payable in terms of Section 16(3)(b)(i), where a vendor in terms of Section 15 is required to account for tax payable on a payment basis (or cash basis).

All VAT returns have been submitted by the due date throughout the year.

15. Consumer deposits

Electricity	1,462,022	1,424,088
Water	1,206,280	1,091,656
	2,668,302	2,515,744

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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16. Employee benefit obligations

Defined contribution plan

The municipality has a policy to subsidise post-employment health care costs of employees that belongs to medical scheme after retirement. The subsidy covers the employees as well as spouse or dependent.

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(45,840,000)	(52,970,000)
Non-current liabilities	(42,771,000)	(52,055,000)
Current liabilities	(3,069,000)	(915,000)
	(45,840,000)	(52,970,000)

The municipality has no further obligation to cover unfunded benefits.

Category

Current (in service) members	233	237
Continuation members (pensioners)	18	18

Medical Aid

Non-Current Liabilities	35,990,000	42,596,000
Current Liabilities	921,000	915,000
	36,911,000	43,511,000

Long Service Awards

Non-Current Liabilities	6,781,000	7,188,840
Current Liabilities	2,148,000	2,270,160
	8,929,000	9,459,000

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

Opening balance	52,970,000	47,720,000
Net expense recognised in the statement of financial performance	(7,130,000)	5,250,000
	45,840,000	52,970,000

Net expense recognised in the statement of financial performance

Current service cost	3,188,000	2,258,000
Interest cost	6,906,000	4,896,000
Actuarial (gains) losses	(15,529,000)	(1,072,000)
Benefits paid	(1,695,000)	(832,000)
	(7,130,000)	5,250,000

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

	2023	2022	2021	2020	2019
Defined benefit obligation - Medical aid	36,911,000	43,511,000	38,261,000	32,929,000	32,041,000

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16. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount Rate - Pension Fund	5.83 %	5.47 %
Discount Rate - Medical Aid	12.56 %	10.54 %
Discount Rate - Long Service Award	10.92 %	6.98 %
Expected increase in healthcare costs	7.00 %	6.57 %
Inflation rate - Medical Aid	8.16 %	4.55 %
Salary Inflation Rate - Long Service Awards	6.39 %	3.75 %
Expected retirement age (in years)	62 years	62 years

A health care cost inflation rate of 6.57% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 5.07%.

A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 3.73% which derives from $((1+10.54\%)/(1+6.57\%))-1$.

The expected inflation assumption of 5.07% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (4.72%) and those of fixed interest bonds (10.54%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: $((1+10.54\%-0.50\%)/(1+4.72\%))-1$.

Withdrawal rate assumptions

Generally observed in the South African market.

The withdrawal rates vary from 3% to 9% for the age group 20 - 50 years, while the estimated withdrawal rate from 55 years is calculated at 0%.

Other assumptions

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

Discount rate

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments and estimates the discount rate for longer maturities by extrapolating current markets rates along the yield curve.

The nominal and real zero curves were used as at 30 June 2023 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, the prevailing yield at the time of performing calculations is used.

Medical aid inflation

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) discount rate for each relevant time period and the (yield curve based) medical aid contribution inflation for each relevant time period.

Sensitivity analysis

The valuation is only an estimate of the cost of providing post-employment medical aid benefits. The actual cost to the municipality will be dependent on actual future levels of assumed variables.

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

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16. Employee benefit obligations (continued)

- 20% increase/decrease in the assumed level of mortality
- 1% increase/decrease in the Medical Aid inflation

Mortality rate

Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the municipality. If the actual rate of mortality turns out higher than the rates assumed in the valuation basis, the cost to the municipality in the form of subsidies will reduce and vice versa.

The effect of higher and lower mortality rates has been illustrated by increasing and decreasing the mortality rates by 20%. The effect is as follows:

	-20% Mortality rate	Valuation assumption	+20% Mortality rate
Total accrued liability	29,788,333	35,746,000	42,895,200
Interest cost	5,755,000	6,906,000	8,287,200
Service cost	2,656,667	3,188,000	3,825,600
	38,200,000	45,840,000	55,008,000

Inflation

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

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

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16. Employee benefit obligations (continued)

	-1% Mortality rate	Valuation assumption	+1% Mortality rate
Total accrued liability	35,392,079	35,746,000	36,103,460
Interest cost	6,837,624	6,906,000	6,975,060
Service cost	3,156,436	3,188,000	3,219,880
	45,386,139	45,840,000	46,298,400

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

APN 301 states that the assumptions should be realistic and mutually compatible. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next. The most relevant actuarial assumptions used in this valuation are discussed below.

Long service award

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

The municipality, in substance, underwrites the actuarial and investment risks associated with the plan. Consequently, the expense recognised for the defined benefit plan is the full additional liability accrued due to additional benefit entitlement. The municipality's net obligation in respect of the defined benefit long service allowances is the present value of the defined benefit obligation. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows of the benefits that will be paid to employees and using suitable interest rates.

The calculation is performed by registered actuaries using the projected unit credit funding method. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out for the year ended 30 June 2023.

At year end, 291 (2022: 291) employees were eligible for Long-services awards.

The two most important financial variables used in the actuarial valuation are the discount rate and salary inflation. The valuers have assumed the following values for these variables:

i) Rate of interest	
Discount rate	Yield curve
Normal salary increases rate	CPI+1%
CPI (Consumer Price Inflation)	Difference between nominal and real yield curve

The discount rate was determined by deducing from the yield curve from the Bond Exchange of South Africa after the market closed at the reporting date.

ii) Mortality rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

iii) Normal retirement age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements. It has also been assumed that the normal retirement age (NRA) for all active employees is 65 years.

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

	2023	2022	2021	2020	2019
Defined benefit obligation - Long service award	8,929,000	9,459,000	9,131,000	7,587,000	7,388,000

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16. Employee benefit obligations (continued)

Financial variances

The two most important financial variables used in the valuation are the discount- and medical aid inflation rates. The valuers have assumed the following values for these variables:

	Current Valuation at 30 June 2023	Preceding Valuation at 30 June 2022
Discount Rate	Yield Curve	Yield Curve
CPI (Consumer Price Inflation)	Difference between nominal and yield curve CPI+1%	Difference between nominal and yield curve CPI+1%
Medical Aid Contribution Inflation	Yield Curve based	Yield Curve based
Net Effective Discount Rate		

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality rates

The valuers assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their males' spouses at retirement and vice versa.

Post-employment medical aid liabilities

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

Valuation of assets

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

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant	- 13,637,152
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18. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	43,873,204	(3,475,711)	40,397,493

Reconciliation of provisions - 2022

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	39,280,565	688,151	3,904,488	43,873,204

Environmental rehabilitation provision

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act (Act no. 28 of 2002). The provision was determined by an independent expert as at 30 June 2023. And approximate the discounted expected future cash flows using reasonable estimation techniques.

The provision is for the rehabilitation of 3 landfill sites namely the Zeerust landfill site, Lehurutse landfill site and the Groot Marico landfill site.

It is estimated that the rehabilitation process will be finalised in 2030 for the Zeerust landfill site, 2025 for the Lehurutse landfill site and 2024 for the Groot Marico landfill site.

Rehabilitation cost was estimated using criteria for closure detailed in the Minimum Requirement for Waste Disposal by Landfill. Provision is made in terms of the municipality's licensing stipulations on the landfill waste sites, for the estimated cost of rehabilitating the waste sites.

The movement in the provision of the landfill site in the 2023 financial year is due to a new calculation obtained from engineers who calculated the estimate costs to rehabilitate the landfill sites. The change in discount rates and estimates also impacted the IGRAP 2 adjustment.

The contribution to the provision is based on the average Consumer Price Inflation which is calculated at 6.39% (2022: 7.73%).

The cost as at 30 June 2023 has been escalated annually with the average Consumer Price Index until the estimated time of closure and discounted to present value using the relevant South African Government Bond rates. All other adjustments are in line with the provisions of IGRAP 2.

19. Revenue

Service charges	77,954,546	75,333,086
Licences and permits	3,592,383	3,475,509
Royalties received	248,901	783,446
Rental income	99,605	88,792
Sale of tender documents	2,711,438	985,507
Sale of land	25,761	513,627
Interest received - investment	2,374,282	805,190
Property rates	54,300,812	53,654,175
Government grants & subsidies	280,177,464	261,158,526
Fines, Penalties and Forfeits	3,019,700	1,713,001
	424,504,892	398,510,859

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19. Revenue (continued)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	77,954,546	75,333,086
Licences and permits	3,592,383	3,475,509
Royalties received	248,901	783,446
Rental income	99,605	88,792
Sale of tender documents	2,711,438	985,507
Sale of land	25,761	513,627
Interest received - investment	2,374,282	805,190
	87,006,916	81,985,157
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	54,300,812	53,654,175
Transfer revenue		
Government grants & subsidies	280,177,464	261,158,526
Fines, Penalties and Forfeits	3,019,700	1,713,001
	337,497,976	316,525,702
20. Service charges		
Sale of electricity	56,759,132	54,836,632
Sale of water	8,650,557	8,584,412
Sewerage and sanitation charges	292,581	217,186
Refuse removal	12,252,276	11,694,856
	77,954,546	75,333,086
21. Licences and permits		
Licences and permits	3,592,383	3,475,509
22. Investment revenue		
Interest revenue		
Bank	2,374,282	805,190

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23. Property rates

Rates received

Residential	26,857,221	26,379,201
Commercial	16,417,994	15,122,918
State	683,407	700,778
Agriculture	10,342,190	11,451,278
	54,300,812	53,654,175

Property rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 01 July 2019. Interim valuations are processed on a continuous basis taking into account changes in individual property values due to alterations and subdivisions.

Valuations

Residential	1,965,065,261	1,965,065,261
Commercial	638,081,943	638,081,943
State	194,595,404	194,595,404
Agriculture	3,253,053,851	3,253,053,851
Other	674,000	674,000
	6,051,470,459	6,051,470,459

The new general valuation will be implemented on 01 July 2024.

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Figures in Rand	2023	2022
24. Government grants & subsidies		
Operating grants		
Equitable share	215,223,000	195,727,000
Library grant	-	887,000
LG SETA	246,492	222,450
NMMDM Water Grant	5,282,820	11,170,228
Financial Management Grant	2,300,000	2,200,000
Expanded Public Works Programme	1,383,000	1,212,000
I.N.E.P Eskom Grant	-	4,250,000
	224,435,312	215,668,678
Capital grants		
Municipal Infrastructure Grant	55,742,152	45,489,848
	280,177,464	261,158,526

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	13,637,152	-
Current-year receipts	42,105,000	59,127,000
Conditions met - transferred to revenue	(55,742,152)	(45,489,848)
	-	13,637,152

Conditions still to be met - remain liabilities (see note 17).

'Purpose of the grant is to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, microenterprises and social institutions servicing poor communities. And to provide specific funding for the development of asset management plans for infrastructure servicing the poor

Library grant

Current-year receipts	-	887,000
Conditions met - transferred to revenue	-	(887,000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

'Purpose of the grant is to transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised programme at provincial level in support of local government and national initiatives.

Financial Management Grant

Current-year receipts	2,300,000	2,200,000
Conditions met - transferred to revenue	(2,300,000)	(2,200,000)
	-	-

Purpose of the grant is to provide direct support to municipalities to develop financial management and technical capacity for the implementation of the MFMA, its regulations and associated financial reforms

Expanded Public Works Programme

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Figures in Rand	2023	2022
24. Government grants & subsidies (continued)		
Current-year receipts	1,383,000	1,212,000
Conditions met - transferred to revenue	(1,383,000)	(1,212,000)
	-	-

The purpose of the grant is to expand work creation efforts through the use of labour incentives delivery methods in identified focus areas, in compliance with Expanded Public Works Programme (EPWP) guidelines.

25. Fines, Penalties and Forfeits

Court Traffic Fines	200	1,900
Municipal Traffic Fines	3,019,500	1,711,101
	3,019,700	1,713,001

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26. Employee related costs		
Basic	90,504,575	92,910,401
Bonus	6,997,141	7,097,631
Medical aid - company contributions	11,579,753	11,017,786
UIF	671,276	690,746
SDL	1,279,569	1,281,991
Pension fund contributions	17,452,908	16,999,683
Risk allowance	-	654,571
Travel allowances	6,705,151	7,061,141
Overtime payments	14,133,912	12,043,428
Long-service awards	876,132	809,228
Acting allowances	1,431,911	463,428
Housing benefits and allowances	876,851	869,195
Cellphone allowances	374,257	397,498
Bargaining council	37,800	37,760
Leave payout	1,465,894	971,824
Standby allowance	3,634,270	3,311,341
Bonus provision	(436,516)	351,920
Provision for employee benefit obligations	1,493,000	1,263,000
Leave pay provision	680,331	(495,943)
	159,758,215	157,736,629

Remuneration of the Acting Director Community Service - Mr ME Mangope

Acting Allowance	59,734	-
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Remuneration of Director Technical Services - Mr M Mpshe

Annual Remuneration	892,128	892,128
Car Allowance	286,673	286,673
Contributions to UIF, Medical and Pension Funds	2,125	2,125
SDL	11,395	11,395
Cellphone	18,000	18,000
	1,210,321	1,210,321

Remuneration of Director Community Services - Mr T Seleka

Annual Remuneration	892,128	892,128
Car Allowance	286,673	286,673
Acting Allowance	68,458	-
Contributions to UIF, Medical and Pension Funds	2,125	2,125
SDL	11,395	11,395
Cellphone	18,000	18,000
	1,278,779	1,210,321

Remuneration of Director Local Economic Development - Mr R Mojapelo

Annual Remuneration	892,128	892,128
Car Allowance	286,673	286,673
Acting Allowance	62,139	-
Contributions to UIF, Medical and Pension Funds	2,125	2,125
SDL	10,382	9,761
Cellphone	18,000	18,000
	1,271,447	1,208,687

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26. Employee related costs (continued)		
Remuneration of Municipal Manager - Mr F T Mabokela		
Annual Remuneration	699,901	1,402,686
Contributions to UIF, Medical and Pension Funds	886	1,948
SDL	7,085	14,260
Cellphone	8,576	23,344
	716,448	1,442,238
Remuneration Chief Finance Officer - Ms M Moloto		
Annual Remuneration	547,282	929,963
Car Allowance	95,558	286,673
Contributions to UIF, Medical and Pension Funds	708	2,125
SDL	6,297	11,773
Cellphone	6,000	18,000
	655,845	1,248,534
Remuneration Director Corporate Services - Adv B G Selebogo		
Annual Remuneration	570,005	906,822
Car Allowance	79,783	271,980
Contributions to UIF, Medical and Pension Funds	708	2,125
SDL	6,391	11,424
Cellphone	5,220	18,000
	662,107	1,210,351
Remuneration of the Acting Director Technical Services - Mr RT Mtshali		
Acting Allowance	5,327	-
Remuneration of the Acting Director Local Economic Development - Mr OI Gasealahwe		
Acting Allowance	5,211	-
Remuneration of the Acting Chief Financial Officer - Mr OO Tofile		
Acting Allowance	200,190	-
Remuneration of the Acting Chief Financial Officer - Mr MS Lekaba		
Acting Allowance	59,734	-
Remuneration of the Acting Director Community Service - Mr TE Merafe		
Acting Allowance	249,955	-

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27. Remuneration of councillors		
Executive Mayor	941,029	661,779
Speaker	973,774	628,203
Councillors	12,034,203	12,594,494
	13,949,006	13,884,476
In-kind benefits		
The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.		
The Mayor has one full-time bodyguard.		
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.		
28. Depreciation and amortisation		
Property, plant and equipment	51,765,853	41,487,459
Investment property	83,883	83,883
Intangible assets	22,681	171,109
	51,872,417	41,742,451
29. Finance costs		
Non-current borrowings	135,345	143,992
Trade and other payables	8,048,081	3,440,027
Landfill sites	-	3,904,488
Employee benefit obligations	6,906,000	5,877,000
	15,089,426	13,365,507
30. Lease rentals on operating lease		
Premises		
Contractual amounts	121,739	120,000
Equipment		
Contingent amounts	1,402,606	1,437,290
	1,524,345	1,557,290
31. Bulk purchases		
Electricity - Eskom	70,158,481	72,089,572
Water	81,686	81,686
	70,240,167	72,171,258
Electricity losses		
KwH	-	28,572,285
Cost of loss	-	48,872,240

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32. Contracted services		
Outsourced Services		
Meter Management	340,449	322,745
Security Services	14,012,029	12,203,258
	14,352,478	12,526,003
33. General expenses		
Advertising	553,696	515,038
Auditors remuneration	2,987,417	2,135,244
Bank charges	612,444	714,580
Cleaning	883,815	526,290
Consulting and professional fees	28,435,600	45,099,253
Consumables	3,676,519	1,643,582
Entertainment	2,550	59,926
Hire	2,053,550	4,186,177
Insurance	1,425,390	741,832
Community development and training	564,913	644,978
Conferences and seminars	17,610	37,125
Fuel and oil	3,839,031	2,170,791
Printing and stationery	1,980,664	1,601,260
Software expenses	1,163,164	1,929,637
Staff welfare	501,347	18,560
Subscriptions and membership fees	2,002,344	1,698,083
Telephone and fax	339,864	230,086
Training	372,771	256,304
Travel - local	1,444,073	563,331
Title deed search fees	3,308	5,981
Electricity	(69,524)	317,737
Uniforms	1,001,357	736,307
Inventory adjustment	38,539	503,473
Indigent subsidy	2,315,291	122,648
Tools	125,796	153,947
Extended public works program	1,277,850	1,228,230
Venue expenses	2,966,361	1,809,087
Other expenses	3,066,303	5,422,484
	63,582,043	75,071,971
34. Cash generated from operations		
Surplus (deficit)	35,706,580	(15,797,121)
Adjustments for:		
Depreciation and amortisation	51,872,417	41,742,451
Gain on sale of assets and liabilities	61,563,611	80,511,337
Debt impairment	-	6,891,783
Movements in retirement benefit assets and liabilities	(7,130,000)	14,709,000
Movements in provisions	(3,475,711)	(4,538,361)
Finance costs	70,240,167	72,171,258
Changes in working capital:		
Inventories	761,702	(1,615,130)
Receivables from exchange transactions	(203,755)	13,090,446
Consumer debtors	(31,943,134)	24,682,017
Other receivables from non-exchange transactions	-	204,510
Payables from exchange transactions	20,935,146	(3,345,648)
VAT	(5,133,802)	(472,882)
Unspent conditional grants and receipts	(13,637,152)	12,940,420
	179,556,069	241,174,080

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35. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	18,187,839	24,045,599
Total capital commitments		
Already contracted for but not provided for	18,187,839	24,045,599

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources and internally generated funds.

36. Contingencies

Various contractual claims are by contractors/suppliers, customers, community members and previous employees are currently in dispute and are subject to mediation. The potential extent of the liability cannot be determined, since its subject to litigation however an estimate for the expected outflow is as per below. A list of all files is kept within the municipality.

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36. Contingencies (continued)		
Contingent liabilities		
The following are contingent liabilities as at year end:		
Mathe Stephen Modise // RMLM	320,000	320,000
Ivan John Kleynhans & SA Kleynhans t/a Tapologo Lodge // RMLM	-	249,757
Abasebenzi (Pty)Ltd // RMLM	2,200,000	2,200,000
Trustees from time to time of Ikageleng Community trust // RMLM	425,000	-
Martinus Sephanus Smit // RMLM	200,000	200,000
Danel Le Grande // RMLM	425,000	425,000
	3,570,000	3,394,757

Ivan John Kleynhans & SA Kleynhans t/a Tapologo Lodge vs Ramotshere Moiloa Local Municipality

Application against RML Municipality for Urgent Interdict Pending Reconciliation of account number 9337. Matter has been postponed, instructed to find resolution out of court.

Judgement granted against RMLM, judgement has been appealed against and appeal has not proceeded as RMLM instructed an out of Court Resolution be found, the matter is pending

It was not practicable to estimate the contingent liability amount.

Abasebenzi vs Ramotshere Moiloa Local Municipality

Claim against RMLM of R2 200 000,00 for services rendered in terms of LGSETA agreement, parties are still in the process exchanging pleadings / notices and preparing for trial.

Pleadings have been fully exchanged and closed and parties are to finalise pre-trial process and apply for trial date. Arrangements to be finalised with Mr Mothami for consultation with LGSETA's Thando Nolwaza to confirm position of LGSETA.

Uncertainty exists around the ultimate timing of the outflow, if any, as it will be determined by the outcome of the trial, the matter is on-going, estimated legal costs to be paid to the municipality attorneys, M.E Tlou is R306 160,36. The possibility of reimbursement is unknown.

Ramotshere Moiloa Local Municipality vs Mathe Steven Modise

The matter is still pending at year end.

Ikageleng Community Trust vs Ramotshere Moiloa Local Municipality

Claim against RMLM of R425 000,00 by beneficiaries of Ikageng Community Trust in respect of RDP houses erected on their property, matter was removed from the roll of 19/3/2021 by applicant. Pleadings have been closed, discovery is done and Pre-trial in chambers has been postponed to 08/08/2023, currently preparing for trial.

Uncertainty exist around the timing of the outflow, the matter however is pending and estimated legal costs to be paid to M.E Tlou is R326 550,37. Possibility of reimbursement is unknown.

Danel le Grande vs Ramotshere Moiloa Local Municipality

The matter relates to the recession of a default judgement. Uncertainty exists around the timing of the outflow as the final decision lies with the judge handling the matter, the matter is still pending, estimated legal costs to be paid to Ntsamai Attorneys is R12 041,67. There's possibility of reimbursement.

Ramotshere Moiloa Local Municipality vs Martinus Sephanus Smit

The applicant is suing the municipality for damages resulting from malicious prosecution and unlawful arrest. The matter is pending at year end.

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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Figures in Rand	2023	2022
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37. Related parties

Relationships

Municipal Manager

Councillors

Members of key management

L Mokgatlhe

Refer to the General Information

Mr SM Lekaba (Acting Chief Financial Officer)

Mr. T Seleka (Director Community Services)

Mr. R Mojapelo (Director Local Economic
Development)

Adv B Selebogo (Director Corporate Services)

Mr M Mpshe (Director Technical Services)

Key management information

Remuneration of Councillors

Councillors

2023

Ramotshere Moiloa Local Municipality

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Figures in Rand	2023	2022				
37. Related parties (continued)						
Name	Basic salary	Cellphone allowance	Travel allowance	Backpay	Other Allowances	Total
PR Mogorosi	264,456	41,100	88,152	7,746	3,309	404,763
BG Monamodi	209,941	41,100	69,981	6,746	2,718	330,486
I Sayed Suliman	279,922	41,100	-	6,634	2,857	330,513
KB Kenosi	268,230	41,100	11,692	4,954	2,773	328,749
K Venter Jacobs	210,160	41,100	69,762	4,954	2,700	328,676
AN Nyamane	277,244	41,100	92,855	13,248	3,504	427,951
TJ Morebantwa	279,922	41,100	-	4,954	2,840	328,816
KE Pitso	279,922	41,100	-	3,334	2,824	327,180
TJ Keebine	233,155	41,100	46,767	3,334	2,730	327,086
KP Tsile	279,922	41,100	-	3,334	2,824	327,180
KP Lekwape	279,922	41,100	-	3,334	2,824	327,180
P Mokgatlhe	277,574	41,100	92,525	4,380	3,416	418,995
VO Mogale	277,574	41,100	92,525	5,070	3,422	419,691
E Motlogelwa	279,922	41,100	-	3,334	2,824	327,180
I Malatsi	279,922	41,100	-	3,334	2,824	327,180
MP Odiseng	279,922	41,100	-	3,334	2,824	327,180
TP Gaealashwe	279,922	41,100	-	3,334	2,824	327,180
TS Tlhame	279,922	41,100	-	3,334	2,824	327,180
OG Moseki	215,617	41,100	64,305	3,334	91,122	415,478
AN Thale	277,574	41,100	92,525	5,070	3,422	419,691
DA Seakentoa	239,001	41,100	40,921	3,334	2,786	327,142
LP Letshufi	288,086	41,100	96,777	3,334	3,519	432,816
JK Mokgatlhe	308,265	41,100	61,833	5,070	3,484	419,752
DM Modukanele	663,400	41,100	221,133	15,396	7,641	948,670
MIE Moarabi	209,941	41,100	69,981	3,334	2,684	327,040
KR Mogotsi	317,561	24,590	103,016	11,845	3,746	460,758
TV Kena	346,911	41,100	23,187	5,070	3,561	419,829
O Diale	215,617	41,100	64,305	3,334	2,695	327,051
TG Katametsi	339,182	41,100	30,917	5,070	3,546	419,815
RA Kgakatsi	279,922	41,100	-	3,334	2,824	327,180
PJ Molefe	-	41,100	-	1,620	16	42,736
KD Molefe	279,922	-	-	3,334	2,824	286,080
RA Moiloanyane	279,922	41,100	-	2,477	2,815	326,314
M Moumakwa	274,076	41,100	5,846	3,334	2,812	327,168
E Lof	221,463	41,100	58,459	3,334	2,707	327,063
PM Keebine	221,463	41,100	58,459	3,334	2,707	327,063
KJ Ledikwa	279,922	41,100	-	3,334	2,824	327,180
KR Mosiane	209,941	41,100	69,981	3,334	2,684	327,040
JG Pule	-	-	-	2,552	26	2,578
MN Molokwane	-	-	-	1,620	16	1,636
RJ Mafora	-	-	-	1,620	16	1,636
MN Tshikovhi	-	-	-	1,620	16	1,636
SI Modibetsane	-	-	-	1,620	16	1,636
MP Moabi	-	-	-	1,620	16	1,636
SJ Rantwa	-	-	-	1,620	16	1,636
L Motsokwane	-	-	-	2,552	26	2,578
KP Madisa	-	-	-	1,620	16	1,636
IT Moloantoa	-	-	-	1,620	16	1,636
RSB Phetwe	-	-	-	1,620	16	1,636
SF Ngweye	-	-	-	1,620	16	1,636
C Dreyer	-	-	-	2,552	26	2,578
PK Mothoagae	-	-	-	1,620	16	1,636
NT Sapala	-	-	-	1,620	16	1,636
KI Manthoko	-	-	-	2,552	26	2,578
NT Moroeng Sizane	-	-	-	1,620	16	1,636
LJ Selebogo	-	-	-	1,620	16	1,636

Ramotshere Moiloa Local Municipality

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Figures in Rand					2023	2022
37. Related parties (continued)						
B Pheloane	-	-	-	1,620	16	1,636
TR Moiloa	-	-	-	1,620	16	1,636
L Selebogo	-	-	-	7,872	79	7,951
SS Thembo	-	-	-	1,620	16	1,636
LK Mosadi	-	-	-	1,620	16	1,636
AB Cassanga	-	-	-	2,552	26	2,578
OP Modirwa	-	-	-	1,620	16	1,636
UR Morake	-	-	-	1,620	16	1,636
GS Motswenyane	-	-	-	1,620	16	1,636
TB Sebolao	-	-	-	2,552	26	2,578
TE Modisane	-	-	-	1,620	16	1,636
Y Suliman	-	-	-	1,620	16	1,636
LS Sekopametse	-	-	-	2,668	27	2,695
MA Makgokgowa	74,640	10,200	-	653	750	86,243
	10,359,980	1,514,390	1,625,904	244,083	204,660	13,949,017

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022				
37. Related parties (continued)						
2022						
Name	Basic salary	Cellphone allowance	Travel allowance	Backpay	Pension, Medical allowances & Other	Total
C Dreyer	128,709	15,866	-	-	1,266	145,841
KI Manthoko	97,769	15,866	30,940	-	1,204	145,779
NT Moroeng Sizane	73,947	15,866	23,401	-	949	114,163
MP Moabi	73,947	15,866	23,401	-	949	114,163
AN Nyamane	359,630	44,400	116,467	-	4,219	524,716
TR Moiloa	73,947	15,866	23,401	-	982	114,196
PK Mothoagae	90,810	15,866	6,538	-	983	114,197
KB Kenosi	272,430	44,400	-	-	2,760	319,590
SJ Rantwa	73,947	15,866	23,401	-	949	114,163
OP Modirwa	73,947	15,866	23,401	-	949	114,163
JG Pule	128,709	15,866	-	-	1,266	145,841
L Motsokwane	128,709	15,866	-	-	1,266	145,841
UR Morake	73,947	15,866	23,401	-	949	114,163
PR Mogorosi	229,972	44,400	74,620	10,417	2,988	362,397
LJ Selebogo	233,668	15,866	73,946	-	2,760	326,240
PJ Molefe	113,513	18,500	-	-	1,150	133,163
KP Madisa	73,947	15,866	23,401	-	949	114,163
MN Molokwane	73,947	15,866	23,401	-	949	114,163
IT Moloantoa	73,947	15,866	23,401	-	949	114,163
RJ Mafora	73,947	15,866	23,401	-	949	114,163
SS Thembo	97,348	15,966	-	-	996	114,310
TJ Morebantwa	119,352	23,266	23,401	-	155,026	321,045
I Sayed Suliman	297,092	44,400	-	-	2,958	344,450
B Pheloane	73,947	15,866	23,401	-	949	114,163
MN Tshikovhi	73,947	15,866	23,401	-	949	114,163
BG Monamodi	230,202	44,400	74,860	-	2,880	352,342
RSB Phetwe	73,947	15,866	23,401	-	949	114,163
NT Sapala	73,947	15,866	23,401	-	949	114,163
L Selebego	73,947	15,866	23,401	-	941	114,155
K Venter Jacobs	206,942	44,400	65,488	-	2,629	319,459
LK Mosadi	73,947	15,866	23,401	-	949	114,163
AB Cassanga	97,769	15,866	30,940	-	1,204	145,779
SI Modibetsane	73,947	15,866	23,401	-	949	114,163
SF Ngweye	97,348	15,866	-	-	996	114,210
GS Motswenyane	97,348	15,866	-	-	996	114,210
TB Sebolao	97,769	15,866	30,940	-	1,204	145,779
TE Modisane	97,348	15,866	-	-	996	114,210
Y Suliman	97,348	15,866	-	-	996	114,210
KE Piso	158,918	28,534	-	17,436	1,810	206,698
TJ Keebine	158,918	28,534	-	17,436	1,810	206,698
KP Tsile	158,918	28,534	-	17,436	1,810	206,698
KP Lekwape	158,918	28,534	-	17,436	1,810	206,698
P Mokgatlhe	187,981	28,534	7,504	37,627	2,308	263,954
VO Mogale	157,584	28,534	52,528	19,893	2,176	260,715
E Motlogelwa	158,918	28,534	-	17,436	1,810	206,698
I Malatsi	158,918	28,534	-	17,436	1,810	206,698
MP Odiseng	158,918	28,534	-	17,436	1,810	206,698
TP Gaealashwe	158,918	28,534	-	17,436	1,810	206,698
TS Tlhame	158,918	28,534	-	17,436	1,810	206,698
OG Moseki	158,918	28,534	-	17,436	1,810	206,698
AN Thale	157,584	28,534	52,528	19,893	2,176	260,715
DA Seakentoa	158,918	28,534	-	17,436	1,810	206,698

Ramotshere Moiloa Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand				2023	2022	
37. Related parties (continued)						
LP Letshufi	136,215	28,534	28,378	17,436	1,754	212,317
JK Mokgatlhe	210,113	28,534	-	19,893	2,270	260,810
DM Modukanele	484,233	28,534	17,935	33,912	4,857	569,471
MIE Moarabi	158,917	28,534	22,703	17,436	1,785	229,375
KR Mogotsi	387,387	28,534	14,348	29,091	3,962	463,322
TV Kena	210,113	28,534	-	19,893	2,270	260,810
LS Sekopamotse	159,363	25,367	-	17,436	1,619	203,785
O Diale	158,918	28,534	-	17,436	1,810	206,698
TG Katametsi	210,113	28,534	-	19,893	2,270	260,810
RA Kgakatsi	158,918	28,534	-	17,436	1,810	206,698
KD Molefe	158,918	28,534	-	17,436	1,810	206,698
RA Moiloanyane	158,918	28,534	-	17,436	1,810	206,698
M Moumakwa	158,918	28,534	-	17,436	1,810	206,698
E Lof	158,918	28,534	-	17,436	1,810	206,698
PM Keebine	158,918	28,534	-	17,436	1,810	206,698
KJ Ledikwa	158,918	28,534	-	17,436	1,810	206,698
KR Mosiane	130,539	28,534	28,378	17,436	1,920	206,807
	10,186,468	1,665,633	1,150,259	611,540	270,658	13,884,558

Additional information

The salaries, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

38. Risk management

Financial risk management

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

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

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

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38. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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.

At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	376,589	1,550,766	-	-
Payables from exchange transactions	163,450,606	-	-	-
Consumer deposits	2,668,302	-	-	-
Employee benefit obligation	3,069,000	42,771,000	-	-
Provisions	-	40,397,493	-	-
At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	370,573	1,569,417	-	-
Payables from exchange transactions	142,668,018	-	-	-
Consumer deposits	2,515,744	-	-	-
Employee benefit obligation	915,000	52,055,000	-	-
Unspent conditional grants and receipts	13,637,152	-	-	-
Provisions	-	43,873,204	-	-

Credit risk

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

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

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

Financial instrument	2023	2022
Receivables from exchange transactions	20,523,230	20,621,027
Receivables from non-exchange transactions	4,178,089	1,619,037
VAT receivable	386,239	-
Consumer debtors	146,265,065	107,856,227
Cash and cash equivalents	5,776,243	16,724,762

Market risk

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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38. Risk management (continued)

Interest rate risk

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

The municipality's interest rate risk arises from short term deposits. Short term deposits issued at variable rates expose the municipality to cash flow interest rate risk. On the other hand, short term deposits issued at fixed rates expose the municipality to fair value interest rate risk. As at 30 June 2023 and 30 June 2022, the municipality's deposits and bank balances at fixed rate were denominated in the Rand.

Bank

FNB BANK - 62200495960 (B)	150,665	49,534
FNB BANK - 62224998023 (B)	215,887	36,258
FNB BANK - 54351140693 (B)	249,945	5,903
FNB BANK - 62063144431 (B)	1,013,725	247,196
ABSA 20-5825-7453 (B)	55,970	52,779
ABSA 93 0488 7397 (B)	68,693	65,217
ABSA 93 0779 6777 (B)	323,131	306,035
FNB 62689530775 (B)	1,083,044	18,950
FNB 62738773151 (B)	11,531	10,795
FNB 62738772418 (B)	284,990	8,456
FNB 62738773614 (B)	386,979	13,688,220
	3,844,560	14,489,343

39. Going concern

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

During the current year, the entity was placed under section 139(5)(a) & (c) of the Constitution due to financial constraints. A financial recovery plan has been put in place and is closely monitored by Provincial Government. Adjustments were made to the budget of the current and next three financial years to ensure that financial stability is reached and maintained.

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus of R 654 770 414

The entity experienced a positive cash movement during the current year, refer to the Cash Flow Statement on page 9

40. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2023.

41. Unauthorised expenditure

Opening balance as previously reported	208,249,738	165,891,959
Add: Unauthorised expenditure - current	92,832,243	42,357,779
Add: Unauthorised expenditure - prior period	93,274,034	-
Closing balance	394,356,015	208,249,738

Unauthorised expenditure : per vote level

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
41. Unauthorised expenditure (continued)		
2023		
Vote 3 - Technical Services	57,422,628	-
Vote 4 - Community & Social Services	35,409,615	-
	92,832,243	-
2022		
Vote 3 - Technical Services	93,531,955	-
Vote 4 - Community Services & Social Services	42,099,858	-
	135,631,813	-
42. Fruitless and wasteful expenditure		
Opening balance as previously reported	33,784,557	29,066,082
Add: Fruitless and wasteful expenditure identified - current	8,447,640	4,718,475
Closing balance	42,232,197	33,784,557

Fruitless and wasteful expenditure is presented inclusive of VAT.

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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42. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Interest and penalties on late payment	No consequence management followed	8,447,640	9,718,475

43. Irregular expenditure

Opening balance as previously reported	411,064,949	382,048,886
Correction of prior period error	-	18,486,715
Add: Irregular expenditure - current	41,464,499	10,529,348
Closing balance	452,529,448	411,064,949

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

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43. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
No SCM procurement were followed	No disciplinary steps taken	8,550,797	7,873,093
Deviation not approved by Accounting Officer	No disciplinary steps taken	191,160	1,459,440
No declaration of interest attached	No disciplinary steps taken	155,918	537,140
No supporting information	No disciplinary steps taken	622,994	629,775
Quotation different from invoice	No disciplinary steps taken	-	29,900
Request for quotation not sent out in the right period	No disciplinary steps taken	73,944	-
Three quotations not received	No disciplinary steps taken	260,697	-
Missing vouchers	No disciplinary steps taken	31,192,523	-
Services paid for but not rendered	No disciplinary steps taken	29,700	-
Advertisement not submitted	No disciplinary steps taken	74,750	-
Unjustifiable deviation	No disciplinary steps taken	312,016	-
		41,464,499	10,529,348

Cases under investigation

There were no council committee investigations

44. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	303,491	2,641
Current year subscription / fee	1,654,089	1,533,127
Amount paid - current year	(1,957,580)	(1,232,277)
	-	303,491

Ramotshere Moiloa Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

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

Audit fees

Opening balance	2,846,435	4,775,624
Current year subscription / fee	3,586,263	5,456,102
Amount paid - current year	(6,432,698)	(7,385,291)
	-	2,846,435

PAYE and UIF

Opening balance	2,199,551	2,113,742
Current year subscription / fee	27,726,662	27,890,400
Amount paid - current year	(25,511,996)	(25,690,849)
Amount paid - previous years	(2,199,551)	(2,113,742)
	2,214,666	2,199,551

Pension and Medical Aid Deductions

Opening balance	3,415,119	12,684,227
Current year subscription / fee	42,333,367	40,837,173
Amount paid - current year	(38,745,545)	(50,106,281)
Amount paid - previous years	(3,424,364)	-
	3,578,577	3,415,119

VAT

VAT receivable	367,978	-
VAT payable	-	4,747,563
	367,978	4,747,563

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

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

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor LP Leshufi	1,573	34,840	36,413
Councillor AN Thale	1,470	52,378	53,848
Councillor MI Moarabi	1,079	6,725	7,804
	4,122	93,943	98,065

45. Accounting by principals and agents

The municipality is a party to a principal-agent arrangement.

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45. Accounting by principals and agents (continued)		
Details of the arrangements are as follows:		
Ngaka Modiri Molema District Municipality		
The district municipality, Ngaka Modiri Molema entered into a water services agreement/contract with local municipalities within the jurisdiction whereby the district, as the Water Service Authority and a principal to the arrangement, appointed the local municipalities, as Water Service Providers and agents to the arrangement, for the supply of retail water services in their respective areas in accordance with and subject to the provisions of chapter 8 of the Municipal Systems Act. The municipality is an agent.		
Entity as agent		
Revenue recognised		
Revenue recognised	1,962,184	11,170,228
Liabilities relating to the arrangement		
Unspent conditional grant	1,382,603	1,382,603

Ramotshere Moiloa Local Municipality

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Figures in Rand	2023	2022
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46. Deviation from supply chain management regulations

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

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

Deviations 2023	Number of deviations	Rand value
Emergency	14	1,128,933
Sole supplier	10	324,184
Impractical	8	701,580
		2,154,697

Deviations 2022	Number of deviations	Rand value
Sole supplier	4	85,654
Impractical	33	4,357,633
		4,443,287

Reason	Month	Supplier	Amount	Description
Undertaker already in possession of the corpse settled for Pauper burial.	18/08/2022	Keolorato funeral parlour	5,000	Pauper burial
Bell Equipment is an agent as it the manufacturer of the the Bell equipment being repaired. It is only practical that the equipment be repaired by the entity.	18/08/2022	Bell Equipment sales South Africa	40,339	Repairs Bell TLB HNB 504 NW
Bell Equipment is an agent as it the manufacturer of the the Bell equipment being repaired. It is only practical that the equipment be repaired by the entity.	03/08/2022	Bell Equipment sales South Africa	8,796	Repairs Bell TLB HNB 504 NW
The supplier needed to strip the refuse truck in order to diagnose and repair it.	25/08/2022	Lamotech Auto Engineering	286,678	Repairs and maintenance of refuse truck UD90
The supplier needed to strip the bulldozer in order to diagnose and repair it.	13/12/2022	ST Mogwera enterprise and trading	234,000	Repair bulldozer
Due to the frequent breakdowns of the refuse truck, the municipality opted to hire a refuse truck in order to provide services to the public.	17/11/2022	Serokolo construction and projects	60,000	Hire refuse truck
Due to the frequent breakdowns of the refuse truck, the municipality opted to hire a refuse truck in order to provide services to the public.	18/11/2022	Mmathebe and sons	60,000	Hire refuse truck
Generators were due for service and needed to be serviced urgently the municipality does not have capacity to service the generators. The service provider was sourced urgently as generators are used for water pumping during load shedding.	24/01/2023	OHMS Technics	50,180	Servicing of standby generators
During the repairing of the Toyota Quantum it was discovered that more repairs were needed by Nana Motors on the vehicle and an initial quotation had to be reviewed to a discovery of other damages during the repair.	25/01/2023	Nana Motors	7,025	Repairs of Toyota Quantum
Undertaker already in possession of the corpse settled for Pauper burial.	27/01/2023	Avbob	2,500	Pauper burial of baby Sophy Maite Mosweu of Groot Marico

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Figures in Rand			2023	2022
46. Deviation from supply chain management regulations (continued)				
The municipality is using conlog electrical meters, the meters were needed urgently and were purchased from the manufacturers which are sole providers.	31/01/2023	Conlog (pty) Ltd	372,945	Electrical meters and keypads
As the equipment was purchased from the supplier, the supplier calibrated and services the equipment.	07/03/2023	Workshop Electronics	19,528	Calibration of machines at testing station
Undertaker already in possession of the corpse settled for Pauper burial.	17/03/2023	Ke Batho Botlhe Funeral Parlour	10,300	Pauper burial of Dinah Legodi at Lekubu
The 7 days advertisement was done and the service provider that was appointed failed to deliver within 30 days. Carboncor was appointed on an emergency as the municipality has been experiencing heavy rainfall since December to date which caused a lot of unmanageable potholes with the municipality jurisdiction.	24/03/2023	Carboncor South Africa	185,438	Supply and delivery of 2500 bags of cold asphalt.
Due to the frequent breakdowns of the TLB, the municipality opted to hire a TLB in order to provide services to the public.	14/04/2023	Moredi trading and projects	76,878	Hire TLB for digging of graves
As the equipment was purchased from the supplier, the supplier calibrated and services the equipment.	14/04/2023	Truvelo Africa Electronics division	12,973	Calibration of machines of speed machines.
Arc GIS Annual licence fee	21/04/2023	ESRI South Africa	89,710	ArcGIS licence
The supplier needed to strip the refuse truck in order to diagnose and repair it.	03/09/2022	Nana Motors	6,000	Repair Nissan Refuse Truck
The supplier needed to strip the refuse truck in order to diagnose and repair it.	17/05/2023	Nana Motors	133,049	Repair of the refuse truck gear box.
The service provider is been contracted by the department of cooperative governance to asses the section 56 and 57 managers before appointment.	12/05/2023	Gigima	64,800	Assessment for section 56 and 57 managers
As the equipment was purchased from the supplier, the supplier calibrated and services the equipment.	02/06/2023	Truvelo Africa Electronics division	29,750	Training of traffic officers
The supplier needed to strip and qoute the tractor in order to diagnose and repair the dieselpump.	04/05/2023	German Motors t/a heavy feathers	24,216	Repair diesel pipe
The supplier needed to strip the refuse truck in order to diagnose and repair it.	01/05/2023	Nana Motors	35,235	Repair refuse truck
The community of Ramotshere were without water for days due to the breakdown of the standby generator at rietpoort. The generator needed to be transported from Oppitopi to Rietpoort urgently.	26/06/2023	Zeerust towing	13,158	Loading generator at Oppitopi and offloading at Rietpoort.
Due to the frequent breakdowns of the refuse truck, the municipality opted to hire a refuse truck in order to provide services to the public.	23/06/2023	Grahess Holdings	88,900	Hire truck for 7 days for refuse removal at Lhurutshe
Due to the frequent breakdowns of the refuse truck, the municipality opted to hire a refuse truck in order to provide services to the public.	03/05/2023	Kabelos Construction and Transport	84,000	Hire truck for 7 days for refuse removal at Ikageleng Sandvlagte Henryville and town.

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Figures in Rand			2023	2022
46. Deviation from supply chain management regulations (continued)				
Road transport and legislation	30/03/2023	Lexis Nexis	5,967	Procurement of regulation books and Acts.
Rented printing machines were not working hence an emergency procurement was requested to print the council agenda.	26/06/2023	MRG Business Solutions	67,500	Printing of the council agenda
Road transport and legislation	13/06/2023	Lexis Nexis	2,265	Procurement of regulation books and Acts
UD Truck is an agent of the the Nissan UD 90 refuse truck. It is only practical that the equipment be repaired by the entity.	13/07/2022	Zizanco 203 (Pty) Ltd T A UD Trucks Litchteburg	45,370	Repairs of UD Trucks
Urgent towing of the municipal refuse truck to the municipal workshop after breakdown as it was causing a traffic congestion.	04/08/2022	Zeerust Towing	6,900	Towing of the refuse truck to the municipal workshop.
Due to the frequent breakdowns of the TLB, the municipality opted to hire a TLB in order to provide services to the public.	30/06/2023	Moredi trading and projects	25,300	Hire TLB for digging of graves.
			2,154,700	

47. Prior period errors

Prior period errors were identified during the current year and corrected in line with GRAP 3 - Accounting Policies, Changes in Accounting Policies and Errors.

Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassification of comparatives had on the amounts disclosed in the annual financial statements, followed by a description of each of the individual prior period error with the amounts involved.

Statement of financial position

	As previously reported	Correction of error	Restated
Accumulated surplus	(592,520,411)	(35,565,599)	(628,086,010)
Property, plant and equipment - Roads & Stormwater assets	433,470,934	42,463,413	475,934,347
Payables from exchange transactions - Trade payables	(95,220,549)	(1,105,539)	(96,326,088)
Consumer debtors - Rates - Gross balance	(63,997,879)	(1,119,816)	(65,117,695)
Property, plant and equipment - Community	49,642,716	236,898	49,879,614
Property, plant and equipment - Buildings	17,446,119	809,071	18,255,190
Receivables from non-exchange transactions - Fines	211,411	1,357,947	1,569,358
Provisions - Long service award	(9,459,000)	9,459,000	-
Payables from exchange transactions - Retentions	(6,685,033)	(2,901,916)	(9,586,949)
Unspent conditional grants and receipts - NMMDM Water Grant	(1,382,603)	1,382,603	-
Unspent conditional grants and receipts - LGSETA - Current liability	(919,182)	919,182	-
Payables from exchange transactions - Other payables	(572,955)	572,955	-
Payables from exchange transactions - Other payables	(7,284,354)	572,955	(6,711,399)
Payables from exchange transactions - Purchase accrual	(666,757)	573,333	(93,424)
Inventories - Consumable stores	9,680,934	5,889	9,686,823
VAT receivable/payable	(5,652,551)	904,989	(4,747,562)
Consumer debtors - Electricity - Gross balance	422,616,550	(6,930,768)	415,685,782
Employee benefit obligations - Long service award	-	(9,459,000)	(9,459,000)
	148,707,390	2,175,597	150,882,987

Ramotshere Moiloa Local Municipality

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47. Prior period errors (continued)

Statement of financial performance

	As previously reported	Correction of error	Restated
Property rates - Commercial	(15,395,465)	272,547	(15,122,918)
Sundry Income	(984,747)	(760)	(985,507)
Fines, Penalties and Forfeits - Municipal Traffic Fines	(353,154)	(1,357,947)	(1,711,101)
Property rates - State	(816,583)	115,805	(700,778)
Government grants & subsidies - LG SETA	-	(222,450)	(222,450)
Rental income	(92,368)	3,577	(88,791)
General expenses - Fuel and oil	2,072,862	97,929	2,170,791
Repairs and maintenance	14,933,152	36,466	14,969,618
General expenses - Tools	150,220	3,728	153,948
General expenses - Consulting and professional fees	45,672,587	(573,333)	45,099,254
General expenses - Inventory adjustment	481,678	21,795	503,473
	45,668,182	(1,602,643)	44,065,539

47.01 Reclassifications

The following reflects financial statements line items which were misclassified in the prior year, These misclassifications have been corrected and the opening balances were adjusted with the effect thereof as follows:

Statement of Financial Position

Increase in Employee benefit obligations - Long service award	-	(9,459,000)
Decrease in Provisions - Long service award	-	9,459,000
	-	-

47.02 Retentions paid but incorrectly cleared

Retentions arising in prior years were paid to respective service providers, however, these payments were not accounted for appropriately to reflect the applicable effects on retentions payable. These errors have been corrected and the opening balances were adjusted with the effect thereof as follows:

Statement of Financial Position

Increase in Payables from exchange transactions - Retentions	-	(2,901,916)
Decrease in Accumulated surplus	-	2,901,916
	-	-

47.03 Third-party liabilities understated

Third-party liabilities arising from employee related costs transactions were not accurately recorded. These errors have been corrected and the opening balances were adjusted with the effect thereof as follows:

Statement of Financial Position

Decrease in Payables from exchange transactions - Third party payables	-	572,955
Increase in Accumulated surplus	-	(572,955)
	-	-

47.04 Accruals for consulting fees

Expenditure relating to consulting and professional fees was overstated in the prior year, thereby leading to a corresponding overstatement of accruals payable. These errors have been corrected and the opening balances were adjusted with the effect thereof as follows:

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47. Prior period errors (continued)

Statement of Financial Position

Decrease in Payables from exchange transactions - Purchase accrual - 573,333

Statement of Financial Performance

Decrease in General expenses - Consulting and professional fees - (573,333)

- -

47.05 Understatement of traffic fines

Revenue arising from traffic fines was understated in the prior year, thereby leading to a corresponding understatement of receivables from municipal debtors. These errors have been corrected and the opening balances were adjusted with the effect thereof as follows:

Statement of Financial Position

Increase in Receivables from non-exchange transactions - Fines - 1,357,947

Statement of Financial Performance

Increase in Fines, Penalties and Forfeits - Municipal Traffic Fines - (1,357,947)

- -

47.06 Cemetery charges incorrectly allocated to rental income.

Revenue arising from cemetery charges was incorrectly allocated to the rental income account in the prior year. These errors have been corrected and the opening balances were adjusted with the effect thereof as follows:

Statement of Financial Performance

Decrease in Rental income - 760

Increase in Sundry Income - (760)

- -

47.07 VAT on rental income not accounted for

VAT levied on rental income in the prior year was not accounted for, thereby leading to an understatement of accruals payable. These errors have been corrected and the opening balances were adjusted with the effect thereof as follows:

Statement of Financial Position

Increase in Payables from exchange transactions - VAT receivable/payable - (2,922)

Statement of Financial Performance

Decrease in Rental income - 2,922

- -

47.08 Understatement of commitments

The balance of commitments in the prior year were understated as a result of payments to suppliers exceeding the contract value, resulting in negative commitment balances. As the municipality did not owe these suppliers, there was no commitment in this regard. These errors have been corrected and the opening balance was reduced by R919,383

48. Budget differences

Material differences between budget and actual amounts

48.1 Service charges

Services charges were budgeted with the anticipation of increased revenue from new residential settlements and increased commercial property, as a result of increased economic activity and growth. This growth did not occur as anticipated.

48.2 Licence and permit

Ramotshere Moiloa Local Municipality

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Figures in Rand	2023	2022
48. Budget differences (continued)		
Variance caused as a result of overbudgeting.		
48.3 Connections and disconnections		
Variance caused as a result of under budgeting.		
48.4 Rental income		
Variance caused as a result of under budgeting		
48.5 Sundry income		
Variance caused as a result of overbudgeting.		
48.6 Sale of land		
The variance is due to the budget being understated.		
48.7 Interest received - investment		
The variances is due to interest earned on conditional grants ringfenced and investment in call accounts.		
48.8 Property rates		
Property rates were budgeted with the anticipaiton of increased revenue from new residential settlements and increased commercial property, as a result of increased economic activity and growth. This growth did not occur as anticipated.		
48.9 Government grants & subsidies		
The variance is due to the expected grant revenue from Ngaka Modiri Molema District Municipality (R12m) not being fully received as intended. The grant from Ngaka Modiri Molema District Municipality was instead received as an in-kind allocation of procurements on behalf of the municipality amounting to R5,3m		
48.10 Fines, Penalties and Forfeits		
Fines, penalties and forfeits were budgetted for based on an expectation of decreased traffic fines due to improved driver behaviour, in relation to promotion of safe driving campaigns (e.g. officer monitoring). However, the traffic monitoring activities as per these campaigns led to increased value of trafic fines		
48.11 Personnel		
The variance is due to budgeted positions not filled.		
48.12 Remuneration of councillors		
Variance is due to implementation of upper limits.		
48.13 Depreciation and amortisation		
Variance is due to movement of work in progress in capital projects which were completed. This impacted the depreciation.		
46.14 Finance costs		
Variance is due to interest on overdue account on Eskom which were caused by non-payment.		
46.15 Lease rentals on operating lease		
Expenditure on lease rentals on operating leases was budgetted for as part of other (general expenditure).		
46.16 Debt Impairment		

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48. Budget differences (continued)

Variance is due to impairment on debtors not completed due to receivables data not being cleansed.

46.17 Repairs and maintenance

Expenditure on repairs and maintenance was budgetted for as part of other (general expenditure).

46.18 Bulk purchases

The variance is due to under budgeting.

46.19 Contracted services

The variance is due to non-implementation of all contracted mandates due to cashflow issues.

46.20 General expenses

The variance is due to under budgeting.

46.21 Loss on disposal of assets and liabilities

The variance is due to under budgeting for losses.

46.22 Actuarial valuation movement

Actuarial gains or losses were not budgeted for.

49. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Ramotshere Moiloa Local Municipality

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49. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Budget And Treasury	Community and Social	Corporate Services	Executive And Council	Municipal Manager	Municipal Planning and Development	Technical Services	Total
Revenue								
Property rates	(24,512,613)	-	-	-	-	-	(29,141,561)	(53,654,174)
Service charges	(8,173,742)	-	-	-	-	-	(67,159,345)	(75,333,087)
Government grants & subsidies	(11,845,252)	(36,511,995)	(48,782,688)	(30,362,771)	(8,069,900)	(17,434,950)	(110,675,969)	(263,683,525)
Investment revenue	(805,190)	-	-	-	-	-	-	(805,190)
Licences and permits	-	(3,475,509)	-	-	-	-	-	(3,475,509)
Rental income	(89,298)	-	-	-	-	-	506	(88,792)
Connections and disconnections	-	-	-	-	-	-	(783,446)	(783,446)
Fines, Penalties and Forfeits	-	(1,713,001)	-	-	-	-	-	(1,713,001)
Sale of Land	-	-	-	-	-	(513,627)	-	(513,627)
Sundry Income	(654,859)	(128,793)	(239)	-	-	(73,142)	(128,474)	(985,507)
Actuarial valuation movement	(1,562,000)	-	-	-	-	-	-	(1,562,000)
Total segment revenue	(47,642,954)	(41,829,298)	(48,782,927)	(30,362,771)	(8,069,900)	(18,021,719)	(207,888,289)	(402,597,858)
Entity's revenue								(402,597,858)

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	Budget And Treasury	Community and Social	Corporate Services	Executive And Council	Municipal Manager	Municipal Planning and Development	Technical Services	Total
49. Segment information (continued)								
Expenditure								
Bulk purchases	-	-	-	-	-	-	72,171,258	72,171,258
Contracted services	-	12,203,258	322,745	-	-	-	-	12,526,003
Debt Impairment	6,891,783	-	-	-	-	-	-	6,891,783
Depreciation and amortisation	477,193	3,834,872	1,318,663	-	-	-	36,111,723	41,742,451
Employee related costs	29,711,562	30,249,989	14,070,266	4,900,884	11,579,857	9,222,917	58,001,154	157,736,629
Finance costs	9,461,019	-	-	-	-	-	3,904,488	13,365,507
General expenses	34,355,017	2,374,991	14,780,270	5,638,565	2,772,305	2,326,819	13,497,371	75,745,338
Lease rentals on operating lease	-	19,819	1,417,471	-	-	-	120,000	1,557,290
Loss on disposal of assets and liabilities	43,935	-	-	-	-	-	5,220,907	5,264,842
Remuneration of councillors	-	-	-	13,884,477	-	-	-	13,884,477
Repairs and maintenance	-	347,687	256,206	-	-	-	14,365,726	14,969,619
Total segment expenditure	80,940,509	49,030,616	32,165,621	24,423,926	14,352,162	11,549,736	203,392,627	415,855,197
Total segmental surplus/(deficit)	(128,583,463)	(90,859,914)	(80,948,548)	(54,786,697)	(22,422,062)	(29,571,455)	(411,280,916)	(818,453,055)

2022

Budget And Treasury	Community and Social	Corporate Services	Executive And Council	Municipal Manager	Municipal Planning and Development	Technical Services	Total
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Ramotshere Moiloa Local Municipality

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49. Segment information (continued)

Revenue

Actuarial valuation movement	(15,529,000)	-	-	-	-	-	-	(15,529,000)
Connections and disconnections	-	-	-	-	-	-	(248,901)	(248,901)
Fines, Penalties and Forfeits	-	(762,200)	-	-	-	-	-	(762,200)
Government grants & subsidies	(12,019,118)	(58,925,182)	(37,518,268)	(29,705,545)	(20,415,010)	(11,443,939)	(110,713,225)	(280,740,287)
Investment revenue	(2,374,282)	-	-	-	-	-	-	(2,374,282)
Licences and permits	-	(3,592,383)	-	-	-	-	-	(3,592,383)
Property rates	(24,856,409)	-	-	-	-	-	(29,444,402)	(54,300,811)
Rental income	(79,653)	-	-	-	-	-	(19,952)	(99,605)
Sale of Land	-	-	-	-	-	(25,761)	-	(25,761)
Service charges	3,504,999	-	-	-	-	-	(81,459,545)	(77,954,546)
Sundry Income	(560,550)	(2,044,482)	(239)	-	-	(9,532)	(96,636)	(2,711,439)

Total segment revenue

(51,914,013) (65,324,247) (37,518,507) (29,705,545) (20,415,010) (11,479,232) (221,982,661) (438,339,215)

Entity's revenue

(438,339,215)

Expenditure

Bulk purchases	1	1	1	1	1	-	70,240,167	70,240,172
Contracted services	-	14,012,029	340,449	-	-	-	4,850	14,357,328
Depreciation and amortisation	-	-	623,426	-	-	-	51,248,991	51,872,417
Employee related costs	30,501,559	31,204,045	13,545,838	5,420,238	11,031,070	9,112,009	58,943,456	159,758,215
Finance costs	14,095,976	-	-	-	-	-	-	14,095,976
General expenses	25,428,542	2,445,464	10,834,119	8,291,004	1,118,406	1,668,429	11,139,617	60,925,581
Lease rentals on operating lease	-	65,430	1,402,606	-	-	-	-	1,468,036
Loss on disposal of assets and liabilities	(13,713)	-	-	-	-	-	488,933	475,220
Remuneration of councillors	-	-	-	13,949,006	-	-	-	13,949,006
Repairs and maintenance	-	271,891	4,875	-	-	-	16,682,940	16,959,706

Total segment expenditure

70,012,365 47,998,860 26,751,314 27,660,249 12,149,477 10,780,438 208,748,954 404,101,657

Total segmental surplus/(deficit)

(121,926,378) (113,323,107) (64,269,821) (57,365,794) (32,564,487) (22,259,670) (430,731,615) (842,440,872)

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.